



INDEPENDENT AUDITOR'S REPORT

South Western Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of South Western Sydney 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 District's 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 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 40. 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 information, the District's financial statements present adjusted budget information.

A / Chief Executive Responsibilities for the Financial Statements

The A / Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The A / Chief Executive's responsibility also includes such internal control as the A / 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 A / Chief Executive is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf OR www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor's report.

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

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



Susan Prichard
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2023
SYDNEY

South Western Sydney 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 South Western Sydney 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 South Western Sydney 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 black ink that reads 'Sonia Marshall'.

Sonia Marshall
A/Chief Executive
26 October 2023

A handwritten signature in blue ink that reads 'Dimi Palamidis'.

Dimi Palamidis
Director Finance & Corporate Services
26 October 2023

South Western Sydney 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	1,544,579	1,583,543	1,450,442	-	-
Personnel services	3	-	-	-	1,506,117	1,462,440
Visiting medical officers	4	109,408	108,434	104,232	109,408	104,232
Operating expenses	5	697,595	647,353	681,644	697,595	681,644
Depreciation and amortisation	6	103,877	102,054	79,060	103,877	79,060
Grants and subsidies	7	12,920	11,721	15,867	12,920	15,867
Finance costs	8	1,600	1,431	1,929	1,600	1,929
Payments to Affiliated Health Organisations	9	36,190	36,292	37,026	36,190	37,026
Total expenses excluding losses		2,506,169	2,490,828	2,370,200	2,467,707	2,382,198
Revenue						
Ministry of Health recurrent allocations	12	2,153,741	2,135,827	2,063,138	2,153,741	2,063,138
Ministry of Health capital allocations	12	165,477	165,851	126,798	165,477	126,798
Acceptance by the Crown ² of employee benefits	16	38,462	38,587	(11,998)	-	-
Sale of goods and services from contracts with customers	13	196,388	198,532	156,229	196,388	156,229
Investment revenue	14	5,915	1,173	(2,626)	5,915	(2,626)
Grants and other contributions	15	59,065	53,709	183,097	59,065	183,097
Other income	17	6,591	9,772	5,754	6,591	5,754
Total revenue		2,625,639	2,603,451	2,520,392	2,587,177	2,532,390
Operating result		119,470	112,623	150,192	119,470	150,192
Gains / (losses) on disposal	18	(1,000)	-	(2,639)	(1,000)	(2,639)
Impairment losses on financial assets	23	(3,805)	(770)	(2,750)	(3,805)	(2,750)
Other gains / (losses)	19	205	202	(642)	205	(642)
Net result from continuing operations	41	114,870	112,055	144,161	114,870	144,161
Net result from discontinued operations		-	-	-	-	-
Net result		114,870	112,055	144,161	114,870	144,161
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	27	116,899	-	94,119	116,899	94,119
Total other comprehensive income		116,899	-	94,119	116,899	94,119
TOTAL COMPREHENSIVE INCOME		231,769	112,055	238,280	231,769	238,280

¹ Unaudited adjusted budget, see Note 40.

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 SWSLHD.

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District
Statement of Financial Position as at 30 June 2023

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
	Notes	Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	Restated	Restated
		\$000	\$000	2022	1 July 2021	\$000	\$000	1 July 2021
				\$000	\$000			\$000
ASSETS								
Current assets								
Cash and cash equivalents								
	22	103,134	81,646	86,812	100,744	103,134	86,812	100,744
	23	52,802	60,170	65,492	48,152	52,802	65,492	48,152
	24	5,862	5,588	6,399	5,106	5,862	6,399	5,106
Financial assets at fair value								
	25	40,257	38,054	38,054	-	40,257	38,054	-
	26	46	123	77	73	46	77	73
Total current assets		202,101	185,581	196,834	154,075	202,101	196,834	154,075
Non-current assets								
Receivables								
	23	36,326	36,234	6,234	23,911	36,326	6,234	23,911
Other financial assets								
	26	-	-	46	123	-	46	123
Property, plant & equipment								
	27	-	-	-	-	-	-	-
		2,406,428	2,401,315	2,346,132	2,080,400	2,406,428	2,346,132	2,080,400
		110,205	112,128	97,540	74,787	110,205	97,540	74,787
		160,925	27,886	32,376	36,305	160,925	32,376	36,305
Total property, plant & equipment		2,677,558	2,541,329	2,476,048	2,191,492	2,677,558	2,476,048	2,191,492
Right-of-use assets								
	28	55,550	57,394	57,570	63,397	55,550	57,570	63,397
Intangible assets								
	29	2,908	2,908	3,339	3,693	2,908	3,339	3,693
Total non-current assets		2,772,342	2,637,865	2,543,237	2,282,616	2,772,342	2,543,237	2,282,616
Total assets		2,974,443	2,823,446	2,740,071	2,436,691	2,974,443	2,740,071	2,436,691
LIABILITIES								
Current liabilities								
Payables								
	32	136,547	128,616	127,997	110,440	136,547	127,997	110,440
Contract liabilities								
	33	3,463	2,904	2,904	1,858	3,463	2,904	1,858
Borrowings								
	34	12,558	12,950	14,026	14,198	12,558	14,026	14,198
Provisions								
	35	314,925	305,849	335,653	280,142	314,925	335,653	280,142
Other current liabilities								
	36	592	634	634	690	592	634	690
Total current liabilities		468,085	450,953	481,214	407,328	468,085	481,214	407,328
Non-current liabilities								
Borrowings								
	34	50,912	57,137	55,698	65,305	50,912	55,698	65,305
Provisions								
	35	4,027	4,027	3,885	4,367	4,027	3,885	4,367
Other non-current liabilities								
	36	31,261	29,902	29,902	28,599	31,261	29,902	28,599
Total non-current liabilities		86,200	91,066	89,485	98,271	86,200	89,485	98,271
Total liabilities		554,285	542,019	570,699	505,599	554,285	570,699	505,599
Net assets		2,420,158	2,281,427	2,169,372	1,931,092	2,420,158	2,169,372	1,931,092
EQUITY								
Reserves								
		853,037	710,841	710,839	613,457	853,037	710,839	613,457
Accumulated funds								
		1,567,121	1,570,586	1,458,533	1,317,635	1,567,121	1,458,533	1,317,635
Total Equity		2,420,158	2,281,427	2,169,372	1,931,092	2,420,158	2,169,372	1,931,092

¹ Unaudited adjusted budget, see Note 40.

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

The accompanying notes form part of these financial statements.

South Western Sydney 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		1,460,081	710,839	2,170,920
Correction of error - long service leave calculations	21	(1,548)	-	(1,548)
Restated balance at 1 July 2022		1,458,533	710,839	2,169,372
Net result for the year		114,870	-	114,870
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	27	-	135,916	135,916
Total other comprehensive income		-	135,916	135,916
Total comprehensive income for the year		114,870	135,916	250,786
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		(6,282)	6,282	-
Balance at 30 June 2023		1,567,121	853,037	2,420,158

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,319,402	613,457	1,932,859
Correction of error - long service leave calculations	21	(1,767)	-	(1,767)
Restated balance at 1 July 2021		1,317,635	613,457	1,931,092
Restated net result for the year		144,161	-	144,161
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	27	-	94,119	94,119
Total other comprehensive income		-	94,119	94,119
Restated total comprehensive income for the year		144,161	94,119	238,280
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		(3,263)	3,263	-
Restated balance at 30 June 2022		1,458,533	710,839	2,169,372

The accompanying notes form part of these financial statements.

South Western Sydney 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		(1,544,882)	(1,591,879)	(1,434,514)	-	-
Suppliers for goods and services		(846,826)	(805,804)	(782,235)	(846,826)	(782,235)
Grants and subsidies		(52,586)	(51,490)	(53,084)	(52,586)	(53,084)
Finance costs		(1,600)	(1,431)	(1,928)	(1,600)	(1,928)
Personnel services		-	-	-	(1,544,882)	(1,434,514)
Total payments		(2,445,894)	(2,450,604)	(2,271,761)	(2,445,894)	(2,271,761)
Receipts						
Ministry of Health recurrent allocations		2,153,741	2,135,827	2,063,138	2,153,741	2,063,138
Ministry of Health capital allocations		165,477	165,851	126,798	165,477	126,798
Reimbursements from the Crown ²		23,400	23,400	21,614	23,400	21,614
Sale of goods and services		193,013	200,357	153,522	193,013	153,522
Interest received		3,701	1,173	607	3,701	607
Grants and other contributions		57,700	51,813	163,099	57,700	163,099
Other		59,924	53,887	44,677	59,924	44,677
Total receipts		2,656,956	2,632,308	2,573,455	2,656,956	2,573,455
NET CASH FLOWS FROM OPERATING ACTIVITIES	41	211,062	181,704	301,694	211,062	301,694
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		-	-	31	-	31
Purchases of property, plant and equipment and intangibles		(180,696)	(179,341)	(260,692)	(180,696)	(260,692)
Purchases of financial assets		-	-	(41,297)	-	(41,297)
Other		78	-	75	78	75
NET CASH FLOWS FROM INVESTING ACTIVITIES		(180,618)	(179,341)	(301,883)	(180,618)	(301,883)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(4,743)	257	(4,405)	(4,743)	(4,405)
Payment of principal portion of lease liabilities		(9,379)	(7,786)	(9,338)	(9,379)	(9,338)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(14,122)	(7,529)	(13,743)	(14,122)	(13,743)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	22	86,812	86,812	100,744	86,812	100,744
CLOSING CASH AND CASH EQUIVALENTS	22	103,134	81,646	86,812	103,134	86,812

¹ Unaudited adjusted budget, see Note 40.

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

The accompanying notes form part of these financial statements.

South Western Sydney 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

South Western Sydney Local Health District (SWSLHD), 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.

SWSLHD 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.

SWSLHD 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
- * South Western Sydney Local Health District Special Purpose Service Entity which provides personnel services to SWSLHD 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 SWSLHD as a parent entity and SWSLHD 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 A/Chief Executive on 26 October 2023.

b) Basis of preparation

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

Each year the Secretary of NSW Health, the Chair of South Western Sydney Local Health District Board and the Chief Executive, through the Service Agreement agree 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 SWSLHD'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 SWSLHD 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. The deferral of the NSW 2023-24 Budget until 19 September 2023 has necessitated a staged approach to the service agreements and budget allocation for the financial year 2023-24. The South Western Sydney Local Health District has received, from the Ministry of Health, interim funding allocation for the first quarter of 2023-24, initial full year activity targets, key performance indicators and performance deliverables for the year and a commitment to receive and execute the final 2023-24 Service agreement in September 2023.

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.
- * SWSLHD 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.
- * SWSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SWSLHD 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, SWSLHD's Service Agreement will have an adjusted state efficient price to incorporate the additional costs for COVID-19 expenditure.

South Western Sydney 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

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.

SWSLHD 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 SWSLHD's presentation and functional currency.

c) Statement of Compliance

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

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

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

- * amount of GST incurred by SWSLHD 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.

South Western Sydney 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

g) Changes in estimates

(i) Componentisation

During 2023, SWSLHD 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, SWSLHD 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:

PARENT AND CONSOLIDATED

	2023 Actual \$'000	Future years Expected \$'000
Expenses		
Depreciation and amortisation	5,012	4,115

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. SWSLHD 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 SWSLHD.

(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 SWSLHD 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 Payables
- * Note 35 Provisions
- * Note 40 Adjusted budget review

South Western Sydney 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)	1,344,585	1,324,691	-	-
Superannuation - defined benefit plans	3,548	4,099	-	-
Superannuation - defined contribution plans	131,932	122,428	-	-
Long service leave	36,493	(21,445)	-	-
Redundancies	1,268	702	-	-
Workers' compensation insurance	26,711	19,854	-	-
Fringe benefits tax	42	113	-	-
	1,544,579	1,450,442	-	-

¹ 'Long service leave' costs has been restated to be lower by \$1.78 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 35 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$Nil (2022: \$Nil) have been capitalised in property, plant and equipment and intangible 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)	-	-	1,344,585	1,324,691
Superannuation - defined contribution plans	-	-	131,932	122,428
Long service leave	-	-	1,579	(5,348)
Redundancies	-	-	1,268	702
Workers' compensation insurance	-	-	26,711	19,854
Fringe benefits tax	-	-	42	113
	-	-	1,506,117	1,462,440

¹ 'Long service leave' costs has been restated to be lower by \$0.22 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 South Western Sydney Local Health District were provided by its controlled entity, South Western Sydney Local Health District Special Purpose Service Entity.

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

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input in a number of disciplines throughout SWSLHD's hospitals. VMO expenses of \$109.41 million (2022: \$104.23 million) represent part of the day-to-day running costs incurred in the normal operations of SWSLHD. These costs are expensed as incurred.

South Western Sydney 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	221	82	221	82
Auditor's remuneration - audit of financial statements	264	256	264	256
Blood and blood products	16,459	16,199	16,459	16,199
Consultancies	1,316	1,755	1,316	1,755
Contractors	7,038	6,523	7,038	6,523
Domestic supplies and services	23,427	23,615	23,427	23,615
Drug supplies*	85,254	98,436	85,254	98,436
Food supplies	42,363	41,163	42,363	41,163
Fuel, light and power	19,006	12,760	19,006	12,760
Patient transport costs	17,435	18,416	17,435	18,416
Information management expenses	45,952	30,836	45,952	30,836
Insurance	2,337	2,171	2,337	2,171
Maintenance (see Note 5 (b))	57,838	62,385	57,838	62,385
Medical and surgical supplies	123,702	129,578	123,702	129,578
Motor vehicle expenses	1,658	1,613	1,658	1,613
Occupancy agreement expenses - Property NSW	288	-	288	-
Postal and telephone costs	3,461	4,411	3,461	4,411
Printing and stationery	3,329	3,811	3,329	3,811
Rates and charges	2,156	2,097	2,156	2,097
Hosted services purchased from entities controlled by the immediate parent	2,413	2,382	2,413	2,382
Specialised services (dental, radiology, pathology and allied health)	114,073	115,740	114,073	115,740
Staff related costs	15,759	18,781	15,759	18,781
Travel related costs	5,783	1,088	5,783	1,088
Other (see Note 5 (a))	106,063	87,546	106,063	87,546
	697,595	681,644	697,595	681,644

* Drug supplies includes \$0.10 million (2022: \$18.13 million) of COVID-19 vaccinations administered by vaccination hubs within SWSLHD. Refer to Note 24 for further details on COVID-19 vaccines.

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

South Western Sydney 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	64,249	41,766	64,249	41,766
Corporate support services ¹	11,218	10,626	11,218	10,626
Courier and freight	530	587	530	587
Disability equipment support expenses ¹	1,966	1,918	1,966	1,918
Isolated patient travel and accommodation assistance scheme*	-	115	-	115
Legal services	766	919	766	919
Membership/professional fees	1,184	881	1,184	881
Quality assurance / accreditation	53	19	53	19
Security services	8,290	9,827	8,290	9,827
Expenses relating to short-term leases	1,895	2,853	1,895	2,853
Expenses relating to leases of low-value assets	3,215	4,420	3,215	4,420
Other miscellaneous	12,697	13,615	12,697	13,615
	106,063	87,546	106,063	87,546

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 \$1.918 million and 'Corporate support services' lower by \$1.918 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	23,520	21,448	23,520	21,448
New / replacement equipment under \$10,000	20,824	28,001	20,824	28,001
Repairs maintenance / non contract	13,341	12,873	13,341	12,873
Other	153	63	153	63
Maintenance expense - contracted labour and Employee related/personnel services maintenance expense included in Notes 2 and 3*.	57,838	62,385	57,838	62,385
	62,139	66,851	62,139	66,851

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

5. Operating expenses (continued)

Recognition and Measurement

Operating expenses includes non-employee costs incurred in delivering the services provided by SWSLHD. 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

SWSLHD'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

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

Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.

Leases of assets that are valued at \$10,000 or under when new.

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

South Western Sydney 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	72,171	53,660	72,171	53,660
Depreciation - plant and equipment	16,894	14,065	16,894	14,065
Depreciation - infrastructure systems	4,491	1,095	4,491	1,095
Depreciation - right-of-use buildings	3,281	3,257	3,281	3,257
Depreciation - right-of-use plant and equipment	6,609	6,549	6,609	6,549
Amortisation - intangible assets	431	434	431	434
	103,877	79,060	103,877	79,060

Depreciation - buildings is higher by \$5.01 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 27 Property, plant and equipment, Note 28 Leases, and Note 29 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-government organisations	10,229	9,921	10,229	9,921
Grants to research organisations	140	444	140	444
Grants to entities controlled by the immediate parent*	1,710	4,405	1,710	4,405
Other grants*	841	1,097	841	1,097
	12,920	15,867	12,920	15,867

* SWSLHD 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 \$0.16 million (2022: \$3.79 million) and under other grants (external third parties) was \$0.01 million (2022: \$0.03 million).

Recognition and Measurement

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

South Western Sydney 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	1,082	1,073	1,082	1,073
Interest expense from financial liabilities at amortised cost	518	856	518	856
	1,600	1,929	1,600	1,929

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
Recurrent sourced				
HammondCare Health (Braeside Hospital)	20,431	20,450	20,431	20,450
Karitane	7,934	8,691	7,934	8,691
The Benevolent Society (South Western Sydney Scarba Service)	612	614	612	614
NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors - STARTTS	7,213	7,271	7,213	7,271
	36,190	37,026	36,190	37,026

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 \$36.190m (net expense), for the Affiliated Health Organisations listed (Braeside Hospital, Karitane, SWS Scarba Service and STARTTS), 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. SWSLHD 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.

South Western Sydney 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, SWSLHD'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 SWSLHD which forms part of the consolidated fund and is not appropriated to SWSLHD by an Act.

11. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) (and the subsequent variations, if applicable) appropriates the sum of \$18,729.86 million 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 SWSLHD.

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 SWSLHD, 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 SWSLHD receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by SWSLHD. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that SWSLHD 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. SWSLHD's spending authority and expenditure is included in the summary of compliance.

The delegation / sub-delegations for 2023 and 2022, authorising officers of the SWSLHD to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the SWSLHD. 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

12. Ministry of Health allocations

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

SWSLHD recognised additional Ministry of Health recurrent allocations of \$56.94 million (2022: \$213.52 million) and Ministry of Health capital allocations of \$Nil (2022: \$2.85 million) 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.

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	37,830	37,031	37,830	37,031
Sale of prostheses	5,309	4,835	5,309	4,835
Other	37	605	37	605
	43,176	42,471	43,176	42,471

(b) Rendering of services comprise the following:

<i>Patients</i>				
Patient Fees:				
- Inpatient fees	79,838	58,025	79,838	58,025
- Nursing home fees	268	431	268	431
- Non inpatient fees	4,515	4,477	4,515	4,477
Department of Veterans' Affairs	10,898	8,055	10,898	8,055
Motor Accident Authority third party	16,685	9,800	16,685	9,800
<i>Staff</i>				
Private use of motor vehicles	56	88	56	88
Salary packaging fee	11	12	11	12
Meals and accommodation	2	4	2	4
Child care fees	1,329	1,910	1,329	1,910
<i>General community</i>				
Car parking	7,116	4,602	7,116	4,602
Clinical services (excluding clinical drug trials)	1,424	1,475	1,424	1,475
Commercial activities	1,574	1,334	1,574	1,334
Fees for conferences and training	2,202	1,369	2,202	1,369
Fees for medical records	345	299	345	299
Information retrieval	4	10	4	10
<i>Non-NSW Health entities</i>				
Services to other organisations	4,614	342	4,614	342
<i>Entities controlled by the immediate parent</i>				
Hosted service revenues	134	125	134	125
Shared corporate service revenues	1	1	1	1
<i>Other</i>				
Infrastructure fees - annual charge	10,065	7,932	10,065	7,932
Infrastructure fees - monthly facility charge	10,511	11,819	10,511	11,819
Other	1,620	1,648	1,620	1,648
	153,212	113,758	153,212	113,758
	196,388	156,229	196,388	156,229

South Western Sydney 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 SWSLHD satisfies a performance obligation by transferring the promised goods.

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

South Western Sydney 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

Revenue from rendering of services is recognised when SWSLHD 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.

South Western Sydney 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 33 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 SWSLHD expects to recognise the unsatisfied portion as revenue.

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

14. Investment revenue

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest income from financial assets at amortised cost	3,701	543	3,701	543
Finance income on the net investment in the lease	1	2	1	2
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	2,203	(3,179)	2,203	(3,179)
Royalties	10	8	10	8
	5,915	(2,626)	5,915	(2,626)

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).

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss includes distributions received as well as movements in the fair value.

Royalties

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

15. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	-	80	-	80
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	6,916	6,820	6,916	6,820
Clinical trials and research grants	12,686	7,510	12,686	7,510
Commonwealth government grants received for community based services	4,698	5,573	4,698	5,573
Commonwealth government grants other	1,883	2,146	1,883	2,146
Grants from entities controlled by the ultimate parent	1,697	1,658	1,697	1,658
Other grants from entities controlled by the immediate parent	4,134	1,286	4,134	1,286
Other grants	7,572	7,810	7,572	7,810
Grants without specific performance obligations				
Commonwealth government grants other*	58	22,336	58	22,336
Grants from entities controlled by the ultimate parent	13,721	117,511	13,721	117,511
Other grants from entities controlled by the immediate parent*	345	520	345	520
Other grants*	5	2	5	2
Donations				
Donations	5,350	9,845	5,350	9,845
	59,065	183,097	59,065	183,097

* SWSLHD 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 \$0.06 million (2022: \$22.34 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$0.00 million (2022: \$0.28 million) and under other grants (external third parties) was \$900 (2022: \$657).

South Western Sydney 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 SWSLHD are recognised when SWSLHD satisfies its obligations under the transfer. SWSLHD 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 SWSLHD satisfies a performance obligation by transferring the promised goods or services. SWSLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. SWSLHD 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 33 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 SWSLHD 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. SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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	3,548	4,099	-	-
Long service leave provision	34,914	(16,097)	-	-
	38,462	(11,998)	-	-

¹ 'Long service leave provision' revenue has been restated to be lower by \$1.56 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:				
Commissions	289	220	289	220
Discounts	590	401	590	401
Insurance refunds	311	39	311	39
Rental income				
- other rental income	4,971	4,409	4,971	4,409
Sponsorship	314	59	314	59
Unclaimed deposits	14	7	14	7
Other	102	619	102	619
	6,591	5,754	6,591	5,754

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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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	1,002	2,686	1,002	2,686
Less: proceeds from disposal	-	31	-	31
Net gains / (losses) on disposal	(1,002)	(2,655)	(1,002)	(2,655)
Right-of-use assets				
Written down value of assets disposed	21	(134)	21	(134)
Less: lease liabilities extinguished	23	(118)	23	(118)
Net gains / (losses) on disposal*	2	16	2	16
Total gains / (losses) on disposal	(1,000)	(2,639)	(1,000)	(2,639)

* As at 30 June 2022, \$0.03 million of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$0.11 million and the lease liability of \$0.14 million with Property NSW, an entity of the ultimate parent. Please refer to Note 28 for further details on the derecognition.

19. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory write down*	202	(641)	202	(641)
Foreign exchange gains / (losses)	3	(1)	3	(1)
	205	(642)	205	(642)

* Inventory write down includes COVID-19 vaccine wastage of \$0.09 million (2022: \$0.34 million), Monkeypox vaccine wastage of \$0.008 million (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 27 Property, plant and equipment
- Note 28 Leases
- Note 29 Intangible assets

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

SWSLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. SWSLHD 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 31 Restricted assets.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

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.

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

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
	Notes	Actual	Adjustment	Restated	Actual	Adjustment	Restated
		2022	2022	2022	2022	2022	2022
		\$000	\$000	\$000	\$000	\$000	\$000
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	1,452,217	(1,775)	1,450,442	-	-	-
Personnel services	3	-	-	-	1,462,659	(219)	1,462,440
Total expenses excluding		2,371,975	(1,775)	2,370,200	2,382,417	(219)	2,382,198
Revenue							
Acceptance by the Crown of employee benefits	16	(10,442)	(1,556)	(11,998)	-	-	-
Total revenue		2,521,948	(1,556)	2,520,392	2,532,390	-	2,532,390
Operating result		149,973	219	150,192	149,973	219	150,192
Net result		143,942	219	144,161	143,942	219	144,161
Total other comprehensive income		94,119	-	94,119	94,119	-	94,119
TOTAL COMPREHENSIVE INCOME		238,061	219	238,280	238,061	219	238,280

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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	35	278,520	1,622	280,142	278,520	1,622	280,142
Total current liabilities		405,706	1,622	407,328	405,706	1,622	407,328
Non-current liabilities							
Provisions	35	4,222	145	4,367	4,222	145	4,367
Total non-current liabilities		98,126	145	98,271	98,126	145	98,271
Total liabilities		503,832	1,767	505,599	503,831	1,768	505,599
Net assets		1,932,859	(1,767)	1,931,092	1,932,860	(1,768)	1,931,092
EQUITY							
Accumulated funds		1,319,402	(1,767)	1,317,635	1,319,403	(1,768)	1,317,635
Total Equity		1,932,859	(1,767)	1,931,092	1,932,860	(1,768)	1,931,092

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	35	334,230	1,423	335,653	334,230	1,423	335,653
Total current liabilities		479,791	1,423	481,214	479,791	1,423	481,214
Non-current liabilities							
Provisions	35	3,760	125	3,885	3,760	125	3,885
Total non-current liabilities		89,360	125	89,485	89,360	125	89,485
Total liabilities		569,151	1,548	570,699	569,151	1,548	570,699
Net assets		2,170,920	(1,548)	2,169,372	2,170,920	(1,548)	2,169,372
EQUITY							
Accumulated funds		1,460,081	(1,548)	1,458,533	1,460,082	(1,549)	1,458,533
Total Equity		2,170,920	(1,548)	2,169,372	2,170,921	(1,549)	2,169,372

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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	103,134	86,812	103,134	86,812
	103,134	86,812	103,134	86,812

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and cash on hand.

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)	103,134	86,812	103,134	86,812
	103,134	86,812	103,134	86,812

Refer to Note 44 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by SWSLHD 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 SWSLHD for payments to suppliers and employees. HealthShare NSW makes payments after SWSLHD has reviewed and approved the invoices and employee rosters. SWSLHD'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 SWSLHD.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of SWSLHD 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 SWSLHD.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

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	41,034	33,787	41,034	33,787
Intra health receivables	5,791	8,373	5,791	8,373
Goods and Services Tax	3,130	4,538	3,130	4,538
Other receivables	4,154	13,878	4,154	13,878
Sub total	54,109	60,576	54,109	60,576
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(5,077)	(5,379)	(5,077)	(5,379)
- Other receivables	(9)	(4)	(9)	(4)
Sub total	49,023	55,193	49,023	55,193
Prepayments	3,779	10,299	3,779	10,299
	52,802	65,492	52,802	65,492

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Trade receivables from contracts with customers				
Balance at the beginning of the year	(5,379)	(5,345)	(5,379)	(5,345)
Amounts written off during the year	4,089	2,696	4,089	2,696
(Increase) / decrease in allowance recognised in the net result ¹	(3,787)	(2,729)	(3,787)	(2,729)
Balance at the end of the year	(5,077)	(5,379)	(5,077)	(5,379)
Other receivables				
Balance at the beginning of the year	(4)	(8)	(4)	(8)
Amounts written off during the year	13	25	13	25
(Increase) / decrease in allowance recognised in the net result	(18)	(21)	(18)	(21)
Balance at the end of the year	(9)	(4)	(9)	(4)
	(5,086)	(5,383)	(5,086)	(5,383)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-current				
Prepayments	36,326	6,234	36,326	6,234
	36,326	6,234	36,326	6,234

¹ Includes total impairment loss of \$3.79 million (2022: \$2.73 million) recognised on receivables from contracts with customers.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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	3,621	4,353	3,621	4,353
Patient fees - ineligible	18,425	13,877	18,425	13,877
Patient fees - inpatient & other	9,696	8,940	9,696	8,940
	31,742	27,170	31,742	27,170

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 44.

	Consolidated 2023 \$000	Consolidated' 2022 \$000	Parent 2023 \$000	Parent' 2022 \$000
Contract receivables (included in Note 23)	46,824	42,160	46,824	42,160
Total contract receivables	46,824	42,160	46,824	42,160

¹ Prior year figures have been restated higher by \$0.595 million as a result of items previously excluded under contract receivables.

Recognition and Measurement

SWSLHD 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, SWSLHD considers:

- Whether SWSLHD 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

SWSLHD 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

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

24. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Held-for-distribution				
Drug supplies	5,862	6,363	5,862	6,363
Medical and surgical supplies	-	259	-	259
Engineering supplies	-	75	-	75
Sub total	5,862	6,697	5,862	6,697
<i>Less: Allowance for impairment</i>				
- Drug supplies	-	(298)	-	(298)
	5,862	6,399	5,862	6,399

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 the current year, SWSLHD has written-off \$Nil (2022:\$Nil) and made an allowance for impairment of \$Nil (2022:\$Nil) for medical and surgical supplies. Written-off medical and surgical supply inventory items mainly consist of personal protective equipment that are either expired or damaged and not in a condition to be used. Allowance for impairment was based on a consumption forecast model, on medical and surgical supplies that are likely to expire before they are consumed.

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

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

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.06 million (2022: \$22.61 million) and \$0.27 million (2022: \$21.96 million), respectively. \$0.09 million (2022: \$0.34 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 \$0.02 million (2022: \$0.31 million) which is included as part of the inventory drug supplies.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost SWSLHD would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

25. Financial assets at fair value

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
TCorpIM Funds Investment Facilities	40,257	38,054	40,257	38,054
	40,257	38,054	40,257	38,054

Refer to Note 44 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

SWSLHD 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, SWSLHD considers:

- Whether SWSLHD 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.

Classification and measurement

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

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

Financial assets at fair value through profit or loss

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

Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives are economic hedges classified as fair value through profit or loss unless they are designated as effective hedging instruments.

Derivative contracts are carried as financial assets when their fair value at the reporting date is positive. Derivative contracts maturing less than 12 months are classified as current and all other contracts as non-current.

SWSLHD has elected not to apply hedge accounting to the economic hedges.

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

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Other financial assets

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Receivables on finance leases as lessor (Note 28)	46	77	46	77
	46	77	46	77
Non-current				
Receivables on finance leases as lessor (Note 28)	-	46	-	46
	-	46	-	46

Refer to Note 44 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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	2,774,455	205,214	42,251	3,021,920
Less: accumulated depreciation and impairment	694,055	130,427	5,946	830,428
Net carrying amount	2,080,400	74,787	36,305	2,191,492
Year ended 30 June 2022				
Net carrying amount at beginning of year	2,080,400	74,787	36,305	2,191,492
Additions	224,623	36,034	-	260,657
Disposals	(2,524)	(162)	-	(2,686)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,286	-	1,286
Net revaluation increments less revaluation decrements	97,278	-	(3,159)	94,119
Depreciation expense	(53,660)	(14,065)	(1,095)	(68,820)
Reclassifications	15	(340)	325	-
Net carrying amount at end of year	2,346,132	97,540	32,376	2,476,048

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 30.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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	3,318,659	234,153	46,526	3,599,338
<i>Less:</i> accumulated depreciation and impairment	972,527	136,613	14,150	1,123,290
Net carrying amount	2,346,132	97,540	32,376	2,476,048

	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	2,346,132	97,540	32,376	2,476,048
Additions	130,759	25,259	-	156,018
Disposals	(531)	(471)	-	(1,002)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	4,134	-	4,134
Net revaluation increments less revaluation decrements	123,260	-	12,656	135,916
Depreciation expense	(72,171)	(16,894)	(4,491)	(93,556)
Reclassifications	(121,021)	637	120,384	-
Net carrying amount at end of year	2,406,428	110,205	160,925	2,677,558

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,488,892	253,230	180,786	3,922,908
<i>Less:</i> accumulated depreciation and impairment	1,082,464	143,025	19,861	1,245,350
Net carrying amount	2,406,428	110,205	160,925	2,677,558

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 30.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,752,502	205,214	42,251	2,999,967
Less: accumulated depreciation and impairment	691,487	130,427	5,946	827,860
Net carrying amount	2,061,015	74,787	36,305	2,172,107
	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	2,061,015	74,787	36,305	2,172,107
Additions	224,623	36,034	-	260,657
Disposals	(2,524)	(162)	-	(2,686)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,286	-	1,286
Net revaluation increment less revaluation decrements	96,266	-	(3,159)	93,107
Depreciation expense	(53,170)	(14,065)	(1,095)	(68,330)
Reclassifications	15	(340)	325	-
Net carrying amount at end of year	2,326,225	97,540	32,376	2,456,141

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 30.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by SWSLHD (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	3,296,789	234,153	46,526	3,577,468
<i>Less:</i> accumulated depreciation and impairment	970,564	136,613	14,150	1,121,327
Net carrying amount	2,326,225	97,540	32,376	2,456,141

	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	2,326,225	97,540	32,376	2,456,141
Additions	130,759	25,259	-	156,018
Disposals	(531)	(471)	-	(1,002)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	4,134	-	4,134
Net revaluation increments less revaluation decrements	122,315	-	12,656	134,971
Depreciation expense	(71,658)	(16,894)	(4,491)	(93,043)
Reclassifications	(121,021)	637	120,384	-
Net carrying amount at end of year	2,386,089	110,205	160,925	2,657,219

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,465,939	253,230	180,786	3,899,955
<i>Less:</i> accumulated depreciation and impairment	1,079,850	143,025	19,861	1,242,736
Net carrying amount	2,386,089	110,205	160,925	2,657,219

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 30.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	21,953	-	-	21,953
Less: accumulated depreciation and impairment	2,568	-	-	2,568
Net carrying amount	19,385	-	-	19,385

	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	19,385	-	-	19,385
Net revaluation increment less revaluation decrements	1,012	-	-	1,012
Depreciation expense	(490)	-	-	(490)
Net carrying amount at end of year	19,907	-	-	19,907

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	21,870	-	-	21,870
Less: accumulated depreciation and impairment	1,963	-	-	1,963
Net carrying amount	19,907	-	-	19,907

	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	19,907	-	-	19,907
Net revaluation increments less revaluation decrements	945	-	-	945
Depreciation expense	(513)	-	-	(513)
Net carrying amount at end of year	20,339	-	-	20,339

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	22,953	-	-	22,953
Less: accumulated depreciation and impairment	2,614	-	-	2,614
Net carrying amount	20,339	-	-	20,339

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 30.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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 SWSLHD and records all costs incurred as work in progress or expenses and subsequently transfers to SWSLHD. The costs are then accordingly reflected in SWSLHD's financial statements. SWSLHD 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 37).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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 SWSLHD.

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

Further information on leases is contained in Note 28.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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 30 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. SWSLHD 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. SWSLHD 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 CBRE Valuation & Advisory Services as at 30 June 2023, which suggested a cumulative increase in market price of -4.0% for residential land, 4.5% for specialised/commercial land and an increase in construction costs of 8.15% for building and infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment of \$116.899 million in current year.

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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.

SWSLHD 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, SWSLHD estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where a reversal of that impairment loss is also recognised in net result.

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Leases

(a) Entity as a lessee

SWSLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 3 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. SWSLHD 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 SWSLHD 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 \$0.9 million.

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

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

During the financial year ended 30 June 2022, SWSLHD derecognised all leases with Property NSW (PNSW), an entity of the ultimate parent. A new 'substitution right' clause was added to the lease arrangements with PNSW, providing PNSW with a substantive substitution right to relocate SWSLHD during the term of the agreement. As a result of this new clause, those agreements were no longer accounted for as a lease within the scope of AASB 16.

The corresponding right-of-use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in 'Gains/(Losses) on disposal' (refer to Note 18). From 1 July 2022, the accommodation charges are recognised as 'occupancy agreement expenses - Property NSW (refer to Note 5) when incurred over the agreement duration.

SWSLHD continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as SWSLHD receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. Therefore, SWSLHD's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. 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	37,987	19,583	57,570
Additions	1,349	3,163	4,512
Reassessments	978	2,401	3,379
Disposals	-	(21)	(21)
Depreciation expense	(3,281)	(6,609)	(9,890)
Balance at 30 June 2023	37,033	18,517	55,550

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	39,890	23,507	63,397
Additions	145	2,294	2,439
Reassessments	1,044	362	1,406
Disposals*	165	(31)	134
Depreciation expense	(3,257)	(6,549)	(9,806)
Balance at 30 June 2022	37,987	19,583	57,570

* 30 June 2022 disposals include the derecognition of the right-of-use assets of \$0.11 million with Property NSW.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

28. 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	59,864	65,239
Additions	4,512	2,439
Interest expenses	1,082	1,072
Payments	(10,461)	(10,410)
Terminations / derecognition*	(23)	118
Other adjustments	3,379	1,406
Balance at 30 June	58,353	59,864

* 30 June 2022 terminations / derecognition includes the derecognition of lease liabilities of \$0.14 million with Property NSW.

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

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Depreciation expense of right-of-use assets	9,890	9,806
Interest expense on lease liabilities	1,082	1,072
Expenses relating to short-term leases	1,895	2,853
Expenses relating to leases of low-value assets	3,215	4,420
(Gains) / losses on disposal*	(3)	(16)
Total amount recognised in the statement of comprehensive income	16,079	18,135

* 30 June 2022 (gains) / losses on disposal includes \$0.03 million of net gains on disposal as a result of the derecognition of leases with Property NSW.

SWSLHD had total cash outflows for leases of \$15.57 million for the year ended 30 June 2023 (2022: \$17.68 million).

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. 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

SWSLHD entered into a number of leases, with lease terms ranging from 5 to 10 years with various organisations (Lendlease Real Estate Investment Limited & GPT Funds Management Limited, State Rail Authority of NSW and Wingecarribee Shire Council), for the use of community health building. The contract specifies lease payments of \$0.26k per annum. The leased premise is to be used by SWSLHD to provide different community health services. The community health building account for a small portion of the similar assets SWSLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on SWSLHD's operations.

Recognition and Measurement

SWSLHD 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.

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

i. Right-of-use assets

SWSLHD 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	4 years
Plant and equipment	5 years
Motor vehicles and other equipment	3 years

If ownership of the leased asset transfers to SWSLHD 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. SWSLHD 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, SWSLHD 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, SWSLHD 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 SWSLHD; and

payments of penalties for terminating the lease if the lease term reflects SWSLHD's exercise of the option to terminate.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. 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. SWSLHD 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, SWSLHD 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.

SWSLHD's lease liabilities are included in borrowings in Note 34.

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Leases (continued)

(b) Entity as a lessor

South Western Sydney Local Health District leases retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

South Western Sydney Local Health District also leases premises (103 Hoddle Avenue, Bradbury and 19 Flowerdale Road, Liverpool) to NGO's under operating leases arrangements. Generally there are no rental payments as SWSLHD provides market rental assistance grants to offset the rental payments.

Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance lease as at 30 June 2023 are, as follows:

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Within one year	47	78
One to two years	-	47
Total (excluding GST)	47	125

Reconciliation of net investment in leases

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Future undiscounted rentals receivable	47	125
Less: unearned finance income	(1)	(2)
Net investment in finance lease	46	123

The net investment in finance lease is due to the subleasing arrangements with MyHealth Medical Group Pty Ltd (\$41k) and Clinical Laboratories Pty Ltd (\$5k) for the premises at Oran Park Podium.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and Measurement

Lessor for finance leases

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

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

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

Lessor for operating leases

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

PARENT AND CONSOLIDATION

	2023 \$'000	2022 \$'000
Within one year	1,331	1,331
One to two years	1,296	1,331
Two to three years	1,289	1,296
Three to four years	1,289	1,289
Four to five years	1,289	1,289
Later than five years	36,180	37,468
Total (excluding GST)	42,674	44,004

Recognition and Measurement

Lessor for operating leases

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	4,814	4,814
Less: accumulated amortisation and impairment	1,121	1,121
Net carrying amount	3,693	3,693

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	3,693	3,693
Additions - acquired separately	80	80
Amortisation (recognised in depreciation and amortisation)	(434)	(434)
Net carrying amount at end of year	3,339	3,339

	Software \$000	Total \$000
At 1 July 2022		
Cost (gross carrying amount)	4,894	4,894
Less: accumulated amortisation and impairment	1,555	1,555
Net carrying amount	3,339	3,339

	Software \$000	Total \$000
Year ended 30 June 2023		
Net carrying amount at beginning of year	3,339	3,339
Amortisation (recognised in depreciation and amortisation)	(431)	(431)
Net carrying amount at end of year	2,908	2,908

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2023		
Cost (gross carrying amount)	4,894	4,894
Less: accumulated amortisation and impairment	1,986	1,986
Net carrying amount	2,908	2,908

Recognition and Measurement

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

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

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

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

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

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

30. 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, SWSLHD 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).

SWSLHD 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 27)				
- Land and buildings	-	80,653	1,980,255	2,060,908
- Infrastructure systems	-	-	161,008	161,008
	-	80,653	2,141,263	2,221,916

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 27.

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 27)				
- Land and buildings	-	80,303	1,501,303	1,581,606
- Infrastructure systems	-	-	32,376	32,376
	-	80,303	1,533,679	1,613,982

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 27.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems SWSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuation & Advisory Services for the 2021-22 financial year. CBRE Valuation & Advisory Services is an independent entity and is not an associated entity of SWSLHD.

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 27).

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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

30. 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	1,501,303	32,376	1,533,679
Additions*	429,357	120,384	549,741
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 27)	122,639	12,656	135,295
Disposals	(531)	-	(531)
Depreciation expense	(72,513)	(4,408)	(76,921)
Fair value as at 30 June 2023	1,980,255	161,008	2,141,263

* 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	1,417,375	36,305	1,453,680
Additions*	32,633	325	32,958
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 27)	87,570	(3,159)	84,411
Transfers from Level 2	18,291	-	18,291
Disposals	(2,524)	-	(2,524)
Depreciation expense	(52,042)	(1,095)	(53,137)
Fair value as at 30 June 2022	1,501,303	32,376	1,533,679

* 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

31. Restricted assets

PARENT AND CONSOLIDATION

SWSLHD'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	4,334	1,599	1,098	4,835
Facility improvements	66,065	9,140	18,527	56,678
Patient welfare	2,138	753	805	2,086
Private practice disbursements (No.2 Accounts)	38,353	11,739	6,278	43,814
Public contributions	4,015	888	1,894	3,008
Research	16,296	14,777	9,529	21,545
Staff welfare	939	190	24	1,105
Training and education including conferences	7,083	1,888	547	8,424
	139,223	40,975	38,703	141,495

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

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

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

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

32. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Accrued salaries, wages and on-costs	30,153	24,684	-	-
Salaries and wages deductions	323	515	-	-
Payroll and fringe benefits tax	60	135	-	-
Accrued liability - purchase of personnel services	-	-	30,536	25,334
Creditors ^{1*}	79,407	76,420	79,407	76,420
Other creditors				
- Payables to entities controlled by the immediate parent	26,461	25,293	26,461	25,293
- Other ¹	143	950	143	950
	136,547	127,997	136,547	127,997

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 \$36.271 million and 'Creditors' has been restated higher by \$36.271 million to reflect this change.

* Creditors in 2022 included a one-off payment to affiliated health organisations of \$0.96 million for the recognition of service during the COVID-19 pandemic.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 44.

Recognition and Measurement

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Contract liabilities	3,463	2,904	3,463	2,904
	3,463	2,904	3,463	2,904

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	2,904	1,858	2,904	1,858

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Other loans and deposits	3,752	5,232	3,752	5,232
Lease liabilities (see Note 28)	8,806	8,794	8,806	8,794
	12,558	14,026	12,558	14,026
Non-current				
Other loans and deposits	1,365	4,628	1,365	4,628
Lease liabilities (see Note 28)	49,547	51,070	49,547	51,070
	50,912	55,698	50,912	55,698

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

Final repayment of Liverpool Carpark loan is scheduled for 25 June 2024, and final repayment of Fairfield EEGP loan is scheduled for 31 December 2029.

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.

Recognition and Measurement

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

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless SWSLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 44 (b) for derecognition policy.

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	-	-	14,264	65,239	79,503
Cash flows	-	-	(4,404)	(9,337)	(13,741)
New leases	-	-	-	2,438	2,438
Lease terminations*	-	-	-	118	118
Lease reassessments	-	-	-	1,406	1,406
30 June 2022	-	-	9,860	59,864	69,724
1 July 2022	-	-	9,860	59,864	69,724
Cash flows	-	-	(4,743)	(9,379)	(14,122)
New leases	-	-	-	4,511	4,511
Lease terminations	-	-	-	(23)	(23)
Lease reassessments	-	-	-	3,380	3,380
30 June 2023	-	-	5,117	58,353	63,470

* Lease terminations include the derecognition of lease liabilities of \$0.14 million with Property NSW as at the 30 June 2022. Please refer to Note 28 for further details on the derecognition.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. 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	144,506	130,053	-	-
Annual leave - obligations expected to be settled after 12 months	120,883	120,830	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,897	2,545	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	37,981	36,896	-	-
Provision for other employee benefits*	8,658	42,671	-	-
Provision for personnel services liability	-	-	314,925	332,995
	314,925	332,995	314,925	332,995
Other Provisions				
Other	-	2,658	-	2,658
	-	2,658	-	2,658
Total current provisions	314,925	335,653	314,925	335,653
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	4,027	3,885	-	-
Provision for personnel services liability	-	-	4,027	3,885
Total non-current provisions	4,027	3,885	4,027	3,885
Aggregate employee benefits and related on-costs				
Provisions - current	314,925	332,995	-	-
Provisions - non-current	4,027	3,885	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 32)	30,476	25,199	-	-
Liability - purchase of personnel services	-	-	349,428	362,079
	349,428	362,079	349,428	362,079

¹ Long service leave consequential on-costs has been restated to be higher by \$1.55 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$1.55 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 \$34.50 million for the recognition of service during the COVID-19 pandemic.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. 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	2,658	-	2,658	-
- Additional provisions recognised*	-	2,658	-	2,658
- Amounts used	(2,658)	-	(2,658)	-
Carrying amount at end of period	-	2,658	-	2,658

* Additional provisions recognised in 2022 included a one-off payment of \$1.695 million to visiting medical officers and \$0.963 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. SWSLHD 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 21.58% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 20.78%). SWSLHD has assessed the actuarial advice based on the SWSLHD'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 SWSLHD does not expect to settle the liability within 12 months as SWSLHD does not have an unconditional right to defer settlement.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. 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

SWSLHD'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. SWSLHD 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 SWSLHD.

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Other liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Unearned revenue	592	634	592	634
	592	634	592	634
Non-current				
Unearned revenue	17,755	18,297	17,755	18,297
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	13,506	11,605	13,506	11,605
	31,261	29,902	31,261	29,902

Unearned revenue was derived from the following:

Current unearned revenue \$592k relate to prepaid rental from the University of Wollongong at Bowral Hospital (\$50k) and prepaid rental from Western Sydney University for the Macarthur Clinical School at Campbelltown Hospital (\$542k).

Non-current unearned revenue \$17,755k relate to the Macarthur Clinical School Capital funding received from Western Sydney University treated as prepaid rental ("right of use"), over the 40 year life of the land lease at Campbelltown Hospital; Non-current liabilities \$13,506k relate to the ROHPG grants received in advance.

PARENT AND CONSOLIDATION

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

	2023 \$'000	2022 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	11,605	9,759
<i>Add:</i> receipt of cash during the financial year	1,901	1,926
<i>Deduct:</i> income recognised during the financial year	-	80
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	13,506	11,605

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

37. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with SWSLHD's policy on the revaluation of property, plant and equipment as discussed in Note 27.

Accumulated funds

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

Reserves

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

Increase / (decrease) in net assets from equity transfers

Equity transfers effected in the 2022/23 year were:

(a) Nil

Equity transfers effected in the 2021/22 year were:

(b) Nil

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

38. Commitments

(a) Capital commitments

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Within one year	82,541	91,937	82,541	91,937
Later than one year and not later than five years	347,570	328,067	347,570	328,067
Later than five years	98	82,575	98	82,575
Total (including GST)	430,209	502,579	430,209	502,579

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$430.21 million as at 30 June 2023 includes input tax credits of 3.62 million that are expected to be recoverable from the Australian Taxation Office (2022: \$3.50 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$46.94 million as at 30 June 2023 includes taxable sales of \$2.44 million that are expected to be payable to the Australian Taxation Office (2022: \$2.52 million).

39. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

40. 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). SWSLHD'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, SWSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SWSLHD and the Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

PARENT AND CONSOLIDATION

Net result

The actual Net Result was higher than adjusted budget by \$3 million, primarily due to:

Favourability in revenue of \$22.3M, being offset by unfavourability in expenses of \$15.3M and other items of \$4.0M.

Revenue favourability of \$22.3M was primarily driven by increased Grants & Contributions within Clinical Trials, specifically Haematology and Medical Oncology. Also favourable is the unbudgeted government subsidy contribution. Partly offsetting these favourable items is unfavourable General Fund Own Source Revenue. This unfavourability is mainly as a result of challenges with the volume of patients holding private health insurance, as well as the level of Medicare billing in non-admitted settings where staff specialists could exercise their 'Rights of Private Practice' for privately referred patients. This has resulted in lower facility fees to the District.

Expense unfavourability of \$15.3M is primarily due to Clinical Trials budgets. The Ministry of Health are currently reviewing the budgets of RFA's across the state to correct the issue. It should be noted that Clinical Trials are fully funded by the Revenue they earn, and therefore from a Net Cost of Service perspective, there is no funding issue. The General Fund variance to budget is unfavourable \$5.5M. This is primarily as a result of staff vacancies incurring premium labour, as well as Pathology and other Goods & Services.

Assets and liabilities

The Net Assets were \$120M favourable to budget. This was primarily driven by the unbudgeted uplift in land & buildings fair value as a result of the revaluation of indices in 2022/23 to reflect changes in market conditions, specifically around gross construction costs for buildings. Excluding the revaluation impact the Net Assets actuals were approximately \$4M favourable to budget.

Cash flows

Overall Cash Flows were favourable to budget by \$22M. Primarily driven by net cash flows from Operating Activities which were \$29M favourable to budget, slightly offset by higher than expected outflows from Investing and Financing Activities.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

40. Adjusted budget review

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	1,864,558
Growth & Escalation	124,004
Special projects:	
Coronavirus COVID-19 Incremental	56,937
Coronavirus COVID-19 Deferred Care	22,598
Coronavirus COVID-19 Workforce Resilience	17,461
Coronavirus COVID-19 Outsourced Beds	3,700
Coronavirus COVID-19 Long Covid	3,280
Other Initiatives	12,668
National Partnership Dental	5,714
Infrastructure OPEX Uplift	3,213
Increased Gas Charges	3,016
Nursing and Midwifery Strategy Reserves and Enhancements	2,913
Intrahealth Technology Uplift	2,717
Stroke Ambulance Pilot	2,563
Stronger Communities Investment	2,002
End Of Life Palliative Care	1,560
Towards Zero Suicides	1,168
Annualisation FY22 Dental Funds	1,095
Food Cost Increase	1,061
Drug & Alcohol Ice Enquiry	1,000
Enhancing Community Care	920
Aboriginal programs	800
Brighter Beginnings	654
Workplace Culture & Safety	576
TMF Adjustment	(351)
Balance as per Statement of Comprehensive Income	2,135,827

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

41. 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	186,384	301,694	186,384	301,694
Depreciation and amortisation expense	(103,877)	(79,060)	(103,877)	(79,060)
Allowance for impairment	(3,603)	(3,391)	(3,603)	(3,391)
(Increase) / decrease in other liabilities	(1,316)	(1,249)	(1,316)	(1,249)
Decrease / (increase) in provisions	20,585	(55,028)	20,585	(55,028)
Increase / (decrease) in inventory	(739)	1,935	(739)	1,935
Increase / (decrease) in prepayments and other assets	21,875	1,485	21,875	1,485
Decrease / (increase) in payables	(9,217)	(16,628)	(9,217)	(16,628)
Decrease / (increase) in contract liabilities	(559)	(1,046)	(559)	(1,046)
Increase / (decrease) in financial instruments at fair value	2,203	(3,243)	2,203	(3,243)
Net gain / (loss) on sale of property, plant and equipment	(1,002)	(2,655)	(1,002)	(2,655)
Net gain / (loss) on disposal of right-of-use assets	2	16	2	16
Assets donated or brought to account (Note 42)	4,134	1,331	4,134	1,331
Net result	114,870	144,161	114,870	144,161

¹ 'Decrease / (increase) in provisions' has been restated to be lower by \$0.22 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.

42. Non-cash financing and investing activities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Assets donated or brought to account	4,134	1,331	4,134	1,331
Property, plant and equipment acquired by a lease	4,512	2,439	4,512	2,439
	8,646	3,770	8,646	3,770

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Trust funds

PARENT AND CONSOLIDATION

SWSLHD holds trust funds of \$1.5 million (2022: \$1.4 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 SWSLHD 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			30 June 2023
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	206	8	-	214
Refundable Deposits	562	72	-	634
Private Patient Trust Funds	-	40,590	(40,590)	-
Third Party Funds	646	1,015	(1,028)	633
Total trust funds	1,414	41,685	(41,618)	1,481

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	213	3	(10)	206
Refundable Deposits	564	(1)	(1)	562
Private Patient Trust Funds	-	39,871	(39,871)	-
Third Party Funds	620	1,061	(1,035)	646
Total trust funds	1,397	40,934	(40,917)	1,414

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 45.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Financial instruments

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

SWSLHD's main risks arising from financial instruments are outlined below, together with SWSLHD'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 SWSLHD, 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	103,134	86,812
Receivables (Note 23) ¹	Amortised cost	45,893	50,655
Financial assets at fair value (Note 25)	Fair value through profit or loss - mandatory classification	40,257	38,054
Other financial assets (Note 26)	Amortised cost	46	123
Total financial assets		189,330	175,644
Financial liabilities			
Borrowings (Note 34)	Financial liabilities measured at amortised cost	63,470	69,724
Payables (Note 32) ²	Financial liabilities measured at amortised cost	136,487	127,862
Total financial liabilities		199,957	197,586

Notes

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

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

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

SWSLHD 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:

SWSLHD has transferred substantially all the risks and rewards of the asset; or

SWSLHD has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Financial instruments (continued)

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

When SWSLHD 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 SWSLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of SWSLHD's continuing involvement in the asset. In that case, SWSLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that SWSLHD 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 SWSLHD 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 SWSLHD. 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 SWSLHD, including cash, receivables and authority deposits. No collateral is held by SWSLHD. SWSLHD has not granted any financial guarantees.

Credit risk associated with SWSLHD'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.

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

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

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

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

The loss allowance for trade receivables, other receivables, contract assets and lease receivables as at 30 June 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	3.15%	6.76%	16.10%	21.17%	25.59%	11.24%
Estimated total gross carrying amount ¹	25,041	3,450	1,486	1,808	13,448	45,234
Expected credit loss	789	233	239	383	3,442	5,086
30 June 2022	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	2.23%	5.97%	16.21%	25.02%	32.04%	11.26%
Estimated total gross carrying amount ¹	30,087	2,703	1,199	931	12,868	47,788
Expected credit loss	672	161	194	233	4,123	5,383

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 23 and the contract assets total in Note .

SWSLHD 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 SWSLHD will be unable to meet its payment obligations when they fall due. SWSLHD 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.

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

SWSLHD 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 SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

The table below summarises the maturity profile of SWSLHD'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		136,487	-	-	136,487	136,487	-	-
Borrowings:								
- Other loans and deposits	5.83	5,379	5,379	-	-	3,946	1,042	391
- Lease liabilities	1.96	68,554	68,554	-	-	9,341	23,164	36,049
		210,420	73,933	-	136,487	149,774	24,206	36,440
2022								
Payables:								
- Creditors ²		127,862	-	-	127,862	127,862	-	-
Borrowings:								
- Other loans and deposits	6.61	10,639	10,639	-	-	5,261	4,727	651
- Lease liabilities	1.71	70,608	70,608	-	-	9,343	23,326	37,939
		209,109	81,247	-	127,862	142,466	28,053	38,590

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. 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. SWSLHD's exposures to market risk are primarily through interest rate risk on SWSLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. SWSLHD 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 SWSLHD 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 SWSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SWSLHD 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, SWSLHD is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

PARENT AND CONSOLIDATION

	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(800)	800	(553)	553
Equity	(800)	800	(553)	553

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.

At year end, SWSLHD did not hold any foreign currency denominated monetary assets and monetary liabilities.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2023 \$000	2022 \$000
TCorpIM Medium Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	3 years to 7 years	40,257	38,054

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

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

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

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

	Change in unit price		Impact on net result	
	2023 %	2022 %	2023 \$000	2022 \$000
TCorpIM Medium Term Growth Fund	10%	10%	4,026	3,805

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. 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, SWSLHD 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).

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2023 Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	40,257	-	40,257
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2022 Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	38,054	-	38,054

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

45. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023 \$000	2022 \$000
Short-term employee benefits	916	971
Post-employment benefits	67	69
	983	1,040

During the financial year, South Western Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.450 million (2022: \$0.485 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

SWSLHD'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 SWSLHD had with government related entities during the financial year

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

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

Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services

Health Administration Corporation provides some specialised services which includes pathology related costs

Various grants and subsidies towards research and other projects

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

45. Related party disclosures (continued)

(d) Transactions SWSLHD 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
- Occupancy agreement expenses for Property NSW properties
- Various grants and subsidies towards research and other projects

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

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

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

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

Assets and liabilities as follows:

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

46. 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