



INDEPENDENT AUDITOR'S REPORT

Murrumbidgee Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Murrumbidgee Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

Emphasis of Matter - Presentation of Budget Information

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

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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the District and 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.



Jan-Michael Perez
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 October 2023
SYDNEY

Murrumbidgee Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2023



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

1. The financial statements of Murrumbidgee Local Health District for the year ended 30 June 2023 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 Murrumbidgee Local Health District's financial position as at 30 June 2023 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 blue ink, appearing to read 'Jill Ludford'.

Jill Ludford
Chief Executive
29 September 2023

A handwritten signature in blue ink, appearing to read 'Kevin Lawrence'.

Kevin Lawrence
Director – Finance & Performance
29 September 2023

Murrumbidgee Local Health District

Statement of Comprehensive Income for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual Restated 2022 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	456,977	442,777	407,728	-	-
Personnel services	3	-	-	-	448,048	409,798
Visiting medical officers	4	62,383	58,831	58,718	62,383	58,718
Operating expenses	5	262,790	259,517	255,534	262,790	255,534
Depreciation and amortisation	6	34,272	33,995	38,391	34,272	38,391
Grants and subsidies	7	1,903	1,934	1,911	1,903	1,911
Finance costs	8	546	409	443	546	443
Payments to Affiliated Health Organisations	9	18,268	18,274	18,651	18,268	18,651
Total expenses excluding losses		837,139	815,737	781,376	828,210	783,446
Revenue						
Ministry of Health recurrent allocations	12	685,314	670,708	623,414	685,314	623,414
Ministry of Health capital allocations	12	81,717	82,993	68,232	81,717	68,232
Acceptance by the Crown ² of employee benefits	16	8,929	8,981	(2,070)	-	-
Sale of goods and services from contracts with customers	13	101,587	102,388	87,212	101,587	87,212
Investment revenue	14	356	415	65	356	65
Grants and other contributions	15	18,910	19,016	21,702	18,910	21,702
Other income	17	1,238	(392)	1,576	1,238	1,576
Total revenue		898,051	884,109	800,131	889,122	802,201
Operating result		60,912	68,372	18,755	60,912	18,755
Gains / (losses) on disposal	18	139	-	(952)	139	(952)
Impairment losses on financial assets	23	(577)	(1,191)	(345)	(577)	(345)
Other gains / (losses)	19	36	36	(448)	36	(448)
Net result from continuing operations	38	60,510	67,217	17,010	60,510	17,010
Net result from discontinued operations		-	-	-	-	-
Net result		60,510	67,217	17,010	60,510	17,010
Other comprehensive income						
Changes in revaluation surplus of property, plant and equipment	25	48,192	-	106,515	48,192	106,515
Total other comprehensive income		48,192	-	106,515	48,192	106,515
TOTAL COMPREHENSIVE INCOME		108,702	67,217	123,525	108,702	123,525

¹ Unaudited adjusted budget, see Note 37.

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

See Note 21 for details regarding restated prior year balances for MLHD.

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Financial Position as at 30 June 2023

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	Restated	Restated
	Notes	\$000	\$000	2022	1 July 2021	2023	2022	1 July 2021
				\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	22	9,706	7,802	9,174	3,145	9,706	9,174	3,145
Receivables	23	35,897	35,327	35,328	10,517	35,897	35,328	10,517
Inventories	24	2,903	2,089	2,773	1,776	2,903	2,773	1,776
Other financial assets		-	-	-	3,000	-	-	3,000
		48,506	45,218	47,275	18,438	48,506	47,275	18,438
Total current assets		48,506	45,218	47,275	18,438	48,506	47,275	18,438
Non-current assets								
Receivables	23	133	155	155	200	133	155	200
Property, plant & equipment	25				-			-
- Land and buildings		924,035	876,992	825,436	720,850	924,035	825,436	720,850
- Plant and equipment		34,769	34,299	29,732	30,696	34,769	29,732	30,696
- Infrastructure systems		19,609	18,616	18,946	6,275	19,609	18,946	6,275
Total property, plant & equipment		978,413	929,907	874,114	757,821	978,413	874,114	757,821
Right-of-use assets	26	18,498	18,860	19,962	19,152	18,498	19,962	19,152
Total non-current assets		997,044	948,922	894,231	777,173	997,044	894,231	777,173
Total assets		1,045,550	994,140	941,506	795,611	1,045,550	941,506	795,611
LIABILITIES								
Current liabilities								
Payables	29	46,415	40,369	41,376	33,857	46,415	41,376	33,857
Contract liabilities	30	1,423	397	397	561	1,423	397	561
Borrowings	31	2,809	2,536	3,129	4,381	2,809	3,129	4,381
Provisions	32	60,385	57,365	69,746	55,155	60,385	69,746	55,155
Other current liabilities	33	-	15	15	141	-	15	141
		111,032	100,682	114,663	94,095	111,032	114,663	94,095
Total current liabilities		111,032	100,682	114,663	94,095	111,032	114,663	94,095
Non-current liabilities								
Borrowings	31	16,776	17,201	17,811	15,871	16,776	17,811	15,871
Provisions	32	859	859	851	989	859	851	989
Total non-current liabilities		17,635	18,060	18,662	16,860	17,635	18,662	16,860
Total liabilities		128,667	118,742	133,325	110,955	128,667	133,325	110,955
Net assets		916,883	875,398	808,181	684,656	916,883	808,181	684,656
EQUITY								
Reserves		170,050	122,054	122,053	19,098	170,050	122,053	19,098
Accumulated funds		746,833	753,344	686,128	665,558	746,833	686,128	665,558
Total Equity		916,883	875,398	808,181	684,656	916,883	808,181	684,656

¹ Unaudited adjusted budget, see Note 37.

See Note 21 for details regarding restated prior year balances for MLHD.

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District

Statement of Changes in Equity for the year ended 30 June 2023

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2022		686,482	122,053	808,535
Correction of error - long service leave calculations	21	(354)	-	(354)
Balance at 1 July 2022		686,128	122,053	808,181
Net result for the year		60,510	-	60,510
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	25	-	48,192	48,192
Total other comprehensive income		-	48,192	48,192
Total comprehensive income for the year		60,510	48,192	108,702
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		195	(195)	-
Balance at 30 June 2023		746,833	170,050	916,883

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		665,976	19,097	685,073
Correction of error - long service leave calculations	21	(417)	-	(417)
Balance at 1 July 2021		665,559	19,097	684,656
Restated net result for the year		17,010	-	17,010
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	25	-	106,515	106,515
Total other comprehensive income		-	106,515	106,515
Restated total comprehensive income for the year		17,010	106,515	123,525
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		3,559	(3,559)	-
Restated balance at 30 June 2022		686,128	122,053	808,181

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Cash Flows for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(462,375)	(451,416)	(406,413)	-	-
Suppliers for goods and services		(343,124)	(339,685)	(343,010)	(343,124)	(343,010)
Grants and subsidies		(22,152)	(22,190)	(22,586)	(22,152)	(22,586)
Finance costs		(546)	(409)	(443)	(546)	(443)
Personnel services		-	-	-	(462,375)	(406,413)
Total payments		(828,197)	(813,700)	(772,452)	(828,197)	(772,452)
Receipts						
Ministry of Health recurrent allocations		685,314	670,708	623,414	685,314	623,414
Ministry of Health capital allocations		81,717	82,993	68,232	81,717	68,232
Reimbursements from the Crown ²		6,869	6,869	7,262	6,869	7,262
Sale of goods and services		100,647	101,868	85,236	100,647	85,236
Interest received		356	415	65	356	65
Grants and other contributions		18,455	17,255	18,948	18,455	18,948
Other		21,152	20,066	21,533	21,152	21,533
Total receipts		914,510	900,174	824,690	914,510	824,690
NET CASH FLOWS FROM OPERATING ACTIVITIES	38	86,313	86,474	52,238	86,313	52,238
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		566	-	-	566	-
Proceeds from sale of financial assets		-	-	3,000	-	3,000
Purchases of property, plant and equipment		(82,971)	(84,538)	(45,546)	(82,971)	(45,546)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(82,405)	(84,538)	(42,546)	(82,405)	(42,546)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(121)	(121)	(201)	(121)	(201)
Payment of principal portion of lease liabilities		(3,255)	(3,187)	(3,462)	(3,255)	(3,462)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(3,376)	(3,308)	(3,663)	(3,376)	(3,663)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		532	(1,372)	6,029	532	6,029
Opening cash and cash equivalents	22	9,174	9,174	3,145	9,174	3,145
CLOSING CASH AND CASH EQUIVALENTS	22	9,706	7,802	9,174	9,706	9,174

¹ Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

a) Reporting entity

Murrumbidgee Local Health District (MLHD), as a reporting entity, was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

MLHD is a NSW Government entity and is controlled by the Ministry of Health, which is the immediate parent. The Ministry of Health is 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.

MLHD is also a parent entity in its own right, as it controls the operations of the:

- * Hospital Facilities and the Community Health Centres within its designated geographical remit; and
- * Murrumbidgee Local Health District Special Purpose Service Entity which provides personnel services to MLHD to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The consolidated entity includes MLHD as a parent entity and MLHD Special Purpose Service Entity. The consolidated financial statements disclose balances for the parent entity and the consolidated entity.

In preparing the consolidated financial statements, 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 2023 have been authorised for issue by the Chief Executive on 29 September 2023.

Murrumbidgee Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

b) Basis of preparation (Continued)

MLHD'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 MLHD have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of Murrumbidgee 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 MLHD'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 MLHD 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.

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * MLHD 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.
- * MLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by MLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.
- * From 1 July 2023, MLHD's Service Agreement will have an adjusted state efficient price to incorporate the additional costs for COVID-19 expenditure.

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

MLHD 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 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 MLHD's presentation and functional currency.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

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 MLHD 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).

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 estimates

(i) Componentisation

During 2023, MLHD conducted a review of the useful lives of its specialised buildings. As part of the review, new depreciation useful lives were determined for each of the four major specialised building components, which previously were all depreciated over 40 years. As a result, MLHD has revised the accounting policy for the useful lives for specialised buildings, effective from 1 July 2022. The new useful lives were determined as follows:

	Useful lives 2023	Useful lives 2022
Structure / shell / building fabric	70 years	40 years
Fit out	30 years	40 years
Combined fit out and trunk reticulated building systems	30 years	40 years
Site engineering services / central plant	55 years	40 years

The net effect of the change in useful lives on actual and expected depreciation expense (increase / (decrease)), included in the Statement of Comprehensive Income is as follows:

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

1. Statement of Significant Accounting Policies
PARENT AND CONSOLIDATED

	2023	Future years
	Actual	Expected
	\$'000	\$'000
Expenses		
Depreciation and amortisation	(3,588)	(4,075)

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

(i) Effective for the first time in 2022-23

Several amendments and interpretations apply for the first time in 2022-23. MLHD has assessed the new and amended standards and interpretations that are effective for the first time and have determined they are unlikely to have a material impact on the financial statements of MLHD.

(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.

i) Impact of COVID-19 on Financial Reporting for 2022-23

The COVID-19 pandemic has resulted in significant changes in MLHD activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2022-23 and increased disclosures are presented in the following notes:

- * Note 5 Operating expenses
- * Note 7 Grants and subsidies
- * Note 12 Ministry of Health allocations
- * Note 13 Sale of goods and services from contracts with customers
- * Note 15 Grants and other contributions
- * Note 19 Other gains / (losses)
- * Note 24 Inventories
- * Note 32 Provisions
- * Note 37 Adjusted budget review

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

2. Employee related expenses

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	404,234	371,659	-	-
Superannuation - defined benefit plans	1,375	1,489	-	-
Superannuation - defined contribution plans	37,493	34,087	-	-
Long service leave	7,644	(5,100)	-	-
Redundancies	-	376	-	-
Workers' compensation insurance	6,231	5,217	-	-
	456,977	407,728	-	-

¹ 'Long service leave' costs has been restated to be lower by \$0.52 million in the prior year for the consolidated entity. Refer to Note 21 for further details regarding restatement as a result of an error.

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

Employee related costs of \$Nil (2022: \$0.08 million) have been capitalised in property, plant and equipment assets and are therefore excluded from the above.

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

3. Personnel services

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	404,234	371,659
Superannuation - defined contribution plans	-	-	37,493	34,087
Long service leave	-	-	90	(1,541)
Redundancies	-	-	-	376
Workers' compensation insurance	-	-	6,231	5,217
	-	-	448,048	409,798

¹ 'Long service leave' costs has been restated to be lower by \$0.06 million in the prior year for the parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

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

Personnel services of \$Nil (2022: \$0.08 million) have been capitalised in property, plant and equipment assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input in a number of disciplines throughout MLHD's hospitals. VMO expenses of \$62.38 million (2022: \$58.72 million) represent part of the day-to-day running costs incurred in the normal operations of MLHD. These costs are expensed as incurred.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

5. Operating expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Advertising	598	481	598	481
Auditor's remuneration - audit of financial statements	119	106	119	106
Blood and blood products	2,653	2,939	2,653	2,939
Contractors	777	979	777	979
Domestic supplies and services	24,820	23,953	24,820	23,953
Drug supplies*	20,585	18,035	20,585	18,035
Food supplies	21,165	19,873	21,165	19,873
Fuel, light and power	6,765	5,505	6,765	5,505
Patient transport costs	20,430	19,371	20,430	19,371
Information management expenses	17,332	16,467	17,332	16,467
Insurance	1,108	1,278	1,108	1,278
Maintenance (see Note 5 (b))	21,649	18,424	21,649	18,424
Medical and surgical supplies	30,589	30,708	30,589	30,708
Motor vehicle expenses	1,634	1,334	1,634	1,334
Postal and telephone costs	1,635	2,181	1,635	2,181
Printing and stationery	979	602	979	602
Rates and charges	561	950	561	950
Hosted services purchased from entities controlled by the immediate parent	5,739	4,938	5,739	4,938
Specialised services (dental, radiology, pathology and allied health)	41,799	46,472	41,799	46,472
Staff related costs	6,774	8,054	6,774	8,054
Travel related costs	7,037	3,986	7,037	3,986
Other (see Note 5 (a))	28,042	28,898	28,042	28,898
	262,790	255,534	262,790	255,534

* Drug supplies includes \$0.07 million (2022: \$2.16 million) of COVID-19 vaccinations administered by vaccination hubs within MLHD. Refer to Note 24 for further details on COVID-19 vaccines.

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

5. Operating expenses (continued)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
(a) Other				
Contract for patient services	9,299	9,787	9,299	9,787
Corporate support services ¹	4,646	4,830	4,646	4,830
Courier and freight	648	585	648	585
Disability equipment support expenses ¹	1,092	1,065	1,092	1,065
Isolated patient travel and accommodation assistance scheme*	-	2,535	-	2,535
Legal services	267	359	267	359
Membership/professional fees	376	319	376	319
Quality assurance / accreditation	-	10	-	10
Security services	1,271	1,926	1,271	1,926
Expenses relating to short-term leases	4,373	3,152	4,373	3,152
Expenses relating to leases of low-value assets	918	858	918	858
Other miscellaneous	5,152	3,472	5,152	3,472
	28,042	28,898	28,042	28,898

¹ Disability equipment payments under the Enable NSW program has been reclassified from 'Corporate support services' to 'Disability equipment support expenses' in the current year. The prior period 'Disability equipment support expenses' has been restated higher by \$1.065 million and 'Corporate support services' lower by \$1.065 million to reflect this change.

* From 1 July 2022, the isolated patient travel and accommodation assistance scheme program is being managed by HealthShare NSW, a controlled entity of the immediate parent.

(b) Reconciliation of total maintenance expense

Maintenance contracts	5,783	6,108	5,783	6,108
New / replacement equipment under \$10,000	7,869	5,326	7,869	5,326
Repairs maintenance / non contract	7,997	6,989	7,997	6,989
Other	-	1	-	1
Maintenance expense - contracted labour and Employee related/personnel services maintenance expense included in Notes 2 and 3*.	21,649	18,424	21,649	18,424
	24,688	21,543	24,688	21,543

* This balance consists of employees who have been classified as providing maintenance services for MLHD and the expense is included in employee related expenses / personnel services in Notes 2 and 3.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

5. Operating expenses (continued)

Recognition and Measurement

Operating expenses includes non-employee costs incurred in delivering the services provided by MLHD. These expenses are recognised in the reporting period in which they are incurred.

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.

Insurance

MLHD'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

MLHD 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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

6. Depreciation and amortisation

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Depreciation - buildings	24,424	28,555	24,424	28,555
Depreciation - plant and equipment	5,730	5,800	5,730	5,800
Depreciation - infrastructure systems	633	483	633	483
Depreciation - right-of-use buildings	1,946	1,875	1,946	1,875
Depreciation - right-of-use plant and equipment	1,539	1,678	1,539	1,678
	34,272	38,391	34,272	38,391

Depreciation - buildings is lower by \$3.59 million in 2023 due to a change in the useful lives for specialised buildings. Refer to Note 1(g) for further details.

Refer to Note 25 Property, plant and equipment and Note 26 Leases for recognition and measurement policies on depreciation.

7. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-government organisations	1,769	1,718	1,769	1,718
Grants to research organisations	-	17	-	17
Grants to entities controlled by the immediate parent*	10	8	10	8
Other grants*	124	168	124	168
	1,903	1,911	1,903	1,911

* MLHD granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 24 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided as a grant under grants to entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.01 million) and under other grants (external third parties) was \$Nil (2022: \$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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

8. Finance costs

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest expense from lease liabilities	493	412	493	412
Interest expense from financial liabilities at amortised cost	11	16	11	16
Other interest charges	42	15	42	15
	546	443	546	443

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 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
(a) Recurrent sourced				
Mercy Health Services	18,268	18,651	18,268	18,651
	18,268	18,651	18,268	18,651

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 Mercy Health Services have only been included in the Statement of Comprehensive Income prepared to the extent of the payments made / received or accrued to the health organisations concerned. MLHD 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.

Murrumbidgee Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

10. Revenue

Recognition and Measurement

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

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

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

11. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) (and the subsequent variations, if applicable) appropriates the sum of \$18.7 billion to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2022-23. 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 MLHD.

The Treasury and Energy Legislation Amendment Act 2022 made some amendments to sections 4.7 and 4.9 of the Government Sector Finance Act 2018 (the GSF Act). These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for MLHD, being the Minister for Health, is taken to have been given an appropriation out of the Consolidated Fund under the authority section 4.7 of the GSF Act, at the time MLHD receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by MLHD. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that MLHD receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

On 16 June 2023, the GSF Amendment (Deemed Appropriations) Regulation 2023 was approved to bring the GSF regulations in line with the above deemed appropriation amendments to the GSF Act. A summary of compliance is disclosed in the financial statements of the Annual Report of the Ministry of Health. It has been prepared by aggregating the spending authorities of the Minister for Health for the services of the Ministry of Health. It reflects the status at the point in time this disclosure statement is being made. MLHD's spending authority and expenditure is included in the summary of compliance.

The delegation / sub-delegations for 2023 and 2022, authorising officers of the MLHD to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the MLHD. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the Ministry of Health to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriations Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of the Ministry of Health.

The State Budget and related Appropriation Bill for year commencing 1 July 2023 has been delayed and is anticipated to be tabled in September 2023. Pursuant to section 4.10 of the GSF Act, the Treasurer has authorised the payment of specified sums out of the Consolidated Fund to meet the requirements of this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2022-23 annual Appropriation Act.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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12. Ministry of Health allocations

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

MLHD recognised additional Ministry of Health recurrent allocations of \$18.54 million (2022: \$42.05 million) and Ministry of Health capital allocations of \$Nil (2022: \$Nil) to cover costs incurred for the testing, diagnosis, treatment and vaccination of COVID-19 patients.

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

13. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Sale and recovery of pharmaceutical supplies	7,707	6,466	7,707	6,466
Sale of prostheses	1,170	977	1,170	977
Other	18	179	18	179
	8,895	7,622	8,895	7,622

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	42,402	36,807	42,402	36,807
- Nursing home fees	584	685	584	685
- Non inpatient fees	3,706	2,855	3,706	2,855
Department of Veterans' Affairs	5,311	3,935	5,311	3,935
Motor Accident Authority third party	4,425	2,076	4,425	2,076
Multi Purpose Service Centre fees	22,472	19,805	22,472	19,805
Patient transport fees	83	187	83	187
Enteral nutrition ¹	-	-	-	-
Other patient fees	1,347	-	1,347	-

Staff

Private use of motor vehicles	10	16	10	16
Salary packaging fee	-	4	-	4
Meals and accommodation	97	76	97	76
Child care fees	1	-	1	-

General community

Cafeteria / kiosk	1	4	1	4
Car parking	121	48	121	48
Clinical services (excluding clinical drug trials)	191	1,277	191	1,277
Commercial activities	32	30	32	30
Fees for conferences and training	756	902	756	902
Fees for medical records	61	67	61	67
Information retrieval	2	1	2	1

Non-NSW Health entities

Linen service revenues	47	51	47	51
Services to other organisations	679	785	679	785

Entities controlled by the immediate parent

Hosted service revenues	1,582	1,539	1,582	1,539
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Other

Infrastructure fees - annual charge	215	-	215	-
Infrastructure fees - monthly facility charge	8,449	8,378	8,449	8,378
Other	118	62	118	62

	92,692	79,590	92,692	79,590
	101,587	87,212	101,587	87,212

¹ Enteral nutrition income has been reclassified from 'Enteral nutrition' to 'Sale of goods - other' in the current year. The prior period 'Sale of goods - other' has been restated higher by \$0.002 million and 'Enteral nutrition' lower by \$0.002 million to reflect this change.

Murrumbidgee Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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 MLHD satisfies a performance obligation by transferring the promised goods.

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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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 MLHD satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans and compensable patients are billed for health services provided under various contractual arrangements. Billings are typically performed upon patient discharge and are 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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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

Recognition and Measurement (continued)

Rendering of services (continued)

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

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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14. Investment revenue

	Consolidated	Consolidated	Parent	Parent
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Interest income from financial assets at amortised cost	356	65	356	65
	356	65	356	65

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).

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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15. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	5,520	5,699	5,520	5,699
Commonwealth government grants received for community based services	4,249	4,186	4,249	4,186
Commonwealth government grants other	134	411	134	411
Other grants from entities controlled by the immediate parent	2,043	33	2,043	33
Other grants	4,989	5,177	4,989	5,177
Grants without specific performance obligations				
Clinicals trial and research grants	-	9	-	9
Commonwealth government grants other*	8	2,619	8	2,619
Grants from entities controlled by the ultimate parent	23	1,253	23	1,253
Other grants from entities controlled by the immediate parent*	963	446	963	446
Other grants*	123	209	123	209
Donations				
Donations	858	1,660	858	1,660
	18,910	21,702	18,910	21,702

* MLHD 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 24 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received under Commonwealth government grants other (Commonwealth government) was \$0.01 million (2022: \$2.62 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.02 million) and under other grants (external third parties) was \$Nil (2022: \$0.00 million).

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

15. Grants and other contributions

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by MLHD are recognised when MLHD satisfies its obligations under the transfer. MLHD 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 MLHD satisfies a performance obligation by transferring the promised goods or services. MLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. MLHD 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 an agreed timetable or on achievement of different milestones in the contract.

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

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

Income from grants without sufficiently specific performance obligations is recognised when MLHD 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. MLHD receives volunteer services for the below activities:

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

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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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 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Superannuation - defined benefit plans	1,375	1,489	-	-
Long service leave provision	7,554	(3,559)	-	-
	8,929	(2,070)	-	-

¹ 'Long service leave provision' revenue has been restated to be lower by \$0.45 million in the prior year for the consolidated and parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

17. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other income comprises the following:				
Bad debts recovered	-	1	-	1
Commissions	22	27	22	27
Discounts	123	124	123	124
Insurance refunds	(3)	65	(3)	65
Rental income				
- other rental income	1,022	1,150	1,022	1,150
Sponsorship	29	12	29	12
Other	45	197	45	197
	1,238	1,576	1,238	1,576

Recognition and Measurement

Insurance refunds

Insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for Government entities. Insurance refunds are recognised when TMF accepts the insurance claim.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. The rental income is incidental to the purpose for holding the property.

Other income

Other income arises from varying arrangements. Income is generally recognised on an accrual basis and/or when the right to receive the income has been established in accordance with the substance of the relevant agreement.

Forgiveness of liabilities

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

Murrumbidgee Local Health District
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18. Gains / (losses) on disposal

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	427	963	427	963
Less: proceeds from disposal	566	-	566	-
Net gains / (losses) on disposal	139	(963)	139	(963)
Right-of-use assets				
Written down value of assets disposed	84	1,455	84	1,455
Less: lease liabilities extinguished	84	1,466	84	1,466
Net gains / (losses) on disposal*	-	11	-	11
Written down value of assets disposed	-	3,000	-	3,000
Less: proceeds from disposal	-	3,000	-	3,000
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	139	(952)	139	(952)

19. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory gain / (write back)*	36	(446)	36	(446)
Foreign exchange gains / (losses)	-	(2)	-	(2)
	36	(448)	36	(448)

* Inventory write back includes COVID-19 vaccine wastage of \$0.26 million (2022: \$0.15 million), Monkeypox vaccine wastage of \$Nil (2022: \$Nil) and impairment decrement of COVID-19 vaccines of \$(0.30) million (2022: impairment increment of \$0.30 million). Refer to Note 24 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 23 Receivables
- Note 24 Inventories
- Note 25 Property, plant and equipment
- Note 26 Leases

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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20. Conditions and restrictions on income of not-for-profit entities

MLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. MLHD determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 28 Restricted assets.

Murrumbidgee Local Health District
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for the year ended 30 June 2023

21. Prior period error

During the year it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised. The issue only impacted employees who had a period of part time service under certain awards during their employment. It was identified that the accrual for enhanced entitlement did not start on the completion of first 10 years of service by the employee, rather it started upon the completion of full-time equivalency of 10 years of service. This has resulted in an under accrual and / or underpayment of long service leave entitlements for such employees in current and prior years.

MLHD's liability for long service leave are assumed by The Crown in right of the State of New South Wales. MLHD 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 MLHD.

The incorrect calculation of long service leave entitlements has resulted in lower 'Employee related expenses' and lower 'Acceptance by the Crown of employee benefits' revenue in the Statement of Comprehensive Income in prior years. Any consequential on-costs has resulted in lower 'Provisions' liability in the Statement of Financial Position and lower 'Employee related expenses' in the Statement of Comprehensive Income. The error has been corrected during the year, with retrospective adjustments made in the prior periods.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matter are shown below.

Statement of Comprehensive Income for the year ended 30 June 2022 (extract)

		Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Adjustment	Restated	Actual	Adjustment	Restated
		2022	2022	2022	2022	2022	2022
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	408,244	(516)	407,728	-	-	-
Personnel services	3	-	-	-	409,862	(64)	409,798
Total expenses excluding losses		781,892	(516)	781,376	783,510	(64)	783,446
Revenue							
Acceptance by the Crown of employee benefits	16	(1,618)	(452)	(2,070)	-	-	-
Total revenue		800,583	(452)	800,131	802,201	-	802,201
Net result		16,946	64	17,010	16,946	64	17,010
Total other comprehensive income		106,515	-	106,515	106,515	-	106,515
TOTAL COMPREHENSIVE INCOME		123,461	64	123,525	123,461	64	123,525

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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21. Prior period error (continued)

Statement of Financial Position as at 1 July 2021 (extract)

	Notes	Consolidated Actual 1 July 2021 \$000	Consolidated Adjustment 1 July 2021 \$000	Consolidated Restated 1 July 2021 \$000	Parent Actual 1 July 2021 \$000	Parent Adjustment 1 July 2021 \$000	Parent Restated 1 July 2021 \$000
LIABILITIES							
Current liabilities							
Provisions	32	54,770	385	55,155	54,770	385	55,155
Total current liabilities		93,710	385	94,095	93,710	385	94,095
Non-current liabilities							
Provisions	32	956	33	989	956	33	989
Total non-current liabilities		16,827	33	16,860	16,827	33	16,860
Total liabilities		110,537	418	110,955	110,537	418	110,955
Net assets		685,074	(418)	684,656	685,074	(418)	684,656
EQUITY							
Accumulated funds		665,976	(418)	665,558	665,976	(418)	665,558
Total Equity		685,074	(418)	684,656	685,074	(418)	684,656

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

Statement of Financial Position as at 30 June 2022 (extract)

	Notes	Consolidated Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
LIABILITIES							
Current liabilities							
Provisions	32	69,419	327	69,746	69,419	327	69,746
Total current liabilities		114,336	327	114,663	114,336	327	114,663
Non-current liabilities							
Provisions	32	824	27	851	824	27	851
Total non-current liabilities		18,635	27	18,662	18,635	27	18,662
Total liabilities		132,971	354	133,325	132,971	354	133,325
Net assets		808,535	(354)	808,181	808,535	(354)	808,181
EQUITY							
Accumulated funds		686,482	(354)	686,128	686,482	(354)	686,128
Total Equity		808,535	(354)	808,181	808,535	(354)	808,181

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2022.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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22. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	9,706	9,174	9,706	9,174
	9,706	9,174	9,706	9,174

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)	9,706	9,174	9,706	9,174
	9,706	9,174	9,706	9,174

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

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

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of MLHD for payments to suppliers and employees. HealthShare NSW makes payments after MLHD has reviewed and approved the invoices and employee rosters. MLHD's approval of invoices and employee rosters provides authority to HealthShare NSW to make payments. These payments are reported as expenditures and cash outflows in the financial statements of MLHD.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of MLHD to fund these payments. Upon payment, they are reported as revenue (Ministry of Health recurrent and capital allocations) and cash inflows in the financial statements of MLHD.

Murrumbidgee Local Health District
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for the year ended 30 June 2023

23. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Trade receivables from contracts with customers	9,799	7,559	9,799	7,559
Intra health receivables	1,972	2,865	1,972	2,865
Goods and Services Tax	2,385	1,872	2,385	1,872
Other receivables	624	348	624	348
Sub total	14,780	12,644	14,780	12,644
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(385)	(93)	(385)	(93)
- Other receivables	-	(8)	-	(8)
Sub total	14,395	12,543	14,395	12,543
Prepayments	21,502	22,785	21,502	22,785
	35,897	35,328	35,897	35,328

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(93)	(208)	(93)	(208)
Amounts written off during the year	267	308	267	308
(Increase) / decrease in allowance recognised in the net result ¹	(558)	(193)	(558)	(193)
Balance at the end of the year	(385)	(93)	(385)	(93)
Other receivables				
Balance at the beginning of the year	(8)	-	(8)	-
Amounts written off during the year	26	144	26	144
(Increase) / decrease in allowance recognised in the net result	(19)	(152)	(19)	(152)
Balance at the end of the year	-	(8)	-	(8)
	(385)	(101)	(385)	(101)
Non-current				
Prepayments	133	155	133	155
	133	155	133	155

¹ Includes total impairment loss of \$0.56 million (2022: \$0.19 million) recognised on receivables from contracts with customers.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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23. 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 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Patient fees - compensable	1,122	778	1,122	778
Patient fees - ineligible	1,085	843	1,085	843
Patient fees - inpatient & other	5,140	4,369	5,140	4,369
	7,347	5,990	7,347	5,990

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

	Consolidated 2023 \$000	Consolidated' 2022 \$000	Parent 2023 \$000	Parent' 2022 \$000
Contract receivables (included in Note 23)	11,771	10,423	11,771	10,423
Total contract receivables	11,771	10,423	11,771	10,423

¹ Prior year figures have been restated higher by \$0.671 million as a result of items previously excluded under contract receivables.

Recognition and Measurement

MLHD recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, MLHD considers:

- Whether MLHD has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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

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

MLHD 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

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

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

Murrumbidgee Local Health District
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24. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Held-for-distribution				
Drug supplies	1,901	2,026	1,901	2,026
Medical and surgical supplies	888	823	888	823
Engineering supplies	82	200	82	200
Other including goods in transit	32	21	32	21
Sub total	2,903	3,070	2,903	3,070
<i>Less: Allowance for impairment</i>				
- Drug supplies	-	(297)	-	(297)
	2,903	2,773	2,903	2,773

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.

In 2021, the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. MLHD played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumes 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 MLHD controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by MLHD.

The value attributable to the COVID-19 vaccines received was measured at its fair value based on replacement cost. MLHD 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 MLHD.

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.01 million (2022: \$2.64 million) and \$0.07 million (2022: \$2.17 million), respectively. \$0.26 million (2022: \$0.15 million) of COVID-19 vaccines were written-off and \$0.3 million allowance for impairment was reversed (2022: An allowance for impairment was provided for \$0.3 million). COVID-19 vaccine closing inventory balance as at 30 June 2023, was \$0. million (2022: \$0.32 million) which is

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 MLHD 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.

Murrumbidgee Local Health District
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25. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	1,051,454	76,088	14,011	1,141,553
Less: accumulated depreciation and impairment	330,605	45,391	7,737	383,733
Net carrying amount	720,849	30,697	6,274	757,820
	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	720,849	30,697	6,274	757,820
Additions	40,745	4,802	-	45,547
Disposals	(963)	-	-	(963)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	33	-	33
Net revaluation increments less revaluation decrements	93,360	-	13,155	106,515
Depreciation expense	(28,555)	(5,800)	(483)	(34,838)
Net carrying amount at end of year	825,436	29,732	18,946	874,114

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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25. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	1,211,063	80,922	25,333	1,317,318
<i>Less: accumulated depreciation and impairment</i>	<i>385,627</i>	<i>51,190</i>	<i>6,387</i>	<i>443,204</i>
Net carrying amount	825,436	29,732	18,946	874,114

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2023				
Net carrying amount at beginning of year	825,436	29,732	18,946	874,114
Additions	76,540	8,738	-	85,278
Disposals	(413)	(14)	-	(427)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	2,043	-	2,043
Net revaluation increments less revaluation decrements	46,896	-	1,296	48,192
Depreciation expense	(24,424)	(5,730)	(633)	(30,787)
Net carrying amount at end of year	924,035	34,769	19,609	978,413

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	1,361,475	91,679	27,126	1,480,280
<i>Less: accumulated depreciation and impairment</i>	<i>437,440</i>	<i>56,910</i>	<i>7,517</i>	<i>501,867</i>
Net carrying amount	924,035	34,769	19,609	978,413

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

The net carrying amount of service concession assets included in each class of property, plant and equipment as at 30 June 2023:

- land and buildings \$9.68 million (2022: \$9.28 million)
- infrastructure systems \$0.05 million (2022: \$0.05 million)

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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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 MLHD and records all costs incurred as work in progress or expenses and subsequently transfers to MLHD. The costs are then accordingly reflected in MLHD's financial statements. MLHD 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 34).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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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 MLHD.

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

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

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

	Useful lives 2023	Useful lives 2022
Buildings	30-70 years	40 years
Buildings - leasehold improvements	3-10 years	3-10 years
Plant and equipment	4-20 years	4-20 years
Infrastructure Systems	40 years	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.

In 2023, the estimated useful lives for buildings were revised. Refer Note 1 (g) for further details regarding the change and the impacts.

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

Further information on leases is contained in Note 26.

Service concession assets

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

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

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

Murrumbidgee Local Health District
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25. Property, plant and equipment (continued)

Service concession assets (continued)

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

Description	Hospital facilities			
Name and description of the SCA	Mercy operates out of a leased space which is owned by the MLHD and provides a 26 bed rehabilitation and palliative care service.			
Period of arrangement	24 June 2004 to 23 June 2024			
Terms of the arrangement	Young Mercy Centre receives funds under a service level agreement from the MLHD for the services it provides to the community.			
Rights and obligations				
Changes in arrangements occurred during 2022	Nil			
Changes in arrangements occurred during 2023	Nil			
Carrying amounts of SCA	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2022				
Young Mercy Centre	9,283	-	49	9,332
	9,283	-	49	9,332
Year ended 30 June 2023				
Young Mercy Centre	9,683	-	50	9,733
	9,683	-	50	9,733

i. Initial recognition

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

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

ii. Subsequent to initial recognition

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

iii At the end of the arrangement

At the end of a service concession arrangement:

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

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 27 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. MLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. MLHD uses an independent professionally qualified valuer for such interim revaluations.

The last comprehensive revaluation was completed on 31 December 2021 and was based on an independent assessment.

Indices were subsequently obtained from external professionally qualified valuers since the last comprehensive revaluation. Indices obtained indicated a cumulative increase of 9.00% in market prices for land and material increases in construction and labour costs of 13.50% for buildings and 13.50% for infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment for land, buildings and infrastructure in 2022 and 2023.

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

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

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.

MLHD 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, MLHD 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.

Murrumbidgee Local Health District
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26. Leases

(a) Entity as a lessee

MLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 20 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. MLHD 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 MLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

MLHD 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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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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 2022	17,432	2,530	19,962
Additions	428	1,497	1,925
Reassessments	17	163	180
Disposals	(81)	(3)	(84)
Depreciation expense	(1,946)	(1,539)	(3,485)
Balance at 30 June 2023	15,850	2,648	18,498

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	16,639	2,513	19,152
Additions	974	1,532	2,506
Reassessments	3,143	169	3,312
Disposals	(1,449)	(6)	(1,455)
Depreciation expense	(1,875)	(1,678)	(3,553)
Balance at 30 June 2022	17,432	2,530	19,962

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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26. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Balance at 1 July	20,566	19,676
Additions	1,925	2,506
Interest expenses	493	412
Payments	(3,748)	(3,874)
Terminations / derecognition	(84)	(1,466)
Other adjustments	180	3,312
Balance at 30 June	19,332	20,566

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

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Depreciation expense of right-of-use assets	3,485	3,553
Interest expense on lease liabilities	493	412
Expenses relating to short-term leases	4,373	3,152
Expenses relating to leases of low-value assets	918	858
(Gains) / losses on disposal	(1)	(12)
Total amount recognised in the statement of comprehensive income	9,268	7,963

MLHD had total cash outflows for leases of \$9.04 million for the year ended 30 June 2023 (2022: \$7.88 million).

Murrumbidgee Local Health District
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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

MLHD entered into a number of leases, with lease terms ranging from 1 to 10 years with various Local Health Charities and Health Entities for the use of Community Health Buildings. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by MLHD to provide different community health services. The Community Health Buildings account for a small portion of the similar assets MLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on MLHD's operations.

Recognition and Measurement

MLHD 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.

MLHD 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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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26. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 16 years
Plant and equipment	3 to 4 years
Motor vehicles and other equipment	2 to 5 years

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

MLHD's lease liabilities are included in borrowings in Note 31.

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

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

Murrumbidgee Local Health District
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27. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

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

MLHD 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
2023	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 25)				
- Land and buildings	-	-	771,101	771,101
- Infrastructure systems	-	-	19,609	19,609
	-	-	790,710	790,710

There were no transfers between level 1 and 2 during the year ended 30 June 2023.

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
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 25)				
- Land and buildings	-	-	748,815	748,815
- Infrastructure systems	-	-	18,946	18,946
	-	-	767,761	767,761

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.

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

(b) Valuation techniques, inputs and processes

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

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).

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

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

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

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

- For buildings and infrastructure, many assets are of a specialised nature or use, including some modified residential properties and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However some residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

2023	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2022	748,815	18,946	767,761
Additions*	-	-	-
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	46,896	1,296	48,192
Disposals	(341)	-	(341)
Depreciation expense	(24,269)	(633)	(24,902)
Fair value as at 30 June 2023	771,101	19,609	790,710

* 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 period ended 30 June 2023.

2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2021	400,349	6,274	406,623
Additions*	283,470	-	283,470
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	93,360	13,155	106,515
Transfers from Level 2	1,386	-	1,386
Disposals	(963)	-	(963)
Depreciation expense	(28,787)	(483)	(29,270)
Fair value as at 30 June 2022	748,815	18,946	767,761

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

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

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28. Restricted assets

PARENT AND CONSOLIDATION

MLHD'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 2023.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	60	2	2	60
Facility improvements	1,096	45	157	983
Patient welfare	457	143	117	483
Private practice disbursements (No.2 Accounts)	72	224	3	292
Public contributions	4,041	738	554	4,225
Research	14	11	7	18
Section 19(2) exemption funds	2,964	1,477	1,577	2,864
Staff welfare	29	6	-	35
Training and education including conferences	166	6	7	166
	8,899	2,652	2,424	9,126

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise expended.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Section 19(2) exemption funds	Improving access to primary care in rural and remote areas.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

Unclaimed monies

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

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.

Murrumbidgee Local Health District
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29. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Accrued salaries, wages and on-costs	5,144	3,892	-	-
Salaries and wages deductions	124	99	-	-
Payroll and fringe benefits tax	(94)	(21)	-	-
Accrued liability - purchase of personnel services	-	-	5,174	3,970
Creditors ^{1*}	27,816	23,716	27,816	23,716
- Payables to entities controlled by the immediate parent	13,401	13,669	13,401	13,669
- Other ¹	24	21	24	21
	46,415	41,376	46,415	41,376

¹ Manual creditors has been reclassified from 'Other creditors - other' to 'Creditors' in the current year. The prior period 'Other creditors - other' has been restated lower by \$8.798 million and 'Creditors' has been restated higher by \$8.798 million to reflect this change.

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

Recognition and Measurement

Payables represent liabilities for goods and services provided to MLHD 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.

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30. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Contract liabilities	1,423	397	1,423	397
	1,423	397	1,423	397

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2023 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 2023. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	397	561	397	561
Revenue recognised from performance obligations satisfied in previous periods	89	339	89	339
Transaction price allocated to the remaining performance obligations from contracts with customers	43,701	46,431	43,701	46,431

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	2024 \$'000	2025 \$'000	2026 \$'000	≥ 2027 \$'000
Sales of goods and services from contracts with customers	19,805	-	-	-
Grants and other contributions	14,197	8,564	1,135	-
	34,003	8,564	1,135	-

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31. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Other loans and deposits	124	121	124	121
Lease liabilities (see Note 26)	2,685	3,008	2,685	3,008
	2,809	3,129	2,809	3,129
Non-current				
Other loans and deposits	129	253	129	253
Lease liabilities (see Note 26)	16,647	17,558	16,647	17,558
	16,776	17,811	16,776	17,811

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 30 June 2025

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

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

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31. Borrowings (continued)

Recognition and Measurement

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

Financial liabilities at amortised cost

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading such as derivative financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term or on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are economic hedges classified as at fair value through profit or loss unless they are designated as effective hedging instruments.

Derivatives are carried as financial liabilities when the fair value is negative. Gains or losses on derivative liabilities are recognised in the net result as MLHD has elected not to apply hedge accounting.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the liabilities are part of a group of financial liabilities, that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

MLHD 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.

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, MLHD's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

MLHD has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2023 and as at 30 June 2022.

Murrumbidgee Local Health District
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Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Derivatives \$000	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2021	-	-	575	19,676	20,251
Cash flows	-	-	(201)	(3,462)	(3,663)
New leases	-	-	-	2,506	2,506
Lease terminations	-	-	-	(1,466)	(1,466)
Lease reassessments	-	-	-	3,312	3,312
30 June 2022	-	-	374	20,566	20,940
1 July 2022	-	-	374	20,566	20,940
Cash flows	-	-	(121)	(3,255)	(3,376)
New leases	-	-	-	1,925	1,925
Lease terminations	-	-	-	(84)	(84)
Lease reassessments	-	-	-	180	180
30 June 2023	-	-	253	19,332	19,585

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.

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32. Provisions

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	37,477	33,611	-	-
Annual leave - obligations expected to be settled after 12 months	12,391	14,227	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	903	853	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	7,832	7,799	-	-
Provision for other employee benefits*	1,782	11,765	-	-
Provision for personnel services liability	-	-	60,385	68,255
	60,385	68,255	60,385	68,255
Other Provisions				
Other	-	1,491	-	1,491
	-	1,491	-	1,491
Total current provisions	60,385	69,746	60,385	69,746
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	859	851	-	-
Provision for personnel services liability	-	-	859	851
	859	851	859	851
Total non-current provisions	859	851	859	851
Aggregate employee benefits and related on-costs				
Provisions - current	60,385	68,255	-	-
Provisions - non-current	859	851	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	5,268	3,991	-	-
Liability - purchase of personnel services	-	-	66,512	73,097
	66,512	73,097	66,512	73,097

¹ Long service leave consequential on-costs has been restated to be higher by \$0.35 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$0.35 million in the prior year for the parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

* Provision for other employee benefits in 2022 included a one-off payment to employees of \$10.04 million for the recognition of service during the COVID-19 pandemic.

Murrumbidgee Local Health District
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32. Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other				
Carrying amount at beginning of period	1,491	-	1,491	-
- Additional provisions recognised*	-	1,491	-	1,491
- Amounts used	(1,491)	-	(1,491)	-
Carrying amount at end of period	-	1,491	-	1,491

* Additional provisions recognised in 2022 included a one-off payment of \$1.04 million to visiting medical officers and \$0.46 million to affiliated health organisations for the recognition of service during the COVID-19 pandemic.

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

Recognition and Measurement

Employee benefits and other provisions

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 21.28% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 20.68%). MLHD has assessed the actuarial advice based on the MLHD'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 MLHD does not expect to settle the liability within 12 months as MLHD does not have an unconditional right to defer settlement.

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

Recognition and Measurement (continued)

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

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

Long service leave and superannuation

MLHD'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. MLHD 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 MLHD.

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

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

Consequential on-costs

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

Other provisions

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

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

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33. Other liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	-	15	-	15
	-	15	-	15

PARENT AND CONSOLIDATION

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

	2023 \$'000	2022 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	15	60
<i>Add:</i> receipt of cash during the financial year	(15)	(45)
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	15

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

MLHD 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.

Murrumbidgee Local Health District
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34. Equity

Revaluation surplus

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

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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35. Commitments

(a) Capital commitments

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Within one year	53,257	53,348	53,257	53,348
Later than one year and not later than five years	26,706	80,380	26,706	80,380
Later than five years	-	-	-	-
Total (including GST)	79,963	133,728	79,963	133,728

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$79.96 million as at 30 June 2023 includes input tax credits of 7.27 million that are expected to be recoverable from the Australian Taxation Office (2022: \$12.2 million).

36. Contingent liabilities and contingent assets

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

Murrumbidgee Local Health District
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37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). MLHD'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, MLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between MLHD 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.

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Net result

The actual Net Result was lower than adjusted budget by \$7 million, primarily due to:

Total Revenue exceeded budget by \$14M due to recurrent allocations exceeding targets. Total Expenses exceeded budget by \$21M with the continuing high costs of providing health care in regional NSW impacting the results. Employee Related costs exceeded target by \$14M with the costs of agency and locum staff driving the unfavourability.

Assets and liabilities

Net Assets are \$53M higher than budgeted with Property Plant & Equipment \$60M higher than budget. Total Liabilities have exceeded budget by \$8M. Net Assets increased \$120M compared to last year.

Cash flows

Net Cashflows have increased \$36M compared to last year. Receipts have increased by \$90M with the increases seen in Ministry of Health Allocations (Both Recurrent and Capital), increases also seen in the Sale of Goods & Services (\$15M). Total Expenses increased \$53M compared to last year with increased Employee Related Payments of \$56M driving this result. Cash outflows from investing activities increased \$42M and reflects the additional purchases of Property, Plant & Equipment.

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2022 are as follows:

	\$000
Initial allocation, 1 July 2022	580,255
COVID Workforce Bonus	11,535
COVID Expenses Support	19,360
Building and Sustaining a Rural Health Workforce	19,667
Increased Agency Costs Support	15,793
Workforce Recover and Resilience Support	7,261
Increasing Surgery Capacity	2,500
Collaborative Commissioning	1,973
Deferred Care	1,460
Staff Accommodation Tumut Hospital	1,800
Rural Medical Funding	1,505
Infrastructure Operating Expenses	943
Efficiency Improvement Support	830
Other Budget Supplementations	5,826
Balance as per Statement of Comprehensive Income	670,708

Murrumbidgee Local Health District
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38. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2023 \$000	Consolidated ^{1,2} 2022 \$000	Parent 2023 \$000	Parent ^{1,2} 2022 \$000
Net cash used on operating activities	86,313	52,238	86,313	52,238
Depreciation and amortisation expense	(34,272)	(38,391)	(34,272)	(38,391)
Allowance for impairment	(541)	(791)	(541)	(791)
(Increase) / decrease in other liabilities	16	126	16	126
Decrease / (increase) in provisions	9,354	(14,452)	9,354	(14,452)
Increase / (decrease) in inventory	90	1,446	90	1,446
Increase / (decrease) in prepayments and other assets	3,393	23,438	3,393	23,438
Decrease / (increase) in payables	(4,999)	(5,849)	(4,999)	(5,849)
Decrease / (increase) in contract liabilities	(1,026)	165	(1,026)	165
Net gain / (loss) on sale of property, plant and equipment	139	(963)	139	(963)
Net gain / (loss) on disposal of right-of-use assets	-	11	-	11
Assets donated or brought to account (Note 39)	2,043	32	2,043	32
Net result	60,510	17,010	60,510	17,010

¹ 'Decrease / (increase) in provisions' has been restated to be lower by \$0.06 million in the prior year for the consolidated and parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

² Inventory write down has been reclassified from 'Increase / (decrease) in prepayments and other assets' to 'Increase / (decrease) in Inventory' in the current year. The prior period comparatives have been restated to reflect this change.

39. Non-cash financing and investing activities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Assets donated or brought to account	2,043	32	2,043	32
Property, plant and equipment acquired by a lease	1,925	2,506	1,925	2,506
	3,968	2,538	3,968	2,538

Murrumbidgee Local Health District
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40. Trust funds

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MLHD holds trust funds of \$5.3 million (2022: \$8.9 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 MLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Patient Trust	81	4	-	85
Refundable Deposits	8,438	1,649	(5,121)	4,966
Private Patient Trust Funds	218	161	(343)	36
Third Party Funds	155	139	(101)	193
Total trust funds	8,892	1,953	(5,565)	5,280

Category	1 July 2021	Revenue	Expense	30 June 2022
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Patient Trust	81	1	(1)	81
Refundable Deposits	6,211	3,568	(1,341)	8,438
Private Patient Trust Funds	191	246	(219)	218
Third Party Funds	132	81	(58)	155
Total trust funds	6,615	3,896	(1,619)	8,892

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

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

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 42.

Murrumbidgee Local Health District
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41. Financial instruments

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

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

(a) Financial instrument categories

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Class	Category	Carrying Amount 2023 \$000	Carrying Amount 2022 \$000
Financial assets			
Cash and cash equivalents (Note 22)	Amortised cost	9,706	9,174
Receivables (Note 23) ¹	Amortised cost	12,010	10,671
Total financial assets		21,716	19,845
Financial liabilities			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	19,585	20,940
Payables (Note 29) ²	Financial liabilities measured at amortised cost	46,509	41,397
Total financial liabilities		66,094	62,337

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).

MLHD 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:

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

41. Financial instruments (continued)

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

When MLHD 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 MLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of MLHD's continuing involvement in the asset. In that case, MLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that MLHD 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 MLHD could be required to repay.

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to MLHD. 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 MLHD, including cash, receivables and authority deposits. No collateral is held by MLHD. MLHD has not granted any financial guarantees.

Credit risk associated with MLHD'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.

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

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 and contract assets

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

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

Murrumbidgee Local Health District
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41. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2023 and 30 June 2022 was determined as follows:

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.90%	2.28%	10.81%	18.29%	22.06%	3.70%
Estimated total gross carrying amount ¹	7,847	989	440	225	921	10,423
Expected credit loss	71	23	48	41	203	385
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.55%	0.88%	4.91%	5.50%	8.46%	1.28%
Estimated total gross carrying amount ¹	6,132	853	405	130	388	7,907
Expected credit loss	33	8	20	7	33	101

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures.

MLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022.

ii. Liquidity risk

Liquidity risk is the risk that MLHD will be unable to meet its payment obligations when they fall due. MLHD 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.

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

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

(d) Financial risk (continued)

ii. Liquidity risk (continued)

MLHD 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 MLHD 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 have a correctly rendered invoice, 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.

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

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

The table below summarises the maturity profile of MLHD'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
2023								
Payables:								
- Creditors ²		46,509	-	-	46,509	46,509	-	-
Borrowings:								
- Other loans and deposits	3.08	263	263	-	-	132	131	-
- Lease liabilities	2.55	21,876	21,876	-	-	3,108	8,443	10,325
		68,648	22,139	-	46,509	49,749	8,574	10,325
2022								
Payables:								
- Creditors ²		41,397	-	-	41,397	41,397	-	-
Borrowings:								
- Other loans and deposits	2.67	395	395	-	-	132	263	-
- Lease liabilities	2.26	23,323	23,323	-	-	3,394	8,230	11,699
		65,115	23,718	-	41,397	44,923	8,493	11,699

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

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41. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. MLHD's exposures to market risk are primarily through interest rate risk on MLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. MLHD 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 MLHD 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 2022. 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 MLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. MLHD 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, MLHD is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

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	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	99	(99)	118	(118)
Equity	99	(99)	118	(118)

41. Financial instruments (continued)

iii. Market risk (continued)

Foreign exchange risk

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

MLHD manages its foreign exchange risk by maintaining foreign currency denominated bank accounts or buying foreign currency from TCorp at the time of purchase commitment, or enters into a derivative economic hedges with TCorp in accordance with MLHD's risk management policies.

At year end, MLHD did not hold any foreign currency denominated monetary assets and monetary liabilities, except for cash held in the US dollar denominated bank account. All funds held at year end in foreign currency are expected to be used to settle existing purchase commitments that are denominated in US currency.

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

MLHD has outstanding forward foreign exchange contracts entered with TCorp to hedge foreign currency risks. The forward foreign exchange contracts enable MLHD to exchange fixed foreign currency for fixed AUD at specified future date, enabling cash flow certainty.

A sensitivity analysis has been disclosed for the cash held in foreign currency bank account and outstanding derivative contracts at year end. A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against the US currency. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

41. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

ii. Fair value recognised in the Statement of Financial Position

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

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

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

There were no transfers between level 1, 2 or 3 during the year ended 30 June 2023.

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

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42. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023	2022
	\$000	\$000
Short-term employee benefits	395	495
Post-employment benefits	9	9
	404	504

During the financial year, Murrumbidgee Local Health District obtained key management personnel services from the immediate parent and incurred \$0.41 million (2022: \$0.41 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

MLHD'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 (2022: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2022: \$Nil).

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

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

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

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

Murrumbidgee Local Health District
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42. Related party disclosures (continued)

(d) Transactions MLHD 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
- Various grants and subsidies towards research and other projects

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

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

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force and Transport for NSW
- 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
- 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.

43. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS