



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the 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 38. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

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

4 October 2022
SYDNEY

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 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 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 'Teresa Anderson'.

Dr Teresa Anderson
Chief Executive
28-Sep-2022

A handwritten signature in black ink, appearing to read 'Puneet Datta'.

Puneet Datta
Acting Executive Director of Finance
28-Sep-2022

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 Budget 2022 \$000	Parent Actual 2021 \$000
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	1,419,327	1,381,329	1,289,274	-	-	-
Personnel services	3	-	-	-	1,424,355	1,389,180	1,289,383
Visiting medical officers	4	64,719	65,652	63,121	64,719	65,652	63,121
Other expenses	5	984,387	1,027,494	739,558	983,000	1,025,497	737,958
Depreciation and amortisation	6	77,244	76,946	69,006	76,359	76,946	68,134
Grants and subsidies	7	32,338	29,719	23,431	32,261	29,719	23,173
Finance costs	8	536	1,216	595	536	1,216	595
Payments to Affiliated Health Organisations	9	15,033	15,304	14,096	15,033	15,304	14,096
Total expenses excluding losses		2,593,584	2,597,660	2,199,081	2,596,263	2,603,514	2,196,460
Revenue							
Ministry of Health recurrent allocations	12	2,062,512	2,046,423	1,856,756	2,062,512	2,046,423	1,856,756
Ministry of Health capital allocations	12	53,793	57,882	172,184	53,793	57,882	172,184
Acceptance by the Crown ² of employee benefits	16	(8,573)	(8,558)	(3,684)	-	-	-
Sale of goods and services from contracts with customers	13	242,936	214,772	411,034	242,936	214,772	411,034
Investment revenue	14	3,617	9,018	3,556	3,347	9,018	3,285
Grants and other contributions	15	117,317	110,478	56,562	112,548	108,002	51,446
Other income	17	11,120	29,935	25,835	10,914	29,935	25,466
Total revenue		2,482,722	2,459,950	2,522,243	2,486,050	2,466,032	2,520,171
Operating result		(110,862)	(137,710)	323,162	(110,213)	(137,482)	323,711
Gains / (losses) on disposal	18	(898)	-	(418)	(898)	-	(409)
Impairment losses on financial assets	22	(16,216)	(16,207)	(36,186)	(16,216)	(16,207)	(36,186)
Other gains / (losses)	19	(10,810)	(10,810)	-	(10,810)	(10,810)	-
Net result		(138,786)	(164,727)	286,558	(138,137)	(164,499)	287,116
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	25	161,611	-	5,239	158,440	-	5,239
Total other comprehensive income		161,611	-	5,239	158,440	-	5,239
TOTAL COMPREHENSIVE INCOME		22,825	(164,727)	291,797	20,303	(164,499)	292,355

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

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 Budget 2022 \$000	Parent Actual 2021 \$000
ASSETS							
Current assets							
Cash and cash equivalents	21	227,141	215,908	213,699	203,971	191,868	189,431
Receivables	22	86,118	67,807	174,784	85,855	67,305	174,281
Inventories	23	13,276	12,215	11,540	13,276	12,215	11,540
Other financial assets	24	-	-	-	-	-	-
Total current assets		326,535	295,930	400,023	303,102	271,388	375,252
Non-current assets							
Other financial assets	24	76,012	76,012	74,196	76,012	76,012	74,196
Property, plant & equipment	25						
- Land and buildings		2,017,553	1,852,977	1,868,911	2,002,241	1,840,394	1,856,329
- Plant and equipment		106,984	130,010	107,524	104,415	127,050	104,561
- Infrastructure systems		26,845	9,882	9,882	26,845	9,882	9,882
Total property, plant & equipment		2,151,382	1,992,869	1,986,317	2,133,501	1,977,326	1,970,772
Right-of-use assets	26	23,521	23,823	17,205	23,521	23,823	17,205
Intangible assets	27	4,977	5,355	5,355	4,977	5,355	5,355
Total non-current assets		2,255,892	2,098,059	2,083,073	2,238,011	2,082,516	2,067,528
Total assets		2,582,427	2,393,989	2,483,096	2,541,113	2,353,904	2,442,780
LIABILITIES							
Current liabilities							
Payables	30	141,403	164,196	130,235	141,336	163,976	130,015
Contract liabilities	31	643	1,229	1,229	555	680	680
Borrowings	32	6,634	3,051	5,101	6,634	3,051	5,101
Provisions	33	341,923	326,135	281,221	341,923	325,457	280,544
Other current liabilities	34	233	267	267	233	34	34
Total current liabilities		490,836	494,878	418,053	490,681	493,198	416,374
Non-current liabilities							
Borrowings	32	22,066	25,741	17,878	22,066	25,741	17,878
Provisions	33	3,821	3,821	4,286	3,821	3,821	4,286
Total non-current liabilities		25,887	29,562	22,164	25,887	29,562	22,164
Total liabilities		516,723	524,440	440,217	516,568	522,760	438,538
Net assets		2,065,704	1,869,549	2,042,879	2,024,545	1,831,144	2,004,242
EQUITY							
Reserves		1,023,597	862,205	862,205	1,011,365	853,143	853,144
Accumulated funds		1,042,107	1,007,344	1,180,674	1,013,180	978,001	1,151,098
Total Equity		2,065,704	1,869,549	2,042,879	2,024,545	1,831,144	2,004,242

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Changes in Equity for the year ended 30 June 2022

CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,180,674	862,205	2,042,879
Net result for the year		(138,786)	-	(138,786)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	25	-	161,611	161,611
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		219	(219)	-
Total other comprehensive income		219	161,392	161,611
Total comprehensive income for the year		(138,567)	161,392	22,825
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	35	-	-	-
Balance at 30 June 2022		1,042,107	1,023,597	2,065,704

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		928,636	923,579	1,852,215
Net result for the year		286,558	-	286,558
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	25	-	5,239	5,239
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets *		66,613	(66,613)	-
Total other comprehensive income		66,613	(61,374)	5,239
Restated total comprehensive income for the year		353,171	(61,374)	291,797
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	35	(101,133)	-	(101,133)
Balance at 30 June 2021		1,180,674	862,205	2,042,879

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

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Changes in Equity for the year ended 30 June 2022

PARENT

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,151,098	853,144	2,004,242
Net result for the year		(138,137)	-	(138,137)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	25	-	158,440	158,440
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		219	(219)	-
Total other comprehensive income		219	158,221	158,440
Total comprehensive income for the year		(137,918)	158,221	20,303
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	35	-	-	-
Balance at 30 June 2022		1,013,180	1,011,365	2,024,545

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		898,502	914,518	1,813,020
Net result for the year		287,116	-	287,116
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	25	-	5,239	5,239
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets *		66,613	(66,613)	-
Total other comprehensive income		66,613	(61,374)	5,239
Restated total comprehensive income for the year		353,729	(61,374)	292,355
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	35	(101,133)	-	(101,133)
Restated Balance at 30 June 2021		1,151,098	853,144	2,004,242

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

The accompanying notes form part of these financial statements.

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 Budget 2022 \$000	Parent Actual 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(1,395,028)	(1,352,086)	(1,285,166)	-	-	-
Suppliers for goods and services		(1,056,813)	(1,110,974)	(924,624)	(1,054,933)	(1,108,478)	(922,455)
Grants and subsidies		(45,504)	(43,172)	(41,572)	(45,398)	(43,143)	(41,272)
Finance costs		(524)	(531)	(595)	(524)	(531)	(595)
Personnel services		-	-	-	(1,390,668)	(1,351,367)	(1,281,564)
Total payments		(2,497,869)	(2,506,763)	(2,251,957)	(2,491,523)	(2,503,519)	(2,245,886)
Receipts							
Ministry of Health recurrent allocations		2,062,512	2,046,423	1,856,756	2,062,512	2,046,423	1,856,756
Ministry of Health capital allocations		53,793	57,882	172,184	53,793	57,882	172,184
Reimbursements from the Crown ²		21,744	21,744	17,070	-	-	-
Sale of goods and services		294,153	308,611	285,706	293,882	308,642	285,529
Interest received		1,836	7,202	1,931	1,566	7,202	1,660
Grants and other contributions		56,497	52,804	60,599	51,955	49,918	55,808
Other		100,764	96,666	89,613	122,293	118,249	106,137
Total receipts		2,591,299	2,591,332	2,483,859	2,586,001	2,588,316	2,478,074
NET CASH FLOWS FROM OPERATING ACTIVITIES	39	93,430	84,569	231,902	94,478	84,797	232,188
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of property, plant and equipment		22	-	7	22	-	7
Proceeds from sale of financial assets		-	-	77,959	-	-	77,959
Purchases of property, plant and equipment and intangibles		(73,528)	(75,966)	(212,213)	(73,478)	(75,966)	(212,144)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(73,506)	(75,966)	(134,247)	(73,456)	(75,966)	(134,178)
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayment of borrowings and advances		(894)	(894)	(870)	(894)	(894)	(870)
Payment of principal portion of lease liabilities		(5,588)	(5,500)	(4,838)	(5,588)	(5,500)	(4,838)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(6,482)	(6,394)	(5,708)	(6,482)	(6,394)	(5,708)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		13,442	2,209	91,947	14,540	2,437	92,302
Opening cash and cash equivalents	21	213,699	213,699	121,752	189,431	189,431	97,129
CLOSING CASH AND CASH EQUIVALENTS	21	227,141	215,908	213,699	203,971	191,868	189,431

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

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

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

SLHD is a NSW Government entity and is controlled by the 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.

SLHD, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 29), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SLHD to exercise its functions.
- * The Anzac Health and Medical Research Foundation (ANZAC), which conducts medical research on the Concord

As a consequence, the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent, ANZAC 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 28-Sep-2022.

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 (continued)

b) Basis of preparation

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

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

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

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

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*.

SLHD has received an additional \$529.14 million (2021: \$180.55 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.
- * SLHD 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.
- * SLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.

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 (continued)

b) Basis of preparation (continued)

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.

SLHD 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.

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

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

c) Statement of Compliance

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

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

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

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

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

e) 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.

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).

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 (continued)

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 SLHD.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. SLHD, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of SLHD.

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

The COVID-19 pandemic has resulted in significant changes in SLHD activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2021-22 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 5 Other expenses
- * Note 7 Grants and subsidies
- * Note 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 26 Leases
- * Note 28 Fair value measurement of non-financial assets
- * Note 30 Payables
- * Note 33 Provisions
- * Note 38 Adjusted budget review
- * Note 44 Events after the reporting period

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)	1,301,116	1,170,124	-	-
Superannuation - defined benefit plans	5,692	5,834	-	-
Superannuation - defined contribution plans	119,893	102,597	-	-
Long service leave	(19,429)	(711)	-	-
Workers' compensation insurance	12,026	11,323	-	-
Fringe benefits tax	29	107	-	-
	1,419,327	1,289,274	-	-

Employee related costs of \$Nil (2021: \$106 thousand) 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)	-	-	1,297,888	1,166,856
Superannuation - defined contribution plans	-	-	119,577	102,291
Long service leave	-	-	(5,165)	8,806
Workers' compensation insurance	-	-	12,026	11,323
Fringe benefits tax	-	-	29	107
	-	-	1,424,355	1,289,383

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

Personnel services of \$Nil (2021: \$106 thousand) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout SLHD's hospitals. VMO expenses of \$64.72 million (2021: \$63.12 million) represent part of the day-to-day running costs incurred in the normal operations of SLHD. These costs are expensed as incurred.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Advertising	796	430	795	429
Auditor's remuneration - audit of financial statements	301	299	266	267
Blood and blood products	21,919	21,153	21,919	21,153
Consultancies	50	749	50	749
Contractors	4,395	4,505	4,395	4,505
Domestic supplies and services	36,159	23,243	36,152	23,236
Drug supplies*	138,438	94,556	138,421	94,534
Food supplies	41,818	39,833	41,814	39,827
Fuel, light and power	14,502	14,489	14,501	14,489
Patient transport costs	14,317	13,696	14,317	13,696
Information management expenses	55,179	38,777	55,136	38,742
Insurance	2,363	2,191	2,321	2,152
Maintenance (see Note 5 (b))	80,340	61,987	80,136	61,737
Medical and surgical supplies	125,747	122,753	125,692	122,697
Motor vehicle expenses	2,147	2,375	2,147	2,372
Postal and telephone costs	3,934	4,412	3,933	4,409
Printing and stationery	4,908	5,573	4,895	5,562
Rates and charges	2,161	2,014	2,157	2,001
Hosted services purchased from entities controlled by the immediate parent	-	327	-	327
Specialised services (dental, radiology, pathology and allied health)	246,423	230,807	245,861	230,120
Staff related costs	22,510	14,012	22,300	13,804
Travel related costs	1,566	607	1,555	591
Other (see Note 5 (a))**	164,414	40,770	164,237	40,559
	984,387	739,558	983,000	737,958

* Drug supplies includes \$43.26 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within SLHD. Refer to Note 23 for further details on COVID-19 vaccines.

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

** SLHD had a successful outcome in a legal matter and the previous year's provision of liabilities of \$84M was reversed in other expenses in June 2021.

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				
Aircraft expenses (Ambulance)	436	559	436	559
Contract for patient services	99,987	65,776	99,987	65,776
Corporate support services	10,070	10,443	10,070	10,443
Courier and freight	1,059	1,013	1,012	963
Isolated patient travel and accommodation assistance scheme	31	12	31	12
Legal services	944	1,698	935	1,648
Membership/professional fees	552	467	541	454
Quality assurance / accreditation	184	137	184	137
Security services	31,471	15,832	31,471	15,832
Expenses relating to short-term leases	5,576	2,914	5,576	2,910
Expenses relating to leases of low-value assets	2,149	1,679	2,149	1,679
Variable lease payments, not included in lease liabilities	1	27	1	27
Other miscellaneous **	11,954	(59,787)	11,844	(59,881)
	164,414	40,770	164,237	40,559

** SLHD had a successful outcome in a legal matter and the previous year's provision of liabilities of \$84M was reversed in other expenses in June 2021.

(b) Reconciliation of total maintenance expense

Maintenance contracts	20,188	19,829	20,034	19,689
New / replacement equipment under \$10,000	33,421	18,453	33,399	18,431
Repairs maintenance / non contract	26,705	23,696	26,677	23,608
Other	26	9	26	9
Maintenance expense - contracted labour and other (non-employee related) in Note 5	80,340	61,987	80,136	61,737
Employee related/personnel services maintenance expense included in Notes 2 and 3.	7,950	7,870	7,950	7,870
	88,290	69,857	88,086	69,607

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.

Other expenses

Other expenses generally represent the day-to-day running costs incurred in the normal operations of SLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 30.

Insurance

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

Lease expense

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

6. Depreciation and amortisation

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Depreciation - buildings	53,053	46,742	52,612	46,345
Depreciation - plant and equipment	16,856	16,261	16,412	15,786
Depreciation - infrastructure systems	786	468	786	468
Depreciation - right-of-use buildings	3,471	2,944	3,471	2,944
Depreciation - right-of-use plant and equipment	2,416	1,986	2,416	1,986
Amortisation - intangible assets	662	605	662	605
	77,244	69,006	76,359	68,134

Refer to Note 25 Property, plant and equipment, Note 26 Leases, and Note 27 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	20,224	19,632	20,224	19,632
Grants to research organisations	3,243	1,069	3,243	1,069
Grants to entities controlled by the immediate parent*	6,033	399	6,033	399
Other grants*	2,838	2,331	2,761	2,073
	32,338	23,431	32,261	23,173

* SLHD granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration equivalent to 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 \$5.62 million (2021: \$Nil) and to external third parties under other grants was \$0.10 million (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.

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	377	420	377	420
Interest expense from financial liabilities at amortised cost	147	172	147	172
Other interest charges	12	3	12	3
	536	595	536	595

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
Recurrent sourced				
Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft	14,330	13,438	14,330	13,438
The Benevolent Society	703	658	703	658
	15,033	14,096	15,033	14,096

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 Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft and the Benevolent Society have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the health organisations concerned. SLHD is not deemed to own or control the various assets / liabilities of the aforementioned health organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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 Government Sector Finance (GSF) Act 2018, SLHD'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 SLHD which forms part of the consolidated fund and is not appropriated to SLHD 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 SLHD.

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 SLHD 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 SLHD'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 SLHD to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the SLHD. 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 SLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and SLHD does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

SLHD recognised additional Ministry of Health recurrent allocations of \$527.58 million (2021: \$177.71 million) and Ministry of Health capital allocations of \$1.56 million (2021: \$2.84 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

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	54,280	54,138	54,280	54,138
Sale of prostheses	6,990	9,022	6,990	9,022
Other	171	137	171	137
	61,441	63,297	61,441	63,297

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	64,296	70,611	64,296	70,611
- Nursing home fees	322	205	322	205
- Non inpatient fees	4,000	4,021	4,000	4,021
Department of Veterans' Affairs	3,852	6,726	3,852	6,726
Motor Accident Authority third party	2,865	4,394	2,865	4,394
Enteral nutrition	4	6	4	6

Staff

Private use of motor vehicles	71	84	71	84
Salary packaging fee	12	(11)	12	(11)
Meals and accommodation	266	381	266	381
Child care fees	1,371	1,252	1,371	1,252

General community

Cafeteria / kiosk	3	2	3	2
Car parking	1,848	3,981	1,848	3,981
Clinical services (excluding clinical drug trials)	375	521	375	521
Commercial activities	103	82	103	82
Fees for conferences and training	801	767	801	767
Fees for medical records	209	188	209	188
Information retrieval	39	61	39	61

Non-NSW Health entities

Services to other organisations	7,328	6,512	7,328	6,512
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Entities controlled by the immediate parent

Hosted service revenues	2,382	2,095	2,382	2,095
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Other

Infrastructure fees - annual charge	4,384	8,490	4,384	8,490
Infrastructure fees - monthly facility charge	15,341	18,228	15,341	18,228
Quarantined Hotel Passengers *	68,424	214,292	68,424	214,292
Other	3,199	4,849	3,199	4,849

	181,495	347,737	181,495	347,737
	242,936	411,034	242,936	411,034

*The significant reduction in Quarantined Hotel Passengers' revenue is due to changes in government policy and NSW Public Health Orders. International arrivals are no longer required to enter hotel quarantine.

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 SLHD satisfies a performance obligation by transferring the promised goods.

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 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 SLHD satisfies the performance obligation by transferring the promised services.

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement (continued)

Rendering of services (continued)

<u>Type of service</u>	<u>Nature of timing of satisfaction of performance obligations, including significant payment terms</u>	<u>Revenue recognition policies</u>
Infrastructure fees	Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the 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 31 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when SLHD expects to recognise the unsatisfied portion as revenue.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

14. Investment revenue

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest income from financial assets at amortised cost	1,811	1,638	1,541	1,367
Finance income on the net investment in the lease	1,816	1,772	1,816	1,772
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	(27)	111	(27)	111
Royalties	17	35	17	35
	3,617	3,556	3,347	3,285

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 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 SLHD's right to receive the payment has been established.

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 with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	4,134	4,409	4,134	4,409
Clinical trials and research grants	11,343	9,614	9,325	7,961
Commonwealth government grants received for community based services	11,270	11,008	11,270	11,008
Grants from entities controlled by the ultimate parent	1,030	982	1,030	982
Other grants from entities controlled by the immediate parent	1,689	235	1,689	235
Other grants	4,838	5,558	4,838	5,558
Grants without specific performance obligations				
Clinicals trial and research grants	4,442	3,653	2,259	1,336
Commonwealth government grants other*	56,946	752	56,946	148
Grants from entities controlled by the ultimate parent	4,109	10,688	4,109	10,688
Other grants from entities controlled by the immediate parent*	4,896	3,298	4,896	3,298
Other grants*	3,563	2,498	3,414	2,498
Donations	9,057	3,867	8,638	3,325
	117,317	56,562	112,548	51,446

* SLHD 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 \$56.946 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$2.959 million (2021: \$Nil) and from external third parties under other grants was \$0.001 million (2021: \$Nil).

15. Grants and other contributions (continued)

Recognition and Measurement

Grants and other contributions

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

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

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

Refer to Note 31 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

Volunteer services

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

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

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	5,692	5,834	-	-
Long service leave provision *	(14,265)	(9,518)	-	-
	(8,573)	(3,684)	-	-

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

17. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Commissions	100	89	100	89
Discounts	81	2	81	2
Insurance refunds	567	655	567	655
Rental income				
- other rental income	7,233	4,371	7,085	4,190
Property not previously recognised *	-	11,881	-	11,881
Sponsorship	468	22	468	22
Other	2,671	8,815	2,613	8,627
	11,120	25,835	10,914	25,466

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

Recognition and Measurement

Other Income

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

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	713	425	713	416
Less: proceeds from disposal	22	7	22	7
Net gains / (losses) on disposal	(691)	(418)	(691)	(409)
Right-of-use assets				
Written down value of assets disposed	4	18	4	18
Less: lease liabilities extinguished	4	18	4	18
Net gains / (losses) on disposal	-	-	-	-
Intangible assets				
Written down value of assets disposed	207	-	207	-
Less: proceeds from disposal	-	-	-	-
Net gains / (losses) on disposal	(207)	-	(207)	-
Financial assets				
Written down value of assets disposed	-	77,959	-	77,959
Less: proceeds from disposal	-	77,959	-	77,959
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	(898)	(418)	(898)	(409)

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

19. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(10,810)	-	(10,810)	-
	(10,810)	-	(10,810)	-

* Inventory write down includes COVID-19 vaccine wastage of \$2.15 million (2021: \$Nil) and impairment of \$8.66 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 25 Property, plant and equipment
- Note 26 Leases
- Note 27 Intangible assets

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

SLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. SLHD determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 29 Restricted assets.

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	227,141	179,039	203,971	154,771
Short-term deposits	-	34,660	-	34,660
	227,141	213,699	203,971	189,431

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)	227,141	213,699	203,971	189,431
	227,141	213,699	203,971	189,431

Refer to Note 42 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Trade receivables from contracts with customers	105,846	151,674	105,792	151,251
Intra health receivables	12,902	19,826	12,902	19,826
Goods and Services Tax	7,507	8,140	7,437	8,124
Other receivables	2,667	25,660	2,567	25,660
Sub total	128,922	205,300	128,698	204,861
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(44,376)	(34,178)	(44,376)	(34,178)
- Other receivables	(7)	(12)	(7)	(12)
Sub total	84,539	171,110	84,315	170,671
Prepayments	1,579	3,674	1,540	3,610
	86,118	174,784	85,855	174,281

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(34,178)	(6,196)	(34,178)	(6,196)
Amounts written off during the year	6,009	8,192	6,009	8,192
(Increase) / decrease in allowance recognised in the net result ¹	(16,208)	(36,174)	(16,208)	(36,174)
Balance at the end of the year	(44,376)	(34,178)	(44,376)	(34,178)
Other receivables				
Balance at the beginning of the year	(12)	(7)	(7)	(7)
Amounts written off during the year	14	7	14	7
Balance at the end of the year	(7)	(12)	(7)	(12)
	(44,383)	(34,190)	(44,383)	(34,190)

¹ Includes total impairment loss of \$16.208 million (2021: \$36.174 million) recognised on receivables from contracts with customers.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 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	3,646	4,208	3,646	4,208
Patient fees - ineligible	16,515	16,974	16,515	16,974
Patient fees - inpatient & other	13,315	9,917	13,315	9,917
	33,476	31,099	33,476	31,099

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 42.

	Consolidated 2022 \$000	Consolidated' 2021 \$000	Parent 2022 \$000	Parent' 2021 \$000
Contract receivables (included in Note 22)	118,747	171,500	118,694	171,078
Total contract receivables	118,747	171,500	118,694	171,078

¹ Prior year figures have been restated lower by \$0.095 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

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

Impairment

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

In response to the COVID-19 pandemic, SLHD has changed the terms and conditions with its counterparties to offer deferred payment terms and rent relief to some tenants. SLHD has a rental receivables balance amount of \$1.110 million as at 30 June 2022 (2021: \$0.292 million). The expected impacts on the recoverability of these receivables is not considered significant.

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

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

23. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Held-for-distribution				
Drug supplies	14,452	4,125	14,452	4,125
Medical and surgical supplies	7,486	7,415	7,486	7,415
Sub total	21,938	11,540	21,938	11,540
<i>Less: Allowance for impairment</i>				
- Drug supplies	(8,662)	-	(8,662)	-
	13,276	11,540	13,276	11,540

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

Recognition and Measurement

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

Market demand has increased the weighted average cost of inventories in medical and surgical supplies 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, SLHD has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

At the beginning of 2021, the rollout of the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. SLHD 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 SLHD controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by SLHD.

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

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$59.91 million (2021: \$Nil) and \$48.97 million (2021: \$Nil), respectively. \$2.15 million (2021: \$Nil) of vaccines were written-off and another \$8.66 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$8.79 million (2021: \$Nil) which is included as part of the inventory drug supplies.

23. Inventories (continued)

Recognition and Measurement (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 SLHD would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete items are disposed of in accordance with instructions issued by the Ministry of Health.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Other financial assets

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-current				
Receivables on finance leases as lessor (Note 26)	76,012	74,196	76,012	74,196
	76,012	74,196	76,012	74,196

Refer to Note 42 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.

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

25. Property, plant and equipment

(a) Total property, plant and equipment

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,540,282	243,905	19,360	2,803,547
Less: accumulated depreciation and impairment	726,518	146,448	8,443	881,409
Net carrying amount	1,813,764	97,457	10,917	1,922,138
	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	1,813,764	97,457	10,917	1,922,138
Additions	197,426	26,298	-	223,724
Disposals	-	(425)	-	(425)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increments less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(46,742)	(16,261)	(468)	(63,471)
Reclassifications	(224)	224	-	-
Net carrying amount at end of year	1,868,911	107,524	9,882	1,986,317

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

CONSOLIDATION

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

	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	1,868,911	107,524	9,882	1,986,317
Additions	57,988	15,585	-	73,573
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increments less revaluation decrements	160,750	-	861	161,611
Depreciation expense	(53,053)	(16,856)	(786)	(70,695)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	2,017,553	106,984	26,845	2,151,382

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	2,895,185	264,842	38,100	3,198,127
Less: accumulated depreciation and impairment	877,632	157,858	11,255	1,046,745
Net carrying amount	2,017,553	106,984	26,845	2,151,382

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,485,382	243,905	19,360	2,748,647
Less: accumulated depreciation and impairment	705,395	146,448	8,443	860,286
Net carrying amount	1,779,987	97,457	10,917	1,888,361
Year ended 30 June 2021				
Net carrying amount at beginning of year	1,779,987	97,457	10,917	1,888,361
Additions	197,426	26,298	-	223,724
Disposals	-	(425)	-	(425)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increment less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(45,542)	(16,261)	(468)	(62,271)
Reclassifications	(224)	224	-	-
Net carrying amount at end of year	1,836,334	107,524	9,882	1,953,740

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

CONSOLIDATION

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

	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	1,836,334	107,524	9,882	1,953,740
Additions	57,988	15,585	-	73,573
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increments less revaluation decrements	164,578	-	861	165,439
Depreciation expense	(52,053)	(16,856)	(786)	(69,695)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	1,989,804	106,984	26,845	2,123,633

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	2,843,369	264,842	38,100	3,146,311
<i>Less: accumulated depreciation and impairment</i>	853,565	157,858	11,255	1,022,678
Net carrying amount	1,989,804	106,984	26,845	2,123,633

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	21,123	-	-	21,123
Net carrying amount	33,777	-	-	33,777
	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	33,777	-	-	33,777
Depreciation expense	(1,200)	-	-	(1,200)
Net carrying amount at end of year	32,577	-	-	32,577

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	54,900	-	-	54,900
<i>Less: accumulated depreciation and impairment</i>	22,323	-	-	22,323
Net carrying amount	32,577	-	-	32,577
	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	32,577	-	-	32,577
Net revaluation increments less revaluation decrements	(3,828)	-	-	(3,828)
Depreciation expense	(1,000)	-	-	(1,000)
Net carrying amount at end of year	27,749	-	-	27,749
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	51,816	-	-	51,816
<i>Less: accumulated depreciation and impairment</i>	24,067	-	-	24,067
Net carrying amount	27,749	-	-	27,749

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment

(a) Total property, plant and equipment

PARENT

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

	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	1,800,785	94,079	10,917	1,905,781
Additions	197,426	26,229	-	223,655
Disposals	-	(416)	-	(416)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increments less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(46,345)	(15,786)	(468)	(62,599)
Reclassifications	(224)	224	-	-
Net carrying amount at end of year	1,856,329	104,561	9,882	1,970,772

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

PARENT

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

	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	1,856,329	104,561	9,882	1,970,772
Additions	57,988	15,535	-	73,523
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increments less revaluation decrements	157,579	-	861	158,440
Depreciation expense	(52,612)	(16,412)	(786)	(69,810)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	2,002,241	104,415	26,845	2,133,501

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	2,875,173	258,145	38,100	3,171,418
Less: accumulated depreciation and impairment	872,932	153,730	11,255	1,037,917
Net carrying amount	2,002,241	104,415	26,845	2,133,501

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

PARENT

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

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

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

PARENT

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

	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	1,823,752	104,561	9,882	1,938,195
Additions	57,988	15,535	-	73,523
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increments less revaluation decrements	161,407	-	861	162,268
Depreciation expense	(51,612)	(16,412)	(786)	(68,810)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	1,974,492	104,415	26,845	2,105,752

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	2,823,357	258,145	38,100	3,119,602
Less: accumulated depreciation and impairment	848,865	153,730	11,255	1,013,850
Net carrying amount	1,974,492	104,415	26,845	2,105,752

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

PARENT

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

	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	33,777	-	-	33,777
Depreciation expense	(1,200)	-	-	(1,200)
Net carrying amount at end of year	32,577	-	-	32,577

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	22,323	-	-	22,323
Net carrying amount	32,577	-	-	32,577

	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	32,577	-	-	32,577
Net revaluation increments less revaluation decrements	(3,828)	-	-	(3,828)
Depreciation expense	(1,000)	-	-	(1,000)
Net carrying amount at end of year	27,749	-	-	27,749

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	51,816	-	-	51,816
Less: accumulated depreciation and impairment	24,067	-	-	24,067
Net carrying amount	27,749	-	-	27,749

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 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. 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 SLHD and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to SLHD. The costs are then accordingly reflected in SLHD's financial statements. SLHD acquires most assets in this manner.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 35).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

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

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

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

Details of depreciation rates (with no changes from previous year) 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. SLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 26.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 28 for further information regarding fair value.

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

The last comprehensive revaluation was completed on 31 December 2021 and was based on an independent assessment by CBRE Valuations Pty Limited (CBRE).

Indices were subsequently obtained from CBRE as at 30 June 2022, which suggested a cumulative increase in market price of 0.0% for land and an increase in construction costs of 3.0% for building and infrastructure. A cumulative increase of 8.7% was applied to the new building at Concord Hospital which was managed and completed in September 2021 by Health Infrastructure but transferred to SLHD in June 2022. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment of \$58.148M for land, building and infrastructure.

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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

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

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

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

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

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

Impairment of property, plant and equipment

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

SLHD assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, SLHD estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases

(a) Entity as a lessee

SLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of <1 to 10> years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. SLHD does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by SLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$Nil (2021: \$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 (2021: \$Nil).

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

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

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

26. Leases (continued)

(a) Entity as a lessee (continued)

Right-of-use assets under leases

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

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	13,288	3,917	17,205
Additions	1,764	4,025	5,789
Reassessments	6,283	135	6,418
Disposals	-	(4)	(4)
Depreciation expense	(3,471)	(2,416)	(5,887)
Balance at 30 June 2022	17,864	5,657	23,521

PARENT AND CONSOLIDATION

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

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

26. 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	17,328	17,043
Additions	5,789	4,227
Interest expenses	378	420
Payments	(5,966)	(5,258)
Terminations / derecognition	(4)	(18)
Equity transfers - transfers In / (out)	-	60
Other adjustments	6,418	854
Balance at 30 June	23,943	17,328

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

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Depreciation expense of right-of-use assets	5,887	4,930
Interest expense on lease liabilities	377	420
Expenses relating to short-term leases	5,576	2,914
Expenses relating to leases of low-value assets	2,149	1,679
Variable lease payments, not included in the measurement of lease liabilities	1	27
Total amount recognised in the statement of comprehensive income	13,990	9,970

SLHD had total cash outflows for leases of \$13.69 million for the year ended 30 June 2022 (2021: \$9.88 million).

26. Leases (continued)

(a) Entity as a lessee (continued)

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

SLHD entered into a number of leases, with lease terms ranging from 1 to 5 with various local councils for the use of community health buildings. The contract specifies lease payments of \$Nil (2021: Nil) per annum. The leased premise is be used by SLHD to provide different community health services. The community health buildings account for a small portion of the similar assets SLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on SLHD's operations.

Recognition and Measurement

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 10 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

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

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

ii. Lease liabilities

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

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

26. 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. SLHD does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, SLHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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

SLHD's lease liabilities are included in borrowings in Note 32.

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

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

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

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

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

26. Leases (continued)

(b) Entity as a lessor

Reconciliation of net investment in leases

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	162,456	162,456
Less: unearned finance income	(86,444)	(88,260)
Net investment in finance lease *	76,012	74,196

* The net investment in finance lease is for Chris O'Brien Lifehouse.

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

26. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and Measurement

Lessor for finance leases

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

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

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

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 \$'000	2021 \$'000
Within one year	1,965	1,873
One to two years	601	626
Two to three years	534	563
Three to four years	475	454
Four to five years	379	371
Later than five years	3,657	4,028
Total (excluding GST)	7,611	7,915

Recognition and Measurement

Lessor for operating leases

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

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

27. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2020		
Cost (gross carrying amount)	6,916	6,916
Less: accumulated amortisation and impairment	1,326	1,326
Net carrying amount	5,590	5,590

	Software \$000	Total \$000
Year ended 30 June 2021		
Net carrying amount at beginning of year	5,590	5,590
Additions - acquired separately	370	370
Amortisation (recognised in depreciation and amortisation)	(605)	(605)
Net carrying amount at end of year	5,355	5,355

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	6,588	6,588
Less: accumulated amortisation and impairment	1,233	1,233
Net carrying amount	5,355	5,355

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	5,355	5,355
Additions - acquired separately	107	107
Reclassifications from plant and equipment	384	384
Disposals	(207)	(207)
Amortisation (recognised in depreciation and amortisation)	(662)	(662)
Net carrying amount at end of year	4,977	4,977

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

27. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2022		
Cost (gross carrying amount)	6,836	6,836
Less: accumulated amortisation and impairment	1,859	1,859
Net carrying amount	4,977	4,977

Recognition and Measurement

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

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

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

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

Computer software developed or acquired by SLHD are recognised as intangible assets. Most computer software is acquired from 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

28. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, SLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 25)				
- Land and buildings	-	35,620	1,610,009	1,645,629
- Infrastructure systems	-	-	9,323	9,323
	-	35,620	1,619,332	1,654,952

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 25.

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 25)				
- Land and buildings	-	21,500	1,477,808	1,499,308
- Infrastructure systems	-	-	9,055	9,055
	-	21,500	1,486,863	1,508,363

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 25.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems SLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Limited (CBRE) for the 2021-22 financial year. CBRE is an independent entity and is not an associated entity of SLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 25 reconciliation).

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

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

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

The majority of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

- For buildings and infrastructure, many assets are of a specialised nature or use, 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, all non-specialised residential properties are valued on a market approach and included in level 2.

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

28. 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	1,477,808	9,055	1,486,863
Additions*	46,427	1,271	47,698
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	130,764	(542)	130,222
Transfers from Level 2	1,734	-	1,734
Disposals	(169)	-	(169)
Depreciation expense	(46,555)	(461)	(47,016)
Fair value as at 30 June 2022	1,610,009	9,323	1,619,332

* 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.

2021	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	1,606,754	10,068	1,616,822
Additions*	11,881	-	11,881
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	4,436	803	5,239
Transfers from Level 2	-	-	-
Depreciation expense	(45,514)	(446)	(45,960)
Equity transfers - transfers in / (out)	(99,749)	(1,370)	(101,119)
Fair value as at 30 June 2021	1,477,808	9,055	1,486,863

* 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. Restricted assets

PARENT AND CONSOLIDATION

SLHD's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2022.

Category	1 July 2021 Opening \$000	Revenue \$000	Expense \$000	2022 Closing \$000
Community welfare	1,143	381	482	1,042
Facility improvements	70,589	36,698	3,518	103,769
Holds funds in perpetuity	533	-	74	459
Patient welfare	3,058	648	183	3,523
Private practice disbursements (No.2 Accounts)	48,788	4,806	5,316	48,278
Public contributions	5,403	3,886	494	8,795
Research	67,324	19,518	15,998	70,844
Staff welfare	136	5	18	123
Training and education including conferences	12,448	741	588	12,601
	209,422	66,683	26,671	249,434

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

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

29. Restricted assets (continued)

Unclaimed monies

All money and personal effects of patients which are left in the custody of SLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of SLHD.

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

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

30. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Accrued salaries, wages and on-costs	22,323	23,903	-	-
Salaries and wages deductions	398	347	-	-
Payroll and fringe benefits tax	39	23	-	-
Accrued liability - purchase of personnel services	-	-	22,759	24,146
Creditors	44,377	34,406	44,367	34,406
Other creditors			-	-
- Payables to entities controlled by the immediate parent	22,300	31,770	22,300	31,770
- Other	51,966	39,786	51,910	39,693
	141,403	130,235	141,336	130,015

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 42.

Recognition and Measurement

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

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

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

31. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Contract liabilities	643	1,229	555	680
	643	1,229	555	680

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 significantly 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	1,229	2,310	680	1,128
Transaction price allocated to the remaining performance obligations from contracts with customers	167	554	78	5

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

Specific revenue class	2023 \$'000	2024 \$'000	2025 \$'000	≥ 2026 \$'000
Sales of goods and services from contracts with customers	-	-	-	-
Grants and other contributions	167	-	-	-
	167	-	-	-

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

32. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Other loans and deposits	919	894	919	894
Lease liabilities (see Note 26)	5,715	4,207	5,715	4,207
	6,634	5,101	6,634	5,101
Non-current				
Other loans and deposits	3,838	4,757	3,838	4,757
Lease liabilities (see Note 26)	18,228	13,121	18,228	13,121
	22,066	17,878	22,066	17,878

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

Final repayment of loan is scheduled for 31 December 2029

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 42.

Recognition and Measurement

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

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless SLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 42 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

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

The changes in fair value of liabilities designated at fair value through profit or loss are recorded in profit or loss with the exception that movements in fair value due to changes in the entity's own credit risk are recorded in other comprehensive income and do not get recycled to net result.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

32. Borrowings (continued)

Recognition and Measurement

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, SLHD's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

SLHD has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2022 and as at 30 June 2021.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2020	6,521	17,043	23,564
Cash flows	(870)	(4,838)	(5,708)
New leases	-	4,227	4,227
Lease terminations	-	(18)	(18)
Lease reassessments	-	854	854
Non-cash changes other	-	60	60
30 June 2021	5,651	17,328	22,979
1 July 2021	5,651	17,328	22,979
Cash flows	(894)	(5,588)	(6,482)
New leases	-	5,789	5,789
Lease terminations	-	(4)	(4)
Lease reassessments	-	6,418	6,418
Non-cash changes other	-	-	-
30 June 2022	4,757	23,943	28,700

Cash flows from derivatives in the above table will not reconcile to the Statement of Cash Flows as the Statement of Cash Flows presents a net cash movement of financial assets and liabilities.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

33. 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	113,833	108,613	-	-
Annual leave - obligations expected to be settled after 12 months	142,005	118,139	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,407	2,704	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	36,229	40,631	-	-
Provision for other employee benefits*	43,403	9,244	-	-
Provision for personnel services liability	-	-	337,877	278,654
	337,877	279,331	337,877	278,654
Other Provisions				
Restoration costs	1,430	1,890	1,430	1,890
Other	2,616	-	2,616	-
	4,046	1,890	4,046	1,890
Total current provisions	341,923	281,221	341,923	280,544
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,821	4,286	-	-
Provision for personnel services liability	-	-	3,821	4,286
	3,821	4,286	3,821	4,286
Total non-current provisions	3,821	4,286	3,821	4,286
Aggregate employee benefits and related on-costs				
Provisions - current	337,877	279,331	-	-
Provisions - non-current	3,821	4,286	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 30)	22,721	24,250	-	-
Liability - purchase of personnel services	-	-	364,419	307,062
	364,419	307,867	364,419	307,062

* Provision for other employee benefits includes a one-off payment to employees of \$33.52 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

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

33. 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	1,890	-	1,890	-
- Additional provisions recognised	-	1,890	-	1,890
- Amounts used	(460)	-	(460)	-
Carrying amount at end of period	1,430	1,890	1,430	1,890

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 SLHD'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	-	84,022	-	84,022
- Additional provisions recognised*	2,616	-	2,616	-
- Amounts used	-	(84,022)	-	(84,022)
Carrying amount at end of period	2,616	-	2,616	-

* Additional provisions recognised of \$2.62 million in 2022, includes a one-off payment to visiting medical officers of \$1.90 million (2021: \$Nil) and affiliated health organisations of \$0.72 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

33. Provisions (continued)

Recognition and Measurement

Employee benefits and other provisions

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 20.28% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 19.78%). SLHD has assessed the actuarial advice based on the SLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where SLHD does not expect to settle the liability within 12 months as SLHD does not have an unconditional right to defer settlement.

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

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

SLHD'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. SLHD accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown 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 SLHD.

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

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

33. Provisions (continued)

Recognition and Measurement (continued)

Consequential on-costs

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

Other provisions

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

Any provisions for restructuring are recognised only when SLHD has a detailed formal plan, and SLHD has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Unearned revenue	-	49	-	-
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	233	218	233	34
	233	267	233	34

PARENT AND CONSOLIDATION

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

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	218	264
<i>Add: receipt of cash during the financial year</i>	15	(46)
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	233	218

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with SLHD's policy on the revaluation of property, plant and equipment as discussed in Note 25.

Accumulated funds

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

Reserves

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

Increase / (decrease) in net assets from equity transfers

Equity transfers effected in the 2021/22 year were:

(a) Nil

Equity transfers effected in the 2020/21 year were:

(b1) As at the 30 June 2021, a number of fleet leases were transferred to SLHD from SWLHD at \$Nil consideration, an entity of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

(b2) As at the 30 June 2021, Buildings & Infrastructure located in Callan Park Precinct One were administratively transferred from SLHD to Greater Sydney Parklands (GSP) at \$Nil consideration.

Equity transfers effected comprised:

	2022 \$000	2021 \$000
(a) Nil	-	-
(b1) Transfer of motor vehicle fleet leases	-	14
(b2) Transfer of Callan Park Land, Buildings & Infrastructure to GSP	-	101,119
	-	101,133

Assets and Liabilities transferred are as follows:

	2022 \$000	2021 \$000
Assets		
(a) Nil	-	-
(b1) Right-of-use assets	-	47
(b2) Land, Buildings & Infrastructure	-	(101,119)
Liabilities		
(a) Nil	-	-
(b1) Lease liabilities	-	(61)
Increase / (Decrease) in Net Assets From Equity Transfers	-	(101,133)

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. 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	58,688	23,409	58,688	23,409
Later than one year and not later than five years	12,411	5,745	12,411	5,745
Total (including GST)	71,099	29,154	71,099	29,154

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$71.099 million as at 30 June 2022 includes input tax credits of \$6.464 million that are expected to be recoverable from the Australian Taxation Office (2021: \$2.650 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$8.372 million as at 30 June 2022 includes taxable sales of \$0.761 million that are expected to be payable to the Australian Taxation Office (2021: \$0.791 million).

37. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

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

(a) Contingent liabilities

SLHD does not have any known contingent liabilities in FY2022 (2021: Nil).

(b) Contingent assets

Except as detailed in Note 36(b), SLHD does not have any known contingent assets in FY2022 (2021: Nil).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

38. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). SLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD and the Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

PARENT AND CONSOLIDATION

Net result

The actual Net Result was higher than adjusted budget by \$26 million, primarily due to:

Total Net Result is \$25.941M favourable to budget. This result is related to favourable variances in Total Expenses excluding losses (\$4.076M) and Total Revenue (\$22.772M), and offset by unfavourable variances in Doubtful Debts (\$0.009M), and Losses on Disposal of Asset (\$0.898M) .

There were increases in major expense lines including Salaries & Wages, Grants and Subsidies, Payments to Affiliated Organizations and Depreciation amounting to \$41.627M however this was offset by decreases in other expenses and visiting medical officers. This increase was primarily due to the management of the COVID-19 response, including the Special Health Accommodation, vaccination program, Pathology tests, Personal Protective Equipment (PPE), COVID-19 Clinics and Collaborative Care.

The favourability of \$22.772M in Total Revenue was primarily due to received revenue from Revenue NSW for Quarantine Passenger Fees on 30 June 2022 amounts to \$68.423M. This was offset predominantly by unfavourabilities in Patient fees, Facility fees and other revenue streams impacted by COVID-19.

Assets and liabilities

Total Assets were higher by \$188.438M compared to Budget. This comprised both a \$30.605M increase in current assets and in non current assets amounting to \$157.833M. The increase in current assets related to cash and cash equivalents (\$11.233M), receivables (\$18.311M) and in inventories (\$1.061M). The major reason for the increase in current assets was due to collection of Quarantine Passengers in Hotels fees. Note that quarantine hotel operations were not factored in the initial budget. The increase of \$157.833M in non current assets was mainly due to increase in property, plant and equipment of \$158.513M. The major reason was due to the adoption of current revaluation for land and buildings amounting to \$160.750M. Total Liabilities were lower by \$7.717M compared to Budget. Majority of the difference was a result of the decrease in payables amounting to \$22.793M and offset by increase in provisions amounting to \$15.788M. The increase in provisions was due to the impact actuarial valuations of annual leave and long service leave.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

38. Adjusted budget review (continued)

Cash flows

The net increase in cash and cash equivalents was \$11.233M as compared to the Budget. This was represented by net cash flows increase in cash operating, investing and decrease in financing activities amounting to \$8.861M, \$2.460M and \$0.088M respectively. Total payments net effect in cash operating activities decreased by \$8.894M was due to the District's implementation of COVID-19 response. This net effect comprise of accruals not yet paid as at June 2022 however the District spent most of the funds in relation to the management of the COVID-19 response, including the Special Health Accommodation, vaccination program, Pathology tests, Personal Protective Equipment (PPE), COVID-19 Clinics and Collaborative Care. Total receipts in cash operating activities decreased by \$0.033M was majority due to lower patient fees, facility fees, prosthesis income, rent income and conference receipts. However, the collection of revenue from quarantine passenger fees mitigated these revenue streams affected by COVID-19. Net cash flows increase from investing was majority due to the increase in purchases of plant, property, and equipment of which are projects of the capital programs by the District. Net cash flows decrease from financing activities was majority due to increase in payments of principal portion of lease liabilities by \$0.088M. Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2021 are as follows:

	\$000
Initial allocation, 01/07/2021	1,399,773
Award increases	35,020
Special projects:	
2021/22 Budget Relief - COVID-19 Response	527,576
New Build & New Capacity	30,113
Service Demand and Volume Growth	21,385
Highly Specialized Services	8,929
DVA Adjustment	4,429
Service Expansion & Additional Demand	3,431
Kymriah CAR T-CELL	4,119
Superannuation costs of DVA employees	2,901
Dental Waitlist Reduction	2,000
Assertive Community Care	1,616
MAA Adjustment	1,601
Strengthening of Palliative Care Services	1,100
Virtual Mental Health	1,009
Blood and Blood Product Adjustment	796
Patient Experience Officers	566
Other	58
Balance as per Statement of Comprehensive Income	2,046,423

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. 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	93,430	231,902	94,478	232,188
Depreciation and amortisation expense	(77,244)	(69,006)	(76,359)	(68,134)
Allowance for impairment	(27,026)	(36,186)	(27,026)	(36,186)
(Increase) / decrease in other liabilities	34	78	(199)	274
Decrease / (increase) in provisions	(60,236)	40,690	(60,914)	40,685
Increase / (decrease) in inventory	1,736	(1,427)	1,736	(1,427)
Increase / (decrease) in prepayments and other assets	(61,084)	137,093	(60,784)	137,056
Decrease / (increase) in payables	(9,908)	(29,361)	(10,121)	(29,491)
Decrease / (increase) in contract liabilities	585	1,081	125	448
Net gain / (loss) on sale of property, plant and equipment	(898)	(418)	(898)	(409)
Assets donated or brought to account (Note 40)	1,825	12,112	1,825	12,112
Net result	(138,786)	286,558	(138,137)	287,116

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

40. Non-cash financing and investing activities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	1,825	12,112	1,825	12,112
Property, plant and equipment acquired by a lease	5,789	4,227	5,789	4,227
	7,614	16,339	7,614	16,339

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

41. Trust funds

PARENT AND CONSOLIDATION

SLHD holds trust funds of \$10.2 million (2021: \$10.1 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 SLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2021 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2022 Closing equity \$'000
Patient Trust	148	3	(2)	149
Refundable Deposits	208	12	(5)	215
Private Patient Trust Funds	5,622	31,271	(36,893)	-
Third Party Funds	4,147	5,972	(332)	9,787
Total trust funds	10,125	37,258	(37,232)	10,151

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

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 43.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

42. Financial instruments

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

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

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

(a) Financial instrument categories

CONSOLIDATION		Carrying Amount 2022 \$000	Carrying Amount 2021 \$000
Class	Category		
Financial assets			
Cash and cash equivalents (Note 21)	Amortised cost	227,141	213,699
Receivables (Note 22) ¹	Amortised cost	77,032	162,970
Other financial assets (Note 24)	Amortised cost	76,012	74,196
Total financial assets		380,185	450,865
Financial liabilities			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	28,700	22,979
Payables (Note 30) ²	Financial liabilities measured at amortised cost	141,364	130,212
Total financial liabilities		170,064	153,191
PARENT		Carrying Amount 2022 \$000	Carrying Amount 2021 \$000
Class	Category		
Financial assets			
Cash and cash equivalents (Note 21)	Amortised cost	203,971	189,431
Receivables (Note 22) ¹	Amortised cost	76,878	162,547
Other financial assets (Note 24)	Amortised cost	76,012	74,196
Total financial assets		356,861	426,174
Financial liabilities			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	28,700	22,979
Payables (Note 30) ²	Financial liabilities measured at amortised cost	141,336	130,015
Total financial liabilities		170,036	152,994

Notes

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

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

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

42. Financial instruments (continued)

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

(b) Derecognition of financial assets and financial liabilities

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

42. Financial instruments (continued)

(d) Financial risk

i. Credit risk

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

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

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

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

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.

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. SLHD 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.

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

42. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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:

CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.28%	12.33%	18.10%	22.93%	57.87%	24.05%
Estimated total gross carrying amount ¹	105,482	3,178	1,680	1,714	72,471	184,525
Expected credit loss	1,355	392	304	393	41,939	44,383
30 June 2021	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.48%	1.58%	2.11%	3.84%	62.92%	13.59%
Estimated total gross carrying amount ¹	156,853	15,774	14,666	12,755	51,482	251,530
Expected credit loss	748	250	310	490	32,392	34,190

PARENT

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.28%	12.98%	18.48%	22.93%	57.87%	24.07%
Estimated total gross carrying amount ¹	105,521	3,020	1,645	1,714	72,471	184,371
Expected credit loss	1,355	392	304	393	41,939	44,383
30 June 2021	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.48%	1.58%	2.12%	3.85%	62.94%	13.62%
Estimated total gross carrying amount ¹	156,495	15,774	14,644	12,732	51,462	251,107
Expected credit loss	748	250	310	490	32,392	34,190

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.

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

42. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

42. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	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		141,364	-	-	141,364	141,364	-	-
Borrowings:								
- Other loans and deposits	2.77%	5,127	5,127	-	-	1,041	3,779	307
- Lease liabilities	1.97%	25,076	25,076	-	-	6,157	17,179	1,740
		171,567	30,203	-	141,364	148,562	20,958	2,047
2021								
Payables:								
- Creditors ²		130,212	-	-	130,212	130,212	-	-
Borrowings:								
- Other loans and deposits	2.77%	6,168	6,168	-	-	1,041	4,820	307
- Lease liabilities	1.87%	18,330	18,330	-	-	4,647	11,305	2,378
		154,710	24,498	-	130,212	135,900	16,125	2,685

Notes:

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

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).

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

42. Financial instruments (continued)

(d) Financial risk (continued)

iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which SLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 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 SLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SLHD does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, SLHD is not permitted to borrow external to the 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	(2,745)	2,745	(2,649)	2,649
Equity	(2,745)	2,745	(2,649)	2,649

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

42. Financial instruments (continued)

(d) Financial risk (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2022 \$000	2021 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	-	34,660

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

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

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

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

	Change in unit price		Impact on net result	
	2022 %	2021 %	2022 \$000	2021 \$000
TCorpIM Cash Fund	10%	10%	-	3,466

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. 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	626	890
Post-employment benefits	110	69
	736	959

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.497 million (2021: \$0.484 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

SLHD's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the 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 SLHD had with government related entities during the financial year

During the financial year and comparative year, SLHD entered into the various transactions with other entities consolidated as part of the 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/senior] parent:

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Related party disclosures (continued)

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

The following operating expenses were incurred with entities controlled by the 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
- Rental income from NSW Health Pathology

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.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

44. Events after the reporting period

Impaired COVID-19 vaccines of \$8.6 million within the District's inventory (refer note 24) were transferred back to Commonwealth in July 2022.

The ANZAC Health and Medical Research Foundation (ANZAC) is a controlled entity of the SLHD as at 30 June 2022, to further strengthen the governance arrangements for the ANZAC, a decision was made to further integrate their operational arrangements into the operational arrangements of the SLHD. The Transfer Deed formalises the transfer of the business operations and assets to the District as part of SLHD's Parent Entity effective from 1 July 2022.

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

END OF AUDITED FINANCIAL STATEMENTS