



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the South Eastern Sydney 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 of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Presentation of Budget Information

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

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY

South Eastern Sydney 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 South Eastern Sydney 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 South Eastern Sydney 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 'Tobi Wilson'.

Tobi Wilson
Chief Executive
26 September 2022

A handwritten signature in black ink, appearing to read 'Fiona Yao'.

Fiona Yao
Acting Director of Finance
26 September 2022

South Eastern Sydney Local Health District
Statement of Comprehensive Income 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
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,311,050	1,317,536	1,256,998	-	-
Personnel services	3	-	-	-	1,322,520	1,262,043
Visiting medical officers	4	68,364	67,580	68,858	68,364	68,858
Other expenses	5	618,359	605,627	552,484	618,359	552,484
Depreciation and amortisation	6	86,796	86,760	82,050	86,796	82,050
Grants and subsidies	7	18,487	19,416	18,469	18,487	18,469
Finance costs	8	529	1,305	496	529	496
Payments to Affiliated Health Organisations	9	59,885	59,170	58,535	59,885	58,535
Total expenses excluding losses		2,163,470	2,157,394	2,037,890	2,174,940	2,042,935
Revenue						
Ministry of Health recurrent allocations	12	1,738,292	1,690,300	1,643,843	1,738,292	1,643,843
Ministry of Health capital allocations	12	158,814	163,688	215,279	158,814	215,279
Acceptance by the Crown ² of employee benefits	16	(11,470)	(11,364)	(5,045)	-	-
Sale of goods and services from contracts with customers	13	214,199	264,961	252,959	214,199	252,959
Investment revenue	14	189	2,376	941	189	941
Grants and other contributions	15	61,770	58,995	51,276	61,770	51,276
Other income	17	17,904	32,398	16,107	17,904	16,107
Total revenue		2,179,698	2,201,354	2,175,360	2,191,168	2,180,405
Operating result		16,228	43,960	137,470	16,228	137,470
Gains / (losses) on disposal	18	(662)	-	(1,388)	(662)	(1,388)
Impairment losses on financial assets	22	(812)	(2,658)	(2,309)	(812)	(2,309)
Other gains / (losses)	19	(582)	(578)	-	(582)	-
Net result from continuing operations	40	14,172	40,724	133,773	14,172	133,773
Net result		14,172	40,724	133,773	14,172	133,773
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	26	154,375	-	89,418	154,375	89,418
Total other comprehensive income		154,375	-	89,418	154,375	89,418
TOTAL COMPREHENSIVE INCOME		168,547	40,724	223,191	168,547	223,191

¹ Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Financial Position as at 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
ASSETS						
Current assets						
Cash and cash equivalents	21	114,198	37,895	61,964	114,198	61,964
Receivables	22	67,463	110,083	90,759	67,463	90,759
Inventories	23	27,077	26,465	25,383	27,077	25,383
Financial assets at fair value	24	-	44,473	44,473	-	44,473
Total current assets		208,738	218,916	222,579	208,738	222,579
Non-current assets						
Receivables	22	494	559	559	494	559
Other financial assets	25	7,948	7,713	7,713	7,948	7,713
Property, plant & equipment	26					
- Land and buildings		2,149,390	1,998,675	1,909,816	2,149,390	1,909,816
- Plant and equipment		122,310	126,140	105,148	122,310	105,148
- Infrastructure systems		57,596	52,986	57,934	57,596	57,934
Total property, plant & equipment		2,329,296	2,177,801	2,072,898	2,329,296	2,072,898
Right-of-use assets	27	25,646	25,946	23,788	25,646	23,788
Intangible assets	28	218	217	212	218	212
Total non-current assets		2,363,602	2,212,236	2,105,170	2,363,602	2,105,170
Total assets		2,572,340	2,431,152	2,327,749	2,572,340	2,327,749
LIABILITIES						
Current liabilities						
Payables	31	141,745	137,640	101,524	141,745	101,524
Contract liabilities	32	175	371	371	175	371
Borrowings	33	5,435	5,077	5,424	5,435	5,424
Provisions	34	294,490	295,687	256,740	294,490	256,740
Other current liabilities	35	40,143	40,270	43,486	40,143	43,486
Total current liabilities		481,988	479,045	407,545	481,988	407,545
Non-current liabilities						
Borrowings	33	21,407	22,045	19,230	21,407	19,230
Provisions	34	4,552	4,087	4,557	4,552	4,557
Other non-current liabilities	35	7,353	6,366	7,923	7,353	7,923
Total non-current liabilities		33,312	32,498	31,710	33,312	31,710
Total liabilities		515,300	511,543	439,255	515,300	439,255
Net assets		2,057,040	1,919,609	1,888,494	2,057,040	1,888,494
EQUITY						
Reserves		523,188	368,813	368,771	523,188	368,771
Accumulated funds		1,533,852	1,550,796	1,519,723	1,533,852	1,519,723
Total Equity		2,057,040	1,919,609	1,888,494	2,057,040	1,888,494

¹ Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

South Eastern Sydney 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		1,519,722	368,771	1,888,493
Net result for the year		14,172	-	14,172
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	154,375	154,375
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(42)	42	-
Total other comprehensive income		(42)	154,417	154,375
Total comprehensive income for the year		14,130	154,417	168,547
Balance at 30 June 2022		1,533,852	523,188	2,057,040

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		1,386,153	278,841	1,664,994
Net result for the year		133,773	-	133,773
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	89,418	89,418
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(512)	512	-
Total other comprehensive income		(512)	89,930	89,418
Total comprehensive income for the year		133,261	89,930	223,191
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	36	309	-	309
Balance at 30 June 2021		1,519,723	368,771	1,888,494

The accompanying notes form part of these financial statements.

South Eastern Sydney 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		(1,297,995)	(1,294,326)	(1,274,777)	-	-
Suppliers for goods and services		(674,184)	(721,495)	(652,659)	(674,184)	(652,659)
Grants and subsidies		(85,474)	(85,687)	(83,662)	(85,474)	(83,662)
Finance costs		(1,295)	(538)	(496)	(1,295)	(496)
Personnel services		-	-	-	(1,297,995)	(1,274,777)
Total payments		(2,058,948)	(2,102,046)	(2,011,594)	(2,058,948)	(2,011,594)
Receipts						
Ministry of Health recurrent allocations		1,738,292	1,690,300	1,643,843	1,738,292	1,643,843
Ministry of Health capital allocations		158,814	163,688	215,279	158,814	215,279
Reimbursements from the Crown ²		20,436	20,436	17,049	20,436	17,049
Sale of goods and services		226,537	266,261	238,141	226,537	238,141
Interest received		688	2,149	643	688	643
Grants and other contributions		54,717	53,004	56,226	54,717	56,226
Other		56,597	73,268	70,369	56,597	70,369
Total receipts		2,256,081	2,269,106	2,241,550	2,256,081	2,241,550
NET CASH FLOWS FROM OPERATING ACTIVITIES	40	197,133	167,060	229,956	197,133	229,956
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		-	-	100	-	100
Proceeds from sale of financial assets		43,711	-	-	43,711	-
Purchases of property, plant and equipment and intangibles		(183,019)	(185,643)	(231,499)	(183,019)	(231,499)
Purchases of financial assets		-	-	(352)	-	(352)
Other		-	226	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(139,308)	(185,417)	(231,751)	(139,308)	(231,751)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(5,591)	(5,712)	(5,308)	(5,591)	(5,308)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5,591)	(5,712)	(5,308)	(5,591)	(5,308)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	21	52,234	(24,069)	(7,103)	52,234	(7,103)
CLOSING CASH AND CASH EQUIVALENTS	21	114,198	37,895	61,964	114,198	61,964

¹ Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

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

The SESLHD 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 SESLHD, 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 30), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The South Eastern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SESLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD 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 23 September 2022.

b) Basis of preparation

The SESLHD'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 SESLHD have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of the South Eastern Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the SESLHD'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 SESLHD 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 SESLHD has seen a decline in expected 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.

South Eastern Sydney 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 SESLHD has received an additional \$170.00 million (2021: \$124.10 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 12.

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 SESLHD 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 SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD 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.

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

SESLHD has determined that it is not probable a liability arises to pay superannuation 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.

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the SESLHD'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 SESLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

e) Foreign currency translation

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

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

South Eastern Sydney 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

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

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

f) Comparative Information

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

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

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

(i) Effective for the first time in 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 SESLHD.

(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 SESLHD, 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 SESLHD.

h) Impact of COVID-19 on Financial Reporting for 2021-22

The COVID-19 pandemic has resulted in significant changes in the SESLHD 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 Operating expenses
- * Note 7 Grants and subsidies
- * Note 12 Ministry of Health allocations
- * Note 13 Sale of goods and services from contracts with customers
- * Note 15 Grants and other contributions
- * Note 19 Other gains / (losses)
- * Note 22 Receivables
- * Note 23 Inventories
- * Note 27 Leases
- * Note 29 Fair value measurement of non-financial assets
- * Note 31 Payables
- * Note 34 Provisions
- * Note 39 Adjusted budget review
- * Note 45 Events after the reporting period

South Eastern Sydney 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)	1,200,736	1,138,857	-	-
Superannuation - defined benefit plans	5,089	5,110	-	-
Superannuation - defined contribution plans	113,239	101,802	-	-
Long service leave	(21,786)	(1,130)	-	-
Redundancies	343	517	-	-
Workers' compensation insurance	13,333	11,746	-	-
Fringe benefits tax	96	96	-	-
	1,311,050	1,256,998	-	-

Refer to Note 34 for further details on recognition and measurement of employee related expenses.

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

The long service leave in 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)	-	-	1,200,736	1,138,857
Superannuation - defined contribution plans	-	-	113,239	101,802
Long service leave	-	-	(5,227)	9,025
Redundancies	-	-	343	517
Workers' compensation insurance	-	-	13,333	11,746
Fringe benefits tax	-	-	96	96
	-	-	1,322,520	1,262,043

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

Personnel services of \$Nil (2021: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the SESLHD's hospitals. VMO expenses of \$68.36 million (2021: \$68.86 million) represent part of the day-to-day running costs incurred in the normal operations of the SESLHD. These costs are expensed as incurred.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Advertising	459	326	459	326
Auditor's remuneration - audit of financial statements	265	444	265	444
Blood and blood products	13,314	12,167	13,314	12,167
Consultancies	361	5,097	361	5,097
Contractors	12,367	3,229	12,367	3,229
Domestic supplies and services	29,519	25,762	29,519	25,762
Drug supplies*	85,018	73,142	85,018	73,142
Food supplies	30,898	30,149	30,898	30,149
Fuel, light and power	11,660	11,742	11,660	11,742
Patient transport costs	12,848	12,358	12,848	12,358
Information management expenses	45,596	42,320	45,596	42,320
Insurance	2,094	1,863	2,094	1,863
Maintenance (see Note 5 (b))	53,848	51,781	53,848	51,781
Medical and surgical supplies	106,005	108,348	106,005	108,348
Motor vehicle expenses	1,207	1,413	1,207	1,413
Postal and telephone costs	4,058	3,426	4,058	3,426
Printing and stationery	3,615	3,836	3,615	3,836
Rates and charges	1,615	1,529	1,615	1,529
Hosted services purchased from entities controlled by the immediate parent	396	542	396	542
Specialised services (dental, radiology, pathology and allied health)	97,750	88,875	97,750	88,875
Staff related costs	14,014	11,763	14,014	11,763
Travel related costs	3,370	1,892	3,370	1,892
Other (see Note 5 (a))	88,082	60,480	88,082	60,480
	618,359	552,484	618,359	552,484

* Drug supplies includes \$9.31 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within the SESLHD. Refer to Note 23 for further details on COVID-19 vaccines.

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

South Eastern Sydney 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	57,107	34,630	57,107	34,630
Corporate support services	11,599	11,971	11,599	11,971
Courier and freight	1,376	1,420	1,376	1,420
Isolated patient travel and accommodation assistance scheme	215	171	215	171
Legal services	178	350	178	350
Membership/professional fees	1,875	1,059	1,875	1,059
Quality assurance / accreditation	269	395	269	395
Security services	1,255	728	1,255	728
Expenses relating to short-term leases	3,191	2,025	3,191	2,025
Expenses relating to leases of low-value assets	389	400	389	400
Variable lease payments, not included in lease liabilities	-	83	-	83
Other miscellaneous	10,628	7,248	10,628	7,248
	88,082	60,480	88,082	60,480
(b) Reconciliation of total maintenance expense				
Maintenance contracts	23,400	19,319	23,400	19,319
New / replacement equipment under \$10,000	17,352	21,112	17,352	21,112
Repairs maintenance / non contract	15,182	13,735	15,182	13,735
Other	(2,086)	(2,385)	(2,086)	(2,385)
Maintenance expense - contracted labour and other (non-employee related) in Note 5	53,848	51,781	53,848	51,781
Employee related/personnel services maintenance expense included in Notes 2 and 3.	5,335	5,264	5,335	5,264
	59,183	57,045	59,183	57,045

South Eastern Sydney 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 SESLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 31.

Insurance

The SESLHD'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 SESLHD recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

South Eastern Sydney 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	57,241	55,496	57,241	55,496
Depreciation - plant and equipment	18,504	16,063	18,504	16,063
Depreciation - infrastructure systems	4,948	4,822	4,948	4,822
Depreciation - right-of-use buildings	2,543	2,316	2,543	2,316
Depreciation - right-of-use plant and equipment	3,518	3,310	3,518	3,310
Amortisation - intangible assets	42	43	42	43
	86,796	82,050	86,796	82,050

Refer to Note 26 Property, plant and equipment, Note 27 Leases, and Note 28 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-government organisations	14,265	13,813	14,265	13,813
Grants to research organisations	1,111	1,711	1,111	1,711
Grants to entities controlled by the immediate parent*	1,337	1,442	1,337	1,442
Other grants*	1,774	1,503	1,774	1,503
	18,487	18,469	18,487	18,469

* The SESLHD 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 \$0.75 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

8. Finance costs

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest expense from lease liabilities	529	496	529	496
	529	496	529	496

Recognition and Measurement

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

9. Payments to Affiliated Health Organisations

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
(a) Recurrent sourced				
Calvary Health Care Sydney	39,238	38,105	39,238	38,105
War Memorial Hospital Waverley	19,122	18,966	19,122	18,966
Eastern Sydney SCARBA Centre	1,525	1,464	1,525	1,464
	59,885	58,535	59,885	58,535

Recognition and Measurement

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

General operating expenses / revenues of Calvary Health Care Sydney, War Memorial Hospital Waverley and Eastern Sydney SCARBA Centre have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the health organisations concerned. SESLHD is not deemed to own or control the various assets / liabilities of the aforementioned health organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

10. Revenue

Recognition and Measurement

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

Under the GSF Act 2018, the SESLHD'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 SESLHD which forms part of the consolidated fund and is not appropriated to the SESLHD by an Act.

11. Summary of compliance

The Appropriation Act 2021 (Appropriations Act) appropriates the sum of \$15,786,793,288 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, including the SESLHD.

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 SESLHD 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 SESLHD'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 SESLHD to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the SESLHD. 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.

12. Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the SESLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the SESLHD 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 SESLHD recognised additional Ministry of Health recurrent allocations of \$168.00 million (2021: \$117.24 million) and Ministry of Health capital allocations of \$2.00 million (2021: \$6.86 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

12. 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.

13. 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	37,316	40,998	37,316	40,998
Sale of prostheses	9,382	11,212	9,382	11,212
Other	379	452	379	452
	47,077	52,662	47,077	52,662

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	91,230	101,438	91,230	101,438
- Nursing home fees	138	113	138	113
- Non inpatient fees	6,560	6,764	6,560	6,764
Department of Veterans' Affairs	11,287	13,540	11,287	13,540
Motor Accident Authority third party	8,335	13,259	8,335	13,259
Multi Purpose Service Centre fees	173	179	173	179
Enteral nutrition	7	8	7	8

Staff

Private use of motor vehicles	33	50	33	50
Salary packaging fee	563	552	563	552
Meals and accommodation	176	267	176	267
Child care fees	1,232	1,413	1,232	1,413

General community

Car parking	2,013	2,920	2,013	2,920
Clinical services (excluding clinical drug trials)	368	503	368	503
Commercial activities	1,043	5,460	1,043	5,460
Fees for conferences and training	527	239	527	239
Fees for medical records	254	232	254	232
Information retrieval	41	5	41	5

Non-NSW Health entities

Services to other organisations	2,175	3,213	2,175	3,213
---------------------------------	-------	-------	-------	-------

Entities controlled by the immediate parent

Hosted service revenues	10,988	10,825	10,988	10,825
Shared corporate service revenues	59	-	59	-

Other

Infrastructure fees - annual charge	8,900	12,358	8,900	12,358
Infrastructure fees - monthly facility charge	20,767	26,602	20,767	26,602
Other	253	357	253	357

	167,122	200,297	167,122	200,297
	214,199	252,959	214,199	252,959

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. 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 SESLHD satisfies a performance obligation by transferring the promised goods.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. 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 32 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 SESLHD expects to recognise the unsatisfied portion as revenue.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

14. Investment revenue

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest income from financial assets at amortised cost	263	175	263	175
Finance income on the net investment in the lease	235	228	235	228
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	(338)	528	(338)	528
Royalties	5	-	5	-
Dividends	24	10	24	10
	189	941	189	941

Recognition and Measurement

Interest income

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

Royalties

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

Dividend income

Dividend revenue is recognised when the SESLHD's right to receive the payment has been established.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

15. 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	1,647	3,006	1,647	3,006
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	9,642	9,919	9,642	9,919
Clinical trials and research grants	6,752	5,942	6,752	5,942
Commonwealth government grants received for community based services	8,787	8,640	8,787	8,640
Commonwealth government grants other	595	110	595	110
Grants from entities controlled by the ultimate parent	-	15	-	15
Other grants from entities controlled by the immediate parent	15	794	15	794
Other grants	10,249	9,663	10,249	9,663
Grants without specific performance obligations				
Clinicals trial and research grants	305	284	305	284
Commonwealth government grants other*	13,833	5,364	13,833	5,364
Other grants from entities controlled by the immediate parent*	2,286	449	2,286	449
Other grants*	404	673	404	673
Donations	7,255	6,417	7,255	6,417
	61,770	51,276	61,770	51,276

* The SESLHD 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 \$9.53 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$1.16 million (2021: \$Nil) and from external third parties under other grants was \$1.16 million (2021: \$Nil).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

15. 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 SESLHD are recognised when the SESLHD satisfies its obligations under the transfer. The SESLHD 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 SESLHD satisfies a performance obligation by transferring the promised goods or services. The SESLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The SESLHD 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 32 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 SESLHD 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 SESLHD receives volunteer services for the below activities:

- Chaplaincies and Pastoral Care
- Pink Ladies / Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Health Education
- Patient and Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Transport, Home Help and Patient Activities
- 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

16. 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	5,089	5,110	-	-
Long service leave provision	(16,559)	(10,155)	-	-
	(11,470)	(5,045)	-	-

17. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Commissions	155	212	155	212
Discounts	218	113	218	113
Insurance refunds	561	221	561	221
Rental income				
- other rental income	8,162	7,810	8,162	7,810
Revenue related to service concession arrangements*	3,969	3,969	3,969	3,969
Sponsorship	39	68	39	68
Unclaimed deposits	-	2	-	2
Other	4,800	3,712	4,800	3,712
	17,904	16,107	17,904	16,107

* This revenue reflects the progressive unwinding of the 'grant of right to operate liability' (Note 35) over the remaining period of the arrangement. Refer to Note 26 for further details on service concession arrangements.

Recognition and Measurement

Other Income

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

Forgiveness of liabilities

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

18. 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	674	1,452	674	1,452
Less: proceeds from disposal	-	100	-	100
Net gains / (losses) on disposal	(674)	(1,352)	(674)	(1,352)
Right-of-use assets				
Written down value of assets disposed	389	1,041	389	1,041
Less: lease liabilities extinguished	401	1,005	401	1,005
Net gains / (losses) on disposal*	12	(36)	12	(36)
Total gains / (losses) on disposal	(662)	(1,388)	(662)	(1,388)

19. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(579)	-	(579)	-
Foreign exchange gains / (losses)	(3)	-	(3)	-
	(582)	-	(582)	-

* Inventory write down includes COVID-19 vaccine wastage of \$0.41 million (2021: \$Nil) and impairment of \$0.17 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 22 Receivables
- Note 23 Inventories
- Note 26 Property, plant and equipment
- Note 27 Leases
- Note 28 Intangible assets

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

The SESLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The SESLHD 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 30 Restricted assets.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Cash and cash equivalents

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Cash at bank and on hand	114,198	26,013	114,198	26,013
Short-term deposits	-	35,951	-	35,951
	114,198	61,964	114,198	61,964

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)	114,198	61,964	114,198	61,964
	114,198	61,964	114,198	61,964

Refer to Note 43 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Trade receivables from contracts with customers	36,338	36,900	36,338	36,900
Intra health receivables	13,192	23,428	13,192	23,428
Goods and Services Tax	6,616	5,753	6,616	5,753
Other receivables	5,151	1,698	5,151	1,698
Sub total	61,297	67,779	61,297	67,779
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(2,925)	(3,147)	(2,925)	(3,147)
- Other receivables	(38)	(94)	(38)	(94)
Sub total	58,334	64,538	58,334	64,538
Prepayments	9,129	26,221	9,129	26,221
	67,463	90,759	67,463	90,759

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(3,147)	(3,567)	(3,147)	(3,567)
Amounts written off during the year	953	2,655	953	2,655
(Increase) / decrease in allowance recognised in the net result ¹	(731)	(2,235)	(731)	(2,235)
Balance at the end of the year	(2,925)	(3,147)	(2,925)	(3,147)
Other receivables				
Balance at the beginning of the year	(94)	(44)	(94)	(44)
Amounts written off during the year	137	25	137	25
(Increase) / decrease in allowance recognised in the net result	(81)	(75)	(81)	(75)
Balance at the end of the year	(38)	(94)	(38)	(94)
	(2,963)	(3,241)	(2,963)	(3,241)
Non-current				
Prepayments	494	559	494	559
	494	559	494	559

¹ Includes total impairment loss of \$0.73 million (2021: \$2.24 million) recognised on receivables from contracts with customers.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. 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	263	(373)	263	(373)
Patient fees - ineligible	7,670	7,714	7,670	7,714
Patient fees - inpatient & other	17,189	17,346	17,189	17,346
	25,122	24,687	25,122	24,687

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 43.

	Consolidated 2022 \$000	Consolidated ¹ 2021 \$000	Parent 2022 \$000	Parent ¹ 2021 \$000
Contract receivables (included in Note 22)	49,530	60,328	49,530	60,328
Total contract receivables	49,530	60,328	49,530	60,328

¹ Prior year figures have been restated lower by \$0.050 million as a result of items previously classified under contract receivables in error.

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

In response to the COVID-19 pandemic, the SESLHD has changed the terms and conditions with its counterparties to offer deferred payment terms and rent relief to some tenants. The SESLHD has a rental receivables balance amount of \$0.92 million as at 2022 (2021: \$1.25 million). The expected impacts on the recoverability of these receivables is not considered significant.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Held-for-distribution				
Drug supplies	9,106	8,398	9,106	8,398
Medical and surgical supplies	17,853	16,877	17,853	16,877
Other including goods in transit	290	108	290	108
Sub total	27,249	25,383	27,249	25,383
Less: Allowance for impairment				
- Drug supplies	(172)	-	(172)	-
	27,077	25,383	27,077	25,383

The increase in medical and surgical supplies is a result of the SESLHD'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 SESLHD.

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 SESLHD 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.

In the current year, the SESLHD has written-off \$0.00 million (2021: \$Nil) and made an allowance for impairment of \$0.00 million (2021: \$Nil) for medical and surgical supplies. Written-off medical and surgical supply inventory items mainly consist of personal protective equipment that are either expired or damaged and not in a condition to be used. Allowance for impairment was based on a consumption forecast model, on medical and surgical supplies that are likely to expire before they are consumed.

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 SESLHD 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 SESLHD controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the SESLHD.

The value attributable to the vaccines received was measured at its fair value based on replacement cost. The SESLHD 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 SESLHD.

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$10.73 million (2021: \$Nil) and \$10.06 million (2021: \$Nil), respectively. \$0.41 million (2021: \$Nil) of vaccines were written-off and another \$0.17 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.26 million (2021: \$Nil) which is included as part of the inventory drug supplies.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Inventories (continued)

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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Financial assets at fair value

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
TCorpIM Funds Investment Facilities	-	44,473	-	44,473
	-	44,473	-	44,473

Refer to Note 43 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

Classification and measurement

The SESLHD's financial assets at fair value are classified, at fair value through profit or loss. The classification was based on the purpose of acquiring such assets.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains / (losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Other financial assets

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-current				
Receivables on finance leases as lessor (Note 27)	7,948	7,713	7,948	7,713
	7,948	7,713	7,948	7,713

Refer to Note 43 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

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

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. 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	2,646,664	234,239	187,850	3,068,753
Less: accumulated depreciation and impairment	979,320	132,767	128,363	1,240,450
Net carrying amount	1,667,344	101,472	59,487	1,828,303
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	1,667,344	101,472	59,487	1,828,303
Additions	209,260	22,645	-	231,905
Disposals	(1,065)	(387)	-	(1,452)
Equity transfers - transfers in / (out)	313	(2)	-	311
Transfers within NSW Health entities through Statement of Comprehensive Income	-	794	-	794
Net revaluation increments less revaluation decrements	86,149	-	3,269	89,418
Depreciation expense	(55,496)	(16,063)	(4,822)	(76,381)
Reclassifications	3,311	(3,311)	-	-
Net carrying amount at end of year	1,909,816	105,148	57,934	2,072,898

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 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	3,066,655	248,436	197,923	3,513,014
Less: accumulated depreciation and impairment	1,156,839	143,288	139,989	1,440,116
Net carrying amount	1,909,816	105,148	57,934	2,072,898

	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	1,909,816	105,148	57,934	2,072,898
Additions	147,002	36,373	-	183,375
Disposals	-	(674)	-	(674)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	15	-	15
Net revaluation increments less revaluation decrements	149,765	-	4,610	154,375
Depreciation expense	(57,241)	(18,504)	(4,948)	(80,693)
Reclassifications	48	(48)	-	-
Net carrying amount at end of year	2,149,390	122,310	57,596	2,329,296

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	3,469,049	271,981	215,142	3,956,172
Less: accumulated depreciation and impairment	1,319,659	149,671	157,546	1,626,876
Net carrying amount	2,149,390	122,310	57,596	2,329,296

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.

The net carrying amount of service concession assets included in each class of property, plant and equipment as at 30 June 2022:

- land and buildings \$61.65 million (2021: \$60.14 million)
- plant and equipment \$Nil (2021: \$Nil)
- infrastructure systems \$Nil (2021: \$Nil)

During the current period, the net carrying amount of \$Nil (2021: \$Nil) for existing assets of the SESLHD has been reclassified as service concession assets.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,572,883	234,240	187,851	2,994,974
Less: accumulated depreciation and impairment	940,164	132,767	128,363	1,201,294
Net carrying amount	1,632,719	101,473	59,488	1,793,680

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	1,632,719	101,473	59,488	1,793,680
Additions	209,016	22,645	-	231,661
Disposals	(1,064)	(387)	-	(1,451)
Equity transfers - transfers in / (out)	313	(2)	-	311
Transfers within NSW Health entities through Statement of Comprehensive Income	-	794	-	794
Net revaluation increment less revaluation decrements	84,630	-	3,269	87,899
Depreciation expense	(54,110)	(16,063)	(4,822)	(74,995)
Reclassifications	3,312	(3,312)	-	-
Net carrying amount at end of year	1,874,816	105,148	57,935	2,037,899

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,992,631	248,436	197,924	3,438,991
Less: accumulated depreciation and impairment	1,117,815	143,288	139,989	1,401,092
Net carrying amount	1,874,816	105,148	57,935	2,037,899

	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	1,874,816	105,148	57,935	2,037,899
Additions	145,722	36,373	-	182,095
Disposals	-	(673)	-	(673)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	15	-	15
Net revaluation increments less revaluation decrements	147,725	-	4,610	152,335
Depreciation expense	(54,923)	(18,507)	(4,948)	(78,378)
Reclassifications	566	(47)	-	519
Net carrying amount at end of year	2,113,906	122,309	57,597	2,293,812

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	3,393,744	271,980	215,143	3,880,867
Less: accumulated depreciation and impairment	1,279,838	149,671	157,546	1,587,055
Net carrying amount	2,113,906	122,309	57,597	2,293,812

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	73,780	-	-	73,780
Less: accumulated depreciation and impairment	39,156	-	-	39,156
Net carrying amount	34,624	-	-	34,624
	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	34,624	-	-	34,624
Additions	244	-	-	244
Net revaluation increment less revaluation decrements	1,519	-	-	1,519
Depreciation expense	(1,386)	-	-	(1,386)
Net carrying amount at end of year	35,001	-	-	35,001
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	74,025	-	-	74,025
Less: accumulated depreciation and impairment	39,024	-	-	39,024
Net carrying amount	35,001	-	-	35,001
	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	35,001	-	-	35,001
Additions	1,280	-	-	1,280
Net revaluation increments less revaluation decrements	2,040	-	-	2,040
Depreciation expense	(2,318)	-	-	(2,318)
Reclassifications	(519)	-	-	(519)
Net carrying amount at end of year	35,484	-	-	35,484
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	75,305	-	-	75,305
Less: accumulated depreciation and impairment	39,821	-	-	39,821
Net carrying amount	35,484	-	-	35,484

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

Health Infrastructure, a controlled entity of the immediate parent, manages the approved major capital works program for the Ministry of Health and its controlled entities. Health Infrastructure receives Ministry of Health Capital Allocations and grants on behalf of the SESLHD 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 SESLHD. The costs are then accordingly reflected in the SESLHD's financial statements. The SESLHD acquires most assets in this manner.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 36).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Assets not able to be reliably measured

The SESLHD holds certain assets that are not recognised in the Statement of Financial Position because the SESLHD is unable to measure reliably the value of the assets and those assets are likely to be material.

The SESLHD holds a unique collection of pathology specimens of which their normal place of residence is at Sydney Hospital. Parts of the collection are currently on loan to a range of associated educational and health institutions.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. 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 SESLHD.

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 SESLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 27.

Service concession assets

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

AASB 1059 Service Concession Arrangements (AASB 1059) requires the grantor to recognise the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

This note provides disclosures required under AASB 1059 and relates to the SESLHD's service concession arrangements in place.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

Service concession assets (continued)

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

Description	Hospital Car Parks			
Name and description of the SCA	The arrangements consist of multiple car parks at Prince of Wales Hospital and St George Hospital.			
Period of arrangement	Prince of Wales Hospital car park 25 years (1998 – 2023) St George Hospital car park 25 years (1999 - 2024)			
Terms of the arrangement	SESLHD has contracted International Parking Group (Operator) to build, manage and operate both car parks for the duration of the arrangement. The car parks were fully funded by the operator. SESLHD has granted rights to the Operator to operate and generate revenue from the car parks. Upon grant of this right, the operator has paid an upfront license fee to SESLHD.			
Rights and obligations	SESLHD is obliged to provide the operator with access to the carparks. The operator is responsible for maintaining and operating the car parks during the period of the arrangement. At the end of the arrangement, the operator will return all the assets back to SESLHD. There is no provision for extension of the term in the contract.			
Changes in arrangements occurred during 2021	Nil			
Changes in arrangements occurred during 2022	Nil			
Carrying amounts of SCA	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Prince of Wales Hospital car park	50,364	-	-	50,364
St George Hospital car park	9,771	-	-	9,771
	60,135	-	-	60,135
Year ended 30 June 2022				
Prince of Wales Hospital car park	51,618	-	-	51,618
St George Hospital car park	10,032	-	-	10,032
	61,650	-	-	61,650

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

Service concession assets (continued)

i. Initial recognition

For arrangements within the scope of AASB 1059, the SESLHD recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the SESLHD, the asset is recognised at current replacement cost based on AASB 13 Fair Value Measurement principles.

Where the asset is an existing asset of the SESLHD, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

ii. Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets and AASB 136 Impairment of Assets.

iii. At the end of the arrangement

At the end of a service concession arrangement:

- The SESLHD accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the SESLHD loses control of the asset in accordance with AASB 116 [AASB 138].

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 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 29 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 SESLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

The last comprehensive revaluation was completed on 31 December 2020 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 SESLHD uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed on 30 June 2022 indicating a cumulative increase of 3.18% for land, 8.70% for buildings and 8.70% for infrastructure. The SESLHD used an external professionally qualified valuer to conduct the interim management revaluation. Indicators provided by CBRE Valuations Pty Ltd were applied as they were deemed material.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The SESLHD has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Property, plant and equipment (continued)

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 SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Leases

(a) Entity as a lessee

The SESLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 7 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 SESLHD 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 SESLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

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

Right-of-use assets under leases

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

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	11,988	11,800	23,788
Additions	2,539	1,445	3,984
Reassessments	4,311	13	4,324
Disposals	(329)	(60)	(389)
Depreciation expense	(2,543)	(3,518)	(6,061)
Balance at 30 June 2022	15,966	9,680	25,646
Balance at 1 July 2020	13,507	10,622	24,129
Additions	649	5,467	6,116
Reassessments	136	5	141
Disposals	-	(1,041)	(1,041)
Depreciation expense	(2,316)	(3,310)	(5,626)
Equity transfers - transfers In / (out)	12	57	69
Balance at 30 June 2021	11,988	11,800	23,788

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Balance at 1 July	24,654	24,639
Additions	3,857	6,116
Interest expenses	529	496
Payments	(6,120)	(5,804)
Terminations / derecognition*	(401)	(1,006)
Equity transfers - transfers In / (out)	-	72
Other adjustments	4,323	141
Balance at 30 June	26,842	24,654

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

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Depreciation expense of right-of-use assets	6,061	5,626
Interest expense on lease liabilities	529	496
Expenses relating to short-term leases	3,191	2,025
Expenses relating to leases of low-value assets	389	400
Variable lease payments, not included in the measurement of lease liabilities	-	83
(Gains) / losses on disposal	(12)	36
Total amount recognised in the statement of comprehensive income	10,158	8,666

The SESLHD had total cash outflows for leases of \$9.70 million for the year ended 30 June 2022 (2021: \$8.31 million).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement

The SESLHD 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 SESLHD 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 SESLHD 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 22 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the SESLHD 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 SESLHD 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 SESLHD 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 SESLHD 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 SESLHD; and
- payments of penalties for terminating the lease, if the lease term reflects the SESLHD exercising the option to terminate.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. 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 SESLHD 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 SESLHD 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 SESLHD's lease liabilities are included in borrowings in Note 33.

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Leases (continued)

(b) Entity as a lessor

SESLHD leases few retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions. The rental income is incidental to the purpose for holding the property and the retail spaces contribute towards SESLHD revenue-generating activities. As a result, such assets have been disclosed as part of Property, plant and equipment held and used by the consolidated entity.

SESLHD also leases spaces to non-government organisations (NGO's) under operating lease arrangements. Generally there are no rental payments as SESLHD provides market rental assistance grants to offset the rental payments.

SESLHD has also leased Levels 5 and 6 in the Bright Alliance Building, Randwick to the University of NSW for 40 years, which is treated as finance lease. All lease payments have been paid upfront and the asset has been disposed from non-current assets.

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

Lessor for finance leases

There are no future minimum rentals receivable (undiscounted) under non-cancellable finance lease as at 30 June 2022. The net investment in finance lease is as follows:

Reconciliation of net investment in leases

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Unguaranteed residual amounts - undiscounted	146,463	146,463
Less: unearned finance income	(138,515)	(138,750)
Net investment in finance lease	7,948	7,713

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and Measurement

Lessor for finance leases

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

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

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

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2022 are, as follows:

PARENT AND CONSOLIDATION

	2022	2021
	\$'000	\$'000
Within one year	3,828	4,286
One to two years	3,759	3,775
Two to three years	3,759	3,706
Three to four years	3,750	3,706
Four to five years	3,711	3,697
Later than five years	37,563	41,202
Total (excluding GST)	56,370	60,372

Recognition and Measurement

Lessor for operating leases

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

28. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2020		
Cost (gross carrying amount)	685	685
Less: accumulated amortisation and impairment	430	430
Net carrying amount	255	255

	Software \$000	Total \$000
Year ended 30 June 2021		
Net carrying amount at beginning of year	255	255
Amortisation (recognised in depreciation and amortisation)	(43)	(43)
Net carrying amount at end of year	212	212

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	685	685
Less: accumulated amortisation and impairment	473	473
Net carrying amount	212	212

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	212	212
Additions - acquired separately	48	48
Amortisation (recognised in depreciation and amortisation)	(42)	(42)
Net carrying amount at end of year	218	218

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

28. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2022		
Cost (gross carrying amount)	733	733
Less: accumulated amortisation and impairment	515	515
Net carrying amount	218	218

Recognition and Measurement

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

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

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

The SESLHD's intangible assets are amortised using the straight-line method over a period of five to thirteen years.

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. 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 SESLHD 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 SESLHD 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 26)				
- Land and buildings	-	192,256	1,356,590	1,548,845
- Infrastructure systems	-	-	57,597	57,597
	-	192,256	1,414,187	1,606,442

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 26.

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 26)				
- Land and buildings	-	185,802	1,296,615	1,482,417
- Infrastructure systems	-	-	57,935	57,935
	-	185,802	1,354,550	1,540,352

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 26.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the SESLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Ltd for the 2020-21 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an associated entity of the SESLHD.

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 26 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.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. 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	1,296,615	57,935	1,354,550
Additions*	19,904	-	19,904
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 26)	98,202	4,610	102,812
Depreciation expense	(58,131)	(4,948)	(63,079)
Fair value as at 30 June 2022	1,356,590	57,597	1,414,187

* 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 a comprehensive revaluation or 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	1,261,949	59,487	1,321,436
Additions*	4,765	-	4,765
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 26)	86,149	3,269	89,418
Disposals	(1,065)	-	(1,065)
Depreciation expense	(55,496)	(4,821)	(60,317)
Equity transfers - transfers in / (out)	313	-	313
Fair value as at 30 June 2021	1,296,615	57,935	1,354,550

* 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 a comprehensive revaluation or an interim desktop revaluation.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Restricted assets

PARENT AND CONSOLIDATION

The SESLHD'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	2,669	595	831	2,433
Facility improvements	13,718	5,105	1,763	17,060
Holds funds in perpetuity	747	1,366	1,312	801
Patient welfare	9,337	1,117	1,990	8,464
Private practice disbursements (No.2 Accounts)	34,302	8,965	9,807	33,460
Public contributions	251	39	-	290
Research	25,484	7,934	5,988	27,430
Staff welfare	1,974	1,773	1,678	2,069
Training and education including conferences	18,238	4,697	5,418	17,517
	106,720	31,591	28,787	109,524

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

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

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

31. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Accrued salaries, wages and on-costs	20,937	21,659	-	-
Salaries and wages deductions	376	321	-	-
Payroll and fringe benefits tax	242	233	-	-
Accrued liability - purchase of personnel services	-	-	21,555	22,213
Creditors	44,846	36,900	44,846	36,900
Other creditors				
- Payables to entities controlled by the immediate parent	24,115	11,767	24,115	11,767
- Other	51,229	30,644	51,229	30,644
	141,745	101,524	141,745	101,524

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 43.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the SESLHD and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

32. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Contract liabilities	175	371	175	371
	175	371	175	371

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.

The contract liability balance has decreased during the year because of the timing of payments received.

	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	371	442	371	442
Transaction price allocated to the remaining performance obligations from contracts with customers	7,153	7,869	7,153	7,869

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

	2023 \$'000	2024 \$'000	2025 \$'000	≥ 2026 \$'000
Specific revenue class				
Grants and other contributions	1,260	845	1,395	3,653
	1,260	845	1,395	3,653

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

33. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Lease liabilities (see Note 27)	5,435	5,424	5,435	5,424
	5,435	5,424	5,435	5,424
Non-current				
Lease liabilities (see Note 27)	21,407	19,230	21,407	19,230
	21,407	19,230	21,407	19,230

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

Final repayment of the lease is scheduled for 31 December 2041.

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 SESLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 43 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

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

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2020	-	-	24,638	24,638
Cash flows	-	-	(5,308)	(5,308)
New leases	-	-	6,116	6,116
Lease terminations	-	-	(1,005)	(1,005)
Lease reassessments	-	-	141	141
Non-cash changes other	-	-	72	72
30 June 2021	-	-	24,654	24,654
1 July 2021	-	-	24,654	24,654
Cash flows	-	-	(5,591)	(5,591)
New leases	-	-	3,857	3,857
Lease terminations*	-	-	(401)	(401)
Lease reassessments	-	-	4,323	4,323
30 June 2022	-	-	26,842	26,842

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. 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	131,755	127,275	-	-
Annual leave - obligations expected to be settled after 12 months	81,270	69,008	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,363	2,752	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	36,765	41,133	-	-
Provision for other employee benefits*	38,899	6,058	-	-
Provision for personnel services liability	-	-	291,052	246,226
Other	-	3,800	-	3,800
	291,052	250,026	291,052	250,026
Other Provisions				
Restoration costs	52	14	52	14
Other	3,386	6,700	3,386	6,700
	3,438	6,714	3,438	6,714
Total current provisions	294,490	256,740	294,490	256,740
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,870	4,340	-	-
Provision for personnel services liability	-	-	3,870	4,340
	3,870	4,340	3,870	4,340
Other Provisions				
Restoration costs	682	217	682	217
	682	217	682	217
Total non-current provisions	4,552	4,557	4,552	4,557
Aggregate employee benefits and related on-costs				
Provisions - current	291,052	250,026	-	-
Provisions - non-current	3,870	4,340	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 31)	21,313	21,980	-	-
Liability - purchase of personnel services	-	-	316,235	276,346
	316,235	276,346	316,235	276,346

* Provision for other employee benefits includes a one-off payment to employees of \$32.07 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. 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
Restoration costs				
Carrying amount at beginning of period	231	-	231	-
- Additional provisions recognised	503	231	503	231
Carrying amount at end of period	734	231	734	231

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across the SESLHD's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other				
Carrying amount at beginning of period	6,700	-	6,700	-
- Additional provisions recognised	-	6,700	-	6,700
- Amounts used*	(3,314)	-	(3,314)	-
Carrying amount at end of period	3,386	6,700	3,386	6,700

* Additional provisions recognised of \$Nil in 2022, includes a one-off payment to visiting medical officers of \$1.67 million (2021: \$Nil) and affiliated health organisations of \$1.72 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. The SESLHD 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 20.38% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 19.78%). The SESLHD has assessed the actuarial advice based on the SESLHD'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 SESLHD does not expect to settle the liability within 12 months as the SESLHD does not have an unconditional right to defer settlement.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. 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 SESLHD'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 SESLHD 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 SESLHD.

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 SESLHD 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 SESLHD 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 SESLHD has a detailed formal plan, and the SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Unearned revenue	39,629	39,517	39,629	39,517
Grant of right to operate liability under service concessions*	514	3,969	514	3,969
	40,143	43,486	40,143	43,486
Non-current				
Unearned revenue	1,659	1,784	1,659	1,784
Grant of right to operate liability under service concessions*	770	1,284	770	1,284
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,924	4,855	4,924	4,855
	7,353	7,923	7,353	7,923

* This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 17 and Note 26 for further information on service concession arrangement.

Unearned revenue was derived from the following:

- In October 1996 \$5 million was received as income in advance from HCoA Operations (Australia) Pty Ltd (which since then, has been acquired by ANZ Hospitals Senior Holdco Pty Ltd), under the terms of contract to provide and operate a private hospital facility at the Prince of Wales Hospital campus for the 40 years ending October 2036.
- In June 1998 \$18.5 million was received as income in advance from International Parking (Randwick) Pty Ltd under the terms of contract to provide and operate a car park facility at the Prince of Wales Hospital campus for the 25 years ending June 2023.
- In June 1999 \$4.5 million was received as income in advance from International Parking Pty Ltd under the terms of contract to provide and operate a car park facility at the St George Hospital campus for the 25.5 years ending December 2024.
- In December 2019 a capital funding deed and agreement was entered into with the University of NSW. Under the terms of the agreement, the University has committed to a funding contribution towards a nominated space and integration at the Randwick Hospital Campus up to an amount of \$62.82M. This facility is under construction and is part of the broader Randwick Development Plan. As at 31 March 2022 the University NSW has contributed \$39M (2021: \$39M) as part of the funding deed and are included under unearned revenue. No revenue has been recognised so far as the lease has not yet commenced.

PARENT AND CONSOLIDATION

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

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	4,855	6,142
Add: receipt of cash during the financial year	1,716	1,719
Deduct: income recognised during the financial year	1,647	3,006
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	4,924	4,855

Refer to Note 15 for a description of the SESLHD's obligations under transfers received to acquire or construct non-financial assets to be controlled by the SESLHD.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 26.

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:

Nil

Equity transfers effected in the 2020/21 year were:

- A number of motor vehicle fleet and property leases were transferred to/from Illawarra Shoalhaven Local Health District and The Sydney Children's Hospital Newtork from/to SESLHD at \$Nil consideration, both are controlled entities of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.
- NSW Ambulance, a controlled entity of the immediate parent, transferred vacant premises at the Randwick Ambulance Station to SESLHD at \$Nil consideration. The building were transferred across at fthe carrying amount, deemed to be its fair value, from the transferee to the transferor.
- SESLHD transferred a plant and equipment (forklift) to the immediate parent at \$Nil consideration. The forklift was transferred across at the carrying amount, deemed to be its fair value, from the transferee to the transferor.

Equity transfers effected comprised:

	2022 \$000	2021 \$000
(a) Transfer of leases	-	(2)
(b) Transfer of building	-	313
(c) Transfer of plant and equipment	-	(2)
	-	309

Assets and Liabilities transferred are as follows:

	2022 \$000	2021 \$000
Assets		
Right-of-use assets	-	69
Building	-	313
Plant and equipment	-	(2)
Liabilities		
Lease liabilities	-	(71)
Increase / (Decrease) in Net Assets From Equity Transfers	-	309

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. Equity (continued)

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

37. Commitments

(a) Capital commitments

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Within one year	94,478	137,960	94,478	137,960
Later than one year and not later than five years	89,367	120,650	89,367	120,650
Later than five years	-	-	-	-
Total (including GST)	183,845	258,610	183,845	258,610

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$183.85 million as at 30 June 2022 includes input tax credits of 16.71 million that are expected to be recoverable from the Australian Taxation Office (2021: \$23.51 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$56.3 million as at 30 June 2022 includes taxable sales of 5.6 million that are expected to be payable to the Australian Taxation Office (2021: \$6.0 million).

38. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

The SESLHD is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements. The majority of capital commitments contracted are related to capital works overseen by the Health Administration Corporation which are fully funded.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The SESLHD'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 SESLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the SESLHD 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 lower than adjusted budget by \$27 million, primarily due to the District's Net Results being impacted by increase in expenses (\$6M) that were further impacted by decrease in revenues (\$21M) for the year ended 30 June 2022.

Assets and liabilities

The actual Net Assets was higher than the adjusted budget by \$137M, primarily due to an increase in assets of \$141M (mainly from increased PPE movements \$151M and decreases in current assets of \$10M) which were offset by an increase in liabilities of \$4M.

Cash flows

The actual cash and cash equivalent balances was higher than adjusted budget by \$76M, primarily due to the District's decreased payments (\$43M) and decreased receipts (-\$13M) and decreased investing activities (\$46M) from the TCorpIM Short Term Income Fund full redemption.

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	1,466,233
Award increases	31,349
COVID-19 Response	169,933
Service Demand and Volume Growth	10,975
Dental National Partnership Agreement	1,612
Safeguards Child and Adolescent Mental Health Response Teams	1,260
Tap n Go project	1,126
Nurse and Midwifery Strategy Reserve	984
Pharmacy Co Payments	919
Medical Imaging Positions	846
Dental Waitlist Recovery Funds	750
Defined Benefit Superannuation Adjustment	659
Deliver EASE	603
Non-government Organisations (NGO's)	495
Aged Care Assessment Program (ACAP)	374
TMF Performance Adjustment	369
Translational Research Grants Scheme	352
Workplace Culture & Safety	308
Reduction in Dental Waitlists	300
Other	850
Balance as per Statement of Comprehensive Income	1,690,300

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

40. 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	197,133	229,956	197,133	229,956
Depreciation and amortisation expense	(86,796)	(82,050)	(86,796)	(82,050)
Allowance for impairment	(1,391)	(2,309)	(1,391)	(2,309)
(Increase) / decrease in other liabilities	3,912	(13,513)	3,912	(13,513)
Decrease / (increase) in provisions	(37,744)	(32,013)	(37,744)	(32,013)
Increase / (decrease) in inventory	1,694	804	1,694	804
Increase / (decrease) in prepayments and other assets	(23,539)	34,013	(23,539)	34,013
Decrease / (increase) in payables	(38,415)	(1,058)	(38,415)	(1,058)
Decrease / (increase) in contract liabilities	196	71	196	71
Net gain / (loss) on sale of property, plant and equipment	(674)	(1,352)	(674)	(1,352)
Net gain / (loss) on disposal of right-of-use assets	12	(36)	12	(36)
Increase / (decrease) in financial instruments at fair value	(762)	60	(762)	60
Assets donated or brought to account (Note 41)	29	1,200	29	1,200
Other	517	-	517	-
Net result	14,172	133,773	14,172	133,773

¹ 'Increase / (decrease) in Inventory' and 'Increase / (decrease) in financial instruments at fair value' 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.

41. Non-cash financing and investing activities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	29	1,200	29	1,200
Property, plant and equipment acquired by a lease	3,984	6,116	3,984	6,116
	4,013	7,316	4,013	7,316

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

42. Trust funds

PARENT AND CONSOLIDATION

The SESLHD holds trust funds of \$2.9 million (2021: \$2.7 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 SESLHD 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	298	3,032	(3,026)	304
Refundable Deposits	378	58	(52)	384
Private Patient Trust Funds	12	39,719	(39,706)	25
Third Party Funds	1,980	1,032	(858)	2,154
Total trust funds	2,668	43,841	(43,642)	2,867

Category	1 July 2020			30 June 2021
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	400	2,753	(2,855)	298
Refundable Deposits	366	67	(55)	378
Private Patient Trust Funds	20	45,445	(45,453)	12
Third Party Funds	1,542	1,411	(973)	1,980
Total trust funds	2,328	49,676	(49,336)	2,668

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

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

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 44.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Financial instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the SESLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2022 \$000	Carrying Amount 2021 \$000
Financial assets			
Cash and cash equivalents (Note 21)	Amortised cost	114,198	61,964
Receivables (Note 22) ¹	Amortised cost	51,718	58,785
Financial assets at fair value (Note 24)	Fair value through profit or loss	-	44,473
Other financial assets (Note 25)	Amortised cost	7,948	7,713
Total financial assets		173,864	172,935
Financial liabilities			
Borrowings (Note 33)	Financial liabilities measured at amortised cost	26,842	24,654
Payables (Note 31) ²	Financial liabilities measured at amortised cost	141,503	101,291
Total financial liabilities		168,345	125,945

Notes

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Financial instruments (continued)

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

When the SESLHD 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 SESLHD 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 SESLHD's continuing involvement in the asset. In that case, the SESLHD 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 SESLHD has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the SESLHD could be required to repay.

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 SESLHD. 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 SESLHD, including cash, receivables and authority deposits. No collateral is held by the SESLHD. The SESLHD has not granted any financial guarantees.

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

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. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables, contract assets and lease receivables

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. 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, contract assets and lease receivables (continued)

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

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

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

The loss allowance for trade receivables, other receivables, contract assets and lease receivables as at 30 June 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	1.24%	6.86%	9.33%	25.42%	38.54%	5.99%
Estimated total gross carrying amount ¹	39,696	2,405	1,431	781	5,125	49,437
Expected credit loss	491	165	134	199	1,975	2,963
30 June 2021						
Expected credit loss rate	1.76%	6.81%	14.44%	19.74%	40.35%	7.00%
Estimated total gross carrying amount ¹	36,042	3,420	942	699	5,208	46,311
Expected credit loss	633	233	136	138	2,101	3,241

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 22.

The SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that the SESLHD will be unable to meet its payment obligations when they fall due. The SESLHD 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 SESLHD 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 SESLHD's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

The table below summarises the maturity profile of the SESLHD'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		141,503	-	-	141,503	141,503	-	-
Borrowings:								
- Lease liabilities	1.88%	28,820	28,820	-	-	5,842	14,229	8,749
		170,323	28,820	-	141,503	147,345	14,229	8,749
2021								
Payables:								
- Creditors ²		101,291	-	-	101,291	101,291	-	-
Borrowings:								
- Lease liabilities	2.01%	26,517	26,517	-	-	5,760	13,519	7,238
		127,808	26,517	-	101,291	107,051	13,519	7,238

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 SESLHD 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).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. 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 SESLHD's exposures to market risk are primarily through interest rate risk on the SESLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The SESLHD 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 SESLHD 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 SESLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The SESLHD 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 SESLHD 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:

PARENT AND CONSOLIDATION

	2022		2021	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(953)	953	(895)	895
Equity	(953)	953	(895)	895

Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The SESLHD is exposed to foreign exchange risks associated with commercial contracts payments denominated in foreign currency. The SESLHD's risk management strategy is to hedge foreign currency risks by maintaining foreign currency denominated bank accounts, buying foreign currencies from TCorp at the time of purchase commitment or entering into foreign exchange derivative contracts as approved within internal policies and guidelines set out under NSW Health's Procurement Policy and broader framework under NSW Foreign Exchange Risk Policy (TPP18-03). The forward foreign exchange derivative contracts are economic hedges which enables the SESLHD to exchange a fixed amount of foreign currency for fixed AUD amount at a specified future settlement date, ensuring cash flow certainty.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2022 \$000	2021 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	-	35,951
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	-	44,473

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

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

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

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

	Change in unit price		Impact on net result	
	2022 %	2021 %	2022 \$000	2021 \$000
TCorpIM Cash Fund	10%	10%	-	3,595
TCorpIM Short Term Income Fund	10%	10%	-	4,447

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

ii. Fair value recognised in the Statement of Financial Position

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the SESLHD 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 SESLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2022 Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	-	-	-
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2021 Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	80,424	-	80,424

There were no transfers between level 1, 2 or 3 during the year ended 30 June 2022.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2022	2021
	\$000	\$000
Short-term employee benefits	355	781
Post-employment benefits	35	70
	390	851

During the financial year, South Eastern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$446 thousand (2021: \$432 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The SESLHD'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 SESLHD had with government related entities during the financial year

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Rental accommodation for the HIV and Related Programs Unit (HARP) at the Orana Centre in Warrawong, NSW.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Related party disclosures (continued)

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

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

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

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

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

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force and Transport for NSW
- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

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

45. 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