

Hunter New England Local Health District

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Hunter New England Local Health District (the District), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and service group statement for the year then ended, notes comprising a summary 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:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

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

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ag). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the ability of the District and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting'.

Auditor's Responsibility 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, and
- 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 of the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Chris Clayton
Director, Financial Audit Services

2 September 2016
SYDNEY

**Hunter New England Local Health District
Certification of the Financial Statements
for the year ended 30 June 2016**

I state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Hunter New England Local Health District for the year ended 30 June 2016 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2015* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.

- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Hunter New England Local Health District; and

- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Michael DiRienzo

Chief Executive

1 September 2016

Hunter New England Local Health District
Statement of Financial Position as at 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000
ASSETS						
Current Assets						
98,907	82,976	110,439		98,907	82,976	110,439
65,013	51,467	49,108	18	65,013	51,467	49,108
2,398	2,550	2,548	19	2,398	2,550	2,548
<u>166,318</u>	<u>136,993</u>	<u>162,095</u>	20	<u>166,318</u>	<u>136,993</u>	<u>162,095</u>
-----	2,550	2,550		-----	2,550	2,550
<u>166,318</u>	<u>139,543</u>	<u>164,645</u>	22	<u>166,318</u>	<u>139,543</u>	<u>164,645</u>
Non-Current Assets						
Property, Plant & Equipment						
1,228,384	1,212,706	1,214,244		1,228,384	1,212,706	1,214,244
114,172	117,588	107,849	21	114,172	117,588	107,849
78,388	76,750	76,520	21	78,388	76,750	76,520
3,265	3,636	3,637	21	3,265	3,636	3,637
<u>1,424,209</u>	<u>1,410,680</u>	<u>1,402,250</u>	21	<u>1,424,209</u>	<u>1,410,680</u>	<u>1,402,250</u>
<u>1,424,209</u>	<u>1,410,680</u>	<u>1,402,250</u>		<u>1,424,209</u>	<u>1,410,680</u>	<u>1,402,250</u>
<u>1,590,527</u>	<u>1,550,223</u>	<u>1,566,895</u>		<u>1,590,527</u>	<u>1,550,223</u>	<u>1,566,895</u>
LIABILITIES						
Current Liabilities						
131,903	119,325	127,329		131,903	119,325	127,329
12,178	-----	10,783	25	12,178	-----	10,783
182,420	181,912	178,519	26	182,420	181,912	178,519
355	691	692	27	355	691	692
<u>326,856</u>	<u>301,928</u>	<u>317,323</u>	28	<u>326,856</u>	<u>301,928</u>	<u>317,323</u>
Non-Current Liabilities						
92,806	104,984	104,983		92,806	104,984	104,983
3,269	3,127	2,957	26	3,269	3,127	2,957
285	300	300	27	285	300	300
<u>96,360</u>	<u>108,411</u>	<u>108,240</u>	28	<u>96,360</u>	<u>108,411</u>	<u>108,240</u>
<u>423,216</u>	<u>410,339</u>	<u>425,563</u>		<u>423,216</u>	<u>410,339</u>	<u>425,563</u>
<u>1,167,311</u>	<u>1,139,884</u>	<u>1,141,332</u>		<u>1,167,311</u>	<u>1,139,884</u>	<u>1,141,332</u>
EQUITY						
132,368	118,418	118,418		132,368	118,418	118,418
1,034,943	1,021,466	1,022,914		1,034,943	1,021,466	1,022,914
<u>1,167,311</u>	<u>1,139,884</u>	<u>1,141,332</u>		<u>1,167,311</u>	<u>1,139,884</u>	<u>1,141,332</u>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		1,022,914	118,418	1,141,332
Net Result for the year		12,029	-----	12,029
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	-----	13,950	13,950
Total Other Comprehensive Income		-----	13,950	13,950
Total Comprehensive Income for the year		12,029	13,950	25,979
Transactions With Owners In Their Capacity As Owners				
Balance at 30 June 2016		1,034,943	132,368	1,167,311
Balance at 1 July 2014		988,813	66,994	1,055,807
Total Equity at 1 July 2014		988,813	66,994	1,055,807
Net Result for the year		34,101	-----	34,101
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	-----	51,424	51,424
Total Other Comprehensive Income		-----	51,424	51,424
Total Comprehensive Income for the year		34,101	51,424	85,525
Balance at 30 June 2015		1,022,914	118,418	1,141,332

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-----	-----	-----	Employee Related	(1,163,583)	(1,171,356)	(1,112,440)
(152,609)	(152,677)	(140,890)	Grants and Subsidies	(152,609)	(152,677)	(140,890)
(9,920)	(9,920)	(10,977)	Finance Costs	(9,920)	(9,920)	(10,977)
(1,856,339)	(1,876,477)	(1,780,348)	Other	(692,756)	(705,121)	(667,908)
<u>(2,018,868)</u>	<u>(2,039,074)</u>	<u>(1,932,215)</u>	Total Payments	<u>(2,018,868)</u>	<u>(2,039,074)</u>	<u>(1,932,215)</u>
Receipts						
1,614,420	1,614,207	1,554,264	NSW Ministry of Health Recurrent Allocations	1,614,420	1,614,207	1,554,264
75,372	76,265	86,074	NSW Ministry of Health Capital Allocations	75,372	76,265	86,074
-----	-----	120	Asset Sale Proceeds Transferred to the NSW Ministry of Health	-----	-----	120
21,734	21,734	21,279	Reimbursements from the Crown Entity	21,734	21,734	21,279
253,945	263,577	251,675	Sale of Goods and Services	253,945	263,577	251,675
1,997	2,334	3,878	Interest Received	1,997	2,334	3,878
51,322	49,541	55,922	Grants and Contributions	51,322	49,541	55,922
87,002	84,309	78,814	Other	87,002	84,309	78,814
<u>2,105,792</u>	<u>2,111,967</u>	<u>2,052,026</u>	Total Receipts	<u>2,105,792</u>	<u>2,111,967</u>	<u>2,052,026</u>
<u>86,924</u>	<u>72,893</u>	<u>119,811</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>86,924</u>	<u>72,893</u>	<u>119,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
3,254	2,856	2,124	Proceeds from Sale of Property, Plant & Equipment	3,254	2,856	2,124
(90,928)	(92,430)	(122,842)	Purchases of Property, Plant & Equipment	(90,928)	(92,430)	(122,842)
<u>(87,674)</u>	<u>(89,574)</u>	<u>(120,718)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(87,674)</u>	<u>(89,574)</u>	<u>(120,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(10,782)	(10,782)	(9,444)	Repayment of Borrowings and Advances	(10,782)	(10,782)	(9,444)
<u>(10,782)</u>	<u>(10,782)</u>	<u>(9,444)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(10,782)</u>	<u>(10,782)</u>	<u>(9,444)</u>
(11,532)	(27,463)	(10,351)	NET INCREASE / (DECREASE) IN CASH	(11,532)	(27,463)	(10,351)
110,439	110,439	120,790	Opening Cash and Cash Equivalents	110,439	110,439	120,790
<u>98,907</u>	<u>82,976</u>	<u>110,439</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>98,907</u>	<u>82,976</u>	<u>110,439</u>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Service Group Statements
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses Excluding Losses																							
Operating Expenses																							
Employee Related	26,832	25,087	7,554	7,645	224,137	209,878	113,777	110,762	542,661	544,095	132,212	130,820	110,686	115,441	21,661	18,663	32,069	8,108	----	----	1,211,589	1,170,499	
Visiting Medical Officers	200	173	45	119	6,530	6,113	18,842	18,018	58,837	57,242	5,656	4,987	5,184	4,631	1,077	497	284	96	----	----	96,655	91,876	
Other Operating Expenses	15,339	18,423	1,972	2,347	98,562	92,873	67,287	62,560	264,243	258,642	34,549	32,187	41,133	43,010	7,517	6,787	9,610	3,210	----	----	540,212	520,039	
Depreciation and Amortisation	934	809	322	393	13,908	11,988	10,156	7,621	39,288	34,800	5,019	6,035	8,754	7,990	1,063	741	1,095	247	----	----	80,539	70,624	
Grants and Subsidies	1,492	1,740	236	256	646	811	30	58	1,650	798	1,904	2,135	520	594	477	433	176	134	----	----	7,131	6,959	
Finance Costs	1	2	----	----	1,809	1,890	898	966	3,712	4,317	2,773	3,146	483	503	----	----	244	153	----	----	9,920	10,977	
Payments to Affiliated Health Organisations	22	2,106	----	----	36,646	26,196	15,988	12,218	67,653	73,837	----	----	8,782	----	55	5,313	1,253	----	----	----	----	130,399	119,671
Total Expenses Excluding Losses	44,820	48,340	10,129	10,761	382,238	349,749	226,978	212,203	978,044	973,731	182,113	179,310	175,542	172,169	31,850	32,434	44,731	11,948	----	----	2,076,445	1,990,645	
Revenue																							
NSW Ministry of Health Recurrent Allocations **																				1,614,420	1,554,264	1,614,420	1,554,264
NSW Ministry of Health Capital Allocations **																				75,372	86,074	75,372	86,074
Transfers to the NSW Ministry of Health	----	----	----	----	----	----	----	----	120	----	----	----	----	----	----	----	----	----	----	----	----	120	----
Acceptance by the Crown Entity of Employee Benefits	1,285	1,537	386	475	13,207	12,247	6,349	5,905	32,240	32,009	8,937	8,716	6,039	7,445	945	961	2,049	644	----	----	71,437	69,939	
Sale of Goods and Services	856	771	122	385	31,864	28,123	6,446	3,756	155,642	155,643	11,103	9,806	45,540	48,198	787	785	1,486	1,457	----	----	253,846	248,924	
Investment Revenue	138	267	----	14	196	281	96	60	1,110	2,154	106	130	138	439	20	105	214	428	----	----	2,018	3,878	
Grants and Contributions	2,421	3,955	1,095	1,472	9,858	17,627	255	527	7,845	11,340	72	161	10,384	3,121	12,435	9,032	3,134	4,403	----	----	47,499	51,638	
Other Revenue	1,081	43	188	89	7,911	1,002	2,736	280	2,367	6,959	4,848	657	4,235	1,581	386	63	2,766	357	----	----	26,518	11,031	
Total Revenue	5,781	6,573	1,791	2,435	63,036	59,280	15,882	10,528	199,204	208,225	25,066	19,470	66,336	60,784	14,573	10,946	9,649	7,289	1,689,792	1,640,338	2,091,110	2,025,868	
Gain / (Loss) on Disposal	----	----	----	----	----	----	----	----	(1,676)	(586)	----	----	----	----	----	----	----	----	----	----	----	(1,676)	(586)
Other Gains / (Losses)	----	----	----	----	----	----	----	----	(960)	(536)	----	----	----	----	----	----	----	----	----	----	----	(960)	(536)
Net Result	(39,039)	(41,767)	(8,338)	(8,326)	(319,202)	(290,469)	(211,096)	(201,675)	(781,476)	(766,628)	(157,047)	(159,840)	(109,206)	(111,385)	(17,277)	(21,488)	(35,082)	(4,659)	1,689,792	1,640,338	12,029	34,101	
Other Comprehensive Income																							
Net Increase/(Decrease) in PP&E Revaluation Surplus	162	2,468	56	509	2,409	7,488	1,759	5,958	6,805	24,317	869	4,734	1,516	5,149	184	533	190	268	----	----	13,950	51,424	
Total Other Comprehensive Income	162	2,468	56	509	2,409	7,488	1,759	5,958	6,805	24,317	869	4,734	1,516	5,149	184	533	190	268	----	----	13,950	51,424	
Total Comprehensive Income	(38,877)	(39,299)	(8,282)	(7,817)	(316,793)	(282,981)	(209,337)	(195,717)	(774,671)	(742,311)	(156,178)	(155,106)	(107,690)	(106,236)	(17,093)	(20,955)	(34,892)	(4,391)	1,689,792	1,640,338	25,979	85,525	

* The name and purpose of each service group is summarised in Note 17

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

Hunter New England Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	2,135	2,682	482	596	18,207	19,404	10,812	11,773	46,586	54,022	8,675	9,948	8,362	9,552	1,517	1,799	2,131	663	-----	-----	-----	-----	98,907	110,439
Receivables	219	152	31	76	8,161	5,548	1,651	741	39,861	30,705	2,844	1,935	11,663	9,509	202	155	381	287	-----	-----	-----	-----	65,013	49,108
Inventories	68	90	9	11	438	455	299	307	1,172	1,267	153	158	183	211	33	33	43	16	-----	-----	-----	-----	2,398	2,548
Non-Current Assets Held for Sale	-----	29	-----	14	-----	433	-----	275	-----	1,257	-----	218	-----	288	-----	27	-----	9	-----	-----	-----	-----	-----	2,550
Total Current Assets	2,422	2,953	522	697	26,806	25,840	12,762	13,096	87,619	87,251	11,672	12,259	20,208	19,560	1,752	2,014	2,555	975	-----	-----	-----	-----	166,318	164,645
Non-Current Assets																								
Property, Plant and Equipment																								
- Land and Buildings	14,250	13,907	4,908	6,767	212,130	206,119	154,903	131,036	599,218	598,322	76,551	103,754	133,509	137,364	16,216	12,734	16,699	4,241	-----	-----	-----	-----	1,228,384	1,214,244
- Plant and Equipment	1,324	1,235	456	601	19,716	18,307	14,397	11,639	55,696	53,143	7,115	9,215	12,409	12,201	1,507	1,131	1,552	377	-----	-----	-----	-----	114,172	107,849
- Infrastructure Systems	909	876	313	428	13,537	12,989	9,885	8,258	38,238	37,705	4,885	6,538	8,520	8,657	1,035	802	1,066	267	-----	-----	-----	-----	78,388	76,520
- Leasehold Improvements	38	42	13	21	564	617	412	392	1,593	1,792	203	311	355	411	43	38	44	13	-----	-----	-----	-----	3,265	3,637
Total Non-Current Assets	16,521	16,060	5,690	7,817	245,947	238,032	179,597	151,325	694,745	690,962	88,754	119,818	154,793	158,633	18,801	14,705	19,361	4,898	-----	-----	-----	-----	1,424,209	1,402,250
TOTAL ASSETS	18,943	19,013	6,212	8,514	272,753	263,872	192,359	164,421	782,364	778,213	100,426	132,077	175,001	178,193	20,553	16,719	21,916	5,873	-----	-----	-----	-----	1,590,527	1,566,895
LIABILITIES																								
Current Liabilities																								
Payables	3,745	4,511	482	573	24,066	22,740	16,429	15,318	64,521	63,327	8,436	7,881	10,043	10,531	1,835	1,662	2,346	786	-----	-----	-----	-----	131,903	127,329
Borrowings	263	262	59	57	2,242	1,895	1,331	1,149	5,736	5,275	1,068	971	1,030	933	187	176	262	65	-----	-----	-----	-----	12,178	10,783
Provisions	4,040	3,826	1,137	1,166	33,747	32,010	17,131	16,893	81,705	82,983	19,906	19,952	16,665	17,606	3,261	2,846	4,828	1,237	-----	-----	-----	-----	182,420	178,519
Other	8	17	2	4	65	122	39	74	167	338	31	62	30	60	5	11	8	4	-----	-----	-----	-----	355	692
Total Current Liabilities	8,056	8,616	1,680	1,800	60,120	56,767	34,930	33,434	152,129	151,923	29,441	28,866	27,768	29,130	5,288	4,695	7,444	2,092	-----	-----	-----	-----	326,856	317,323
Non-Current Liabilities																								
Borrowings	2,003	2,549	453	568	17,084	18,445	10,145	11,191	43,713	51,353	8,139	9,456	7,846	9,080	1,424	1,711	1,999	630	-----	-----	-----	-----	92,806	104,983
Provisions	72	63	20	20	605	530	307	280	1,464	1,375	357	330	299	292	58	47	87	20	-----	-----	-----	-----	3,269	2,957
Other	6	7	1	1	52	53	31	32	136	147	25	27	24	26	4	5	6	2	-----	-----	-----	-----	285	300
Total Non-Current Liabilities	2,081	2,619	474	589	17,741	19,028	10,483	11,503	45,313	52,875	8,521	9,813	8,169	9,398	1,486	1,763	2,092	652	-----	-----	-----	-----	96,360	108,240
TOTAL LIABILITIES	10,137	11,235	2,154	2,389	77,861	75,795	45,413	44,937	197,442	204,798	37,962	38,679	35,937	38,528	6,774	6,458	9,536	2,744	-----	-----	-----	-----	423,216	425,563
NET ASSETS	8,806	7,778	4,058	6,125	194,892	188,077	146,946	119,484	584,922	573,415	62,464	93,398	139,064	139,665	13,779	10,261	12,380	3,129	-----	-----	-----	-----	1,167,311	1,141,332

* The name and purpose of each service group is summarised in Note 17

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

a) The Reporting Entity

The Hunter New England Local Health District (the HNELHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Hunter New England Local Health District Special Purpose Service Entity which was established as a Division of the HNELHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the HNELHD to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The HNELHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive on 1 September 2016.

b) Basis of Preparation

The HNELHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. The financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ag).

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

The Secretary of Health, the Chair of the Hunter New England Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the HNELHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNELHD fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other circumstances why the going concern is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The HNELHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The HNELHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the HNELHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

c) 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. **Summary of Significant Accounting Policies**

d) **Statement of Compliance**

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

e) **Employee Benefits and Other Provisions**

i) **Salaries & Wages, Annual Leave, Sick Leave 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 is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2016 (comparable on-costs for 30 June 2015 were 16.7%). The HNELHD has assessed the actuarial advice based on the HNELHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

ii) **Long Service Leave and Superannuation**

The HNELHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

The HNELHD 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 Entity of employee benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the HNELHD as shown in Note 27.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) **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.

iv) **Other Provisions**

Other provisions exist when the HNELHD 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.

f) **Insurance**

The HNELHD's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

g) **Finance Costs**

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's Mandate to not-for-profit NSW general government sector entities.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. **Summary of Significant Accounting Policies**

h) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the HNELHD transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

High Cost Drugs

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The HNELHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the HNELHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Dividend revenue is recognised in accordance with AASB 118 Revenue, when the HNELHD's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge for the use of hospital facilities at rates determined by the NSW Ministry of Health. Charges consist of two components:

- * a monthly charge raised by the HNELHD based on a percentage of receipts generated.
- * the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the HNELHD use in the advancement of the HNELHD or individuals within it.

Use of Outside Facilities

The HNELHD uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

Grants and contributions are recognised as revenues when the HNELHD obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the HNELHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Calvary Mater Hospital (Affiliated Health Organisation) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The HNELHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

- * amount of GST incurred by the HNELHD 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.

j) Interstate Patient Flows

Interstate patient flows are funded through the State Pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

k) Acquisition of Assets

Assets acquired are initially recognised at cost. 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.

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 1(ad)).

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

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

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

l) Capitalisation Thresholds

Individual items of Property, Plant & Equipment are capitalised where their cost is \$10,000 or above.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

m) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the HNELHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

	2016	2015
Buildings	2.5%	2.5%
Computer Equipment	20%	20%
Electro Medical Equipment		
- Costing less than \$200,000	10%	10%
- Costing more than or equal to \$200,000	12.5%	12.5%
Furniture, Fittings and Furnishings	5%	5%
Infrastructure Systems	2.5%	2.5%
Linen	25%	25%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%

"Infrastructure Systems" means assets that comprise public facilities and 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.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

n) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Investment property is separately discussed at Note 1(r).

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 Note 21 and Note 23 for further information regarding fair value.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are 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.

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.

o) 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. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

p) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

q) Non-Current Assets (or disposal groups) Held for Sale

The HNELHD has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale.

r) Investment Properties

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116, Property, Plant and Equipment.

The HNELHD does not have any property that meets the definition of Investment Property.

s) Intangible Assets

The HNELHD recognises intangible assets only if it is probable that future economic benefits will flow to the HNELHD 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. 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.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the HNELHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the HNELHD are recognised as intangible assets and are amortised over four years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

t) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

u) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

v) Inventories

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

w) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

x) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The HNELHD determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* The HNELHD subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The T Corp Hour-Glass Investment facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the HNELHD's key management personnel.

The risk management strategy of the HNELHD has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act.

T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the T Corp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the HNELHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

* Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the HNELHD commits to purchase or sell the asset.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

y) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale", must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

z) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the HNELHD transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the HNELHD has not transferred substantially all the risks and rewards, if the HNELHD has not retained control.

Where the HNELHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the HNELHD's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

aa) Payables

These amounts represent liabilities for goods and services provided to the HNELHD and other amounts. Payables are recognised initially at fair value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the HNELHD.

ab) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with AASB 117, Leases.

ac) Fair Value Hierarchy

A number of the HNELHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the HNELHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Refer Note 23 and Note 36 for further disclosures regarding fair value measurements of financial and non-financial assets.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

ad) Equity Transfers

The transfer of net assets between entities is as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the HNELHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the HNELHD does not recognise that asset.

ae) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the HNELHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(n).

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

af) Trust Funds

The HNELHD receives monies in a trustee capacity for various trusts as set out in Note 30.

As the HNELHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the HNELHD's own objectives, these funds are not recognised in the financial statements.

ag) Adjusted Budgeted Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The HNELHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the HNELHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the HNELHD and the NSW 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 column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 35.

ah) Emerging Asset

The HNELHD's emerging interest in the Mater Public Private Partnership has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the HNELHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 5.6% at commencement of the concession period.

ai) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 17.

Revenue and expenses are allocated to service groups using statistical data for the twelve months ended 30 June 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 financial year.

In respect of assets and liabilities, the HNELHD identifies those components that can be specifically identified and reported by service groups.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

aj) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	1,034,215	997,999
----	----	Superannuation - Defined Benefit Plans	12,676	13,522
----	----	Superannuation - Defined Contribution Plans	89,267	84,567
----	----	Long Service Leave	62,323	60,178
----	----	Redundancies	1,345	1,725
----	----	Workers' Compensation Insurance	11,653	12,055
----	----	Fringe Benefits Tax	110	453
-----	-----		-----	-----
<u>-----</u>	<u>-----</u>		<u>1,211,589</u>	<u>1,170,499</u>
The amounts below are capitalised and do not form part of the above total employee related costs:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	566	708
3. Personnel Services				
1,034,215	997,999	Salaries and Wages	----	----
89,267	84,567	Superannuation - Defined Contribution Plans	----	----
3,562	3,761	Long Service Leave	----	----
1,345	1,725	Redundancies	----	----
11,653	12,055	Workers' Compensation Insurance	----	----
110	453	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<u>1,140,152</u>	<u>1,100,560</u>		<u>-----</u>	<u>-----</u>
The amounts below are capitalised and do not form part of the above total personnel services:				
566	708	Personnel Services Expenses Capitalised - Land and Buildings	----	----
4. Other Operating Expenses				
179	179	Advertising	179	179
180	226	Auditor's Remuneration - Audit of Financial Statements	180	226
9,496	9,404	Blood and Blood Products	9,496	9,404
927	218	Consultancies	927	218
20,182	19,892	Domestic Supplies and Services	20,182	19,892
54,006	52,682	Drug Supplies	54,006	52,682
91,889	87,914	Food Supplies	91,889	87,914
12,026	14,415	Fuel, Light and Power	12,026	14,415
24,004	20,772	Hospital Ambulance Transport Costs	24,004	20,772
17,275	18,060	Information Management Expenses	17,275	18,060
2,639	2,849	Insurance	2,639	2,849
58,287	52,745	Maintenance (See 4(b) below)	58,287	52,745
90,496	83,779	Medical and Surgical Supplies	90,496	83,779

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

4,808	5,114	Motor Vehicle Expenses	4,808	5,114
6,365	5,754	Postal and Telephone Costs	6,365	5,754
4,697	4,748	Printing and Stationery	4,697	4,748
2,647	2,478	Rates and Charges	2,647	2,478
6,825	6,780	Rental	6,825	6,780
74,337	77,224	Special Service Departments	74,337	77,224
9,835	10,042	Staff Related Costs	9,835	10,042
11,413	11,508	Travel Related Costs	11,413	11,508
37,699	33,256	Other (See 4(a) below)	37,699	33,256
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540,212	520,039		540,212	520,039
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Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
13,215	8,685	Corporate Support Services	13,215	8,685
1,388	1,196	Courier and Freight	1,388	1,196
5,017	4,117	Isolated Patient Travel and Accommodation Assistance Scheme	5,017	4,117
190	91	Legal Services	190	91
928	908	Membership/Professional Fees	928	908
1,659	3,260	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,659	3,260
5,795	5,371	Public Private Partnership Contracted Services	5,795	5,371
807	1,105	Other Operating Lease Expense - Minimum Lease Payments	807	1,105
487	387	Quality Assurance/Accreditation	487	387
906	969	Security Services	906	969
7,307	7,167	Other Miscellaneous	7,307	7,167
<u>37,699</u>	<u>33,256</u>		<u>37,699</u>	<u>33,256</u>
b) Reconciliation of Total Maintenance				
16,356	12,143	Maintenance Contracts	16,356	12,143
27,666	23,606	New/Replacement Equipment under \$10,000	27,666	23,606
14,239	17,327	Repairs Maintenance/Non Contract	14,239	17,327
26	(331)	Other	26	(331)
<u>58,287</u>	<u>52,745</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>58,287</u>	<u>52,745</u>
9,633	9,217	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	9,633	9,217
<u>67,920</u>	<u>61,962</u>		<u>67,920</u>	<u>61,962</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
56,429	48,062	Depreciation - Buildings	56,429	48,062
19,575	18,513	Depreciation - Plant and Equipment	19,575	18,513
4,137	3,722	Depreciation - Infrastructure Systems	4,137	3,722
398	327	Amortisation - Leasehold Improvements	398	327
<u>80,539</u>	<u>70,624</u>		<u>80,539</u>	<u>70,624</u>
6. Grants and Subsidies				
5,435	5,325	Non-Government Organisations	5,435	5,325
727	1,402	Grants to Research Organisations	727	1,402
959	219	Grants to Other NSW Health Entities	959	219
10	13	Other Grants	10	13
<u>7,131</u>	<u>6,959</u>		<u>7,131</u>	<u>6,959</u>
7. Finance Costs				
9,897	10,949	Public Private Partnership Lease Interest Charges	9,897	10,949
23	28	Interest on Loans	23	28
<u>9,920</u>	<u>10,977</u>		<u>9,920</u>	<u>10,977</u>
8. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
123,687	118,527	Calvary Mater Newcastle	123,687	118,527
<u>123,687</u>	<u>118,527</u>		<u>123,687</u>	<u>118,527</u>
(b) Capital Sourced				
6,712	1,144	Calvary Mater Newcastle	6,712	1,144
<u>6,712</u>	<u>1,144</u>		<u>6,712</u>	<u>1,144</u>
<u>130,399</u>	<u>119,671</u>		<u>130,399</u>	<u>119,671</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
285	615	Pharmacy Sales	285	615
7,689	7,466	Sale of Prosthesis	7,689	7,466
621	1,064	Other	621	1,064
b) Rendering of Services comprise the following:-				
		Patient Fees		
95,492	92,455	- Inpatient Fees	95,492	92,455
2,503	2,235	- Nursing Home Fees	2,503	2,235
6,404	4,824	- Non Inpatient Fees	6,404	4,824
23,433	27,122	Department of Veterans' Affairs	23,433	27,122
307	360	Staff-Meals and Accommodation	307	360
25,675	25,050	Infrastructure Fees - Monthly Facility Charge	25,675	25,050
5,225	5,725	Infrastructure Fees - Annual Charge	5,225	5,725
6,084	6,120	Car Parking	6,084	6,120
1,179	1,083	Child Care Fees	1,179	1,083
8,624	7,599	Clinical Services (excluding Clinical Drug Trials)	8,624	7,599
4,619	4,459	Commercial Activities	4,619	4,459
428	362	Fees for Medical Records	428	362
7	15	Information Retrieval	7	15
20,088	19,824	High Cost Drugs	20,088	19,824
21,929	20,371	Motor Accident Authority Third Party	21,929	20,371
-----	73	Patient Transport Fees	-----	73
507	527	Private Use of Motor Vehicles	507	527
649	858	Salary Packaging Fee	649	858
186	-----	Hosted Services Provided to Other NSW Health Entities	186	-----
5,788	4,545	Services Provided to Non NSW Health Organisations	5,788	4,545
106	-----	Shared Corporate Services	106	-----
4,708	4,544	Multi Purpose Service Centre Fees	4,708	4,544
11,310	11,628	Other	11,310	11,628
<hr/>	<hr/>		<hr/>	<hr/>
253,846	248,924		253,846	248,924
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10. Investment Revenue				
1,997	3,878	Interest	1,997	3,878
21	-----	Other	21	-----
<hr/>	<hr/>		<hr/>	<hr/>
2,018	3,878		2,018	3,878
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Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
11. Grants and Contributions				
883	851	Clinical Drug Trials	883	851
21,403	21,253	Commonwealth Government Grants	21,403	21,253
2,649	4,945	Industry Contributions/Donations	2,649	4,945
9,099	8,629	Cancer Institute Grants	9,099	8,629
3,222	4,660	NSW Government Grants	3,222	4,660
4,418	6,615	Grants from Other NSW Health Entities	4,418	6,615
1,438	1,485	Research Grants	1,438	1,485
4,387	3,200	Other Grants	4,387	3,200
<u>47,499</u>	<u>51,638</u>		<u>47,499</u>	<u>51,638</u>
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	12,677	13,522
-----	-----	Long Service Leave	58,760	56,417
<u>-----</u>	<u>-----</u>		<u>71,437</u>	<u>69,939</u>
13. Other Revenue				
Other Revenue comprises the following:-				
-----	1	Bad Debts Recovered	-----	1
2,053	412	Commissions	2,053	412
665	844	Conference and Training Fees	665	844
2,040	292	Insurance Refunds	2,040	292
2,050	1,957	Lease and Rental	2,050	1,957
83	91	Sale of Merchandise, Old Wares and Books	83	91
60	49	Sponsorship	60	49
16,435	5,171	Treasury Managed Fund Hindsight Adjustment	16,435	5,171
2	-----	Unclaimed Deposits	2	-----
3,130	2,214	Other	3,130	2,214
<u>26,518</u>	<u>11,031</u>		<u>26,518</u>	<u>11,031</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
14. Gain / (Loss) on Disposal				
17,547	19,146	Property, Plant and Equipment	17,547	19,146
<u>(12,617)</u>	<u>(16,436)</u>	Accumulated Depreciation	<u>(12,617)</u>	<u>(16,436)</u>
4,930	2,710	Written Down Value	4,930	2,710
3,254	2,124	Proceeds from Disposal	3,254	2,124
<u>(1,676)</u>	<u>(586)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(1,676)</u>	<u>(586)</u>
<u>(1,676)</u>	<u>(586)</u>	Total Gain/(Loss) on Disposal	<u>(1,676)</u>	<u>(586)</u>
15. Other Gains / (Losses)				
(960)	(536)	Impairment of Receivables	(960)	(536)
<u>(960)</u>	<u>(536)</u>		<u>(960)</u>	<u>(536)</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	2,222	9,907	5,207	17,336
Contributions recognised in previous years which were not expended in the current reporting period	9,816	30,006	13,437	53,259
Total amount of unexpended contributions as at reporting date	12,038	39,913	18,644	70,595

Comment on restricted assets appears in Note 24

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

17. Service Groups of the HNELHD

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services for persons attending community health centres or in the home, including health promotion activities, women's health, dental, drug and alcohol and HIV/AIDS services. It also covers co-ordination of domestic violence and sexual assault prevention. Grants to non-government organisations are also included.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. This program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that are used by all members of the community.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

Service Description: This service group covers the provision of services in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of patients in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity services.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

17. Service Groups of the HNELHD

Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 5.1 - Population Health Services

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
18. Cash and Cash Equivalents				
44,357	58,189	Cash at Bank and On Hand	44,357	58,189
54,550	52,250	Short Term Deposits	54,550	52,250
<u>98,907</u>	<u>110,439</u>		<u>98,907</u>	<u>110,439</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & 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:</p>				
<u>98,907</u>	<u>110,439</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>98,907</u>	<u>110,439</u>
<u>98,907</u>	<u>110,439</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>98,907</u>	<u>110,439</u>

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		19. Receivables		
		Current		
28,482	25,350	Sale of Goods and Services	28,482	25,350
7,407	6,961	Intra Health Receivables	7,407	6,961
14,058	12,344	Goods and Services Tax	14,058	12,344
13,457	4,430	Other Debtors	13,457	4,430
<u>63,404</u>	<u>49,085</u>	Sub Total	<u>63,404</u>	<u>49,085</u>
(1,613)	(1,845)	Less Allowance for Impairment	(1,613)	(1,845)
61,791	47,240	Sub Total	61,791	47,240
3,222	1,868	Prepayments	3,222	1,868
<u>65,013</u>	<u>49,108</u>		<u>65,013</u>	<u>49,108</u>
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(1,728)	(1,447)	Balance at Commencement of Reporting Period	(1,728)	(1,447)
1,172	334	Amounts written off during the period	1,172	334
(960)	(615)	(Increase)/decrease in Allowance Recognised in the Net Result	(960)	(615)
<u>(1,516)</u>	<u>(1,728)</u>	Balance at 30 June	<u>(1,516)</u>	<u>(1,728)</u>
		b) Movement in the Allowance for Impairment		
		Other Debtors		
(117)	(219)	Balance at Commencement of Reporting Period	(117)	(219)
20	23	Amounts written off during the period	20	23
-----	79	(Increase)/decrease in Allowance Recognised in the Net Result	-----	79
<u>(97)</u>	<u>(117)</u>	Balance at 30 June	<u>(97)</u>	<u>(117)</u>
<u>(1,613)</u>	<u>(1,845)</u>		<u>(1,613)</u>	<u>(1,845)</u>
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
1,678	2,268	Patient Fees - Compensable	1,678	2,268
1,882	1,405	Patient Fees - Ineligible	1,882	1,405
17,873	15,178	Patient Fees - Inpatient & Other	17,873	15,178
<u>21,433</u>	<u>18,851</u>		<u>21,433</u>	<u>18,851</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
20. Inventories				
2,398	2,548	Drugs	2,398	2,548
<u>2,398</u>	<u>2,548</u>		<u>2,398</u>	<u>2,548</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
21. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,488,604	2,322,017	Gross Carrying Amount	2,488,604	2,322,017
1,260,220	1,107,773	Less: Accumulated Depreciation and Impairment	1,260,220	1,107,773
<u>1,228,384</u>	<u>1,214,244</u>	Net Carrying Amount	<u>1,228,384</u>	<u>1,214,244</u>
Plant and Equipment - Fair Value*				
248,144	235,211	Gross Carrying Amount	248,144	235,211
133,972	127,362	Less: Accumulated Depreciation and Impairment	133,972	127,362
<u>114,172</u>	<u>107,849</u>	Net Carrying Amount	<u>114,172</u>	<u>107,849</u>
Infrastructure Systems - Fair Value				
156,436	155,145	Gross Carrying Amount	156,436	155,145
78,048	78,625	Less: Accumulated Depreciation and Impairment	78,048	78,625
<u>78,388</u>	<u>76,520</u>	Net Carrying Amount	<u>78,388</u>	<u>76,520</u>
Leasehold Improvements - Fair Value*				
6,092	6,066	Gross Carrying Amount	6,092	6,066
2,827	2,429	Less: Accumulated Depreciation and Impairment	2,827	2,429
<u>3,265</u>	<u>3,637</u>	Net Carrying Amount	<u>3,265</u>	<u>3,637</u>
<u>1,424,209</u>	<u>1,402,250</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,424,209</u>	<u>1,402,250</u>

* 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 14-01.

Hunter New England Local Health District
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PARENT & CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	119,161	1,095,083	107,849	76,520	3,637	1,402,250
Additions	----	62,255	31,283	619	26	94,183
Disposals	(120)	(130)	(4,680)	----	----	(4,930)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	(705)	----	----	(705)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	11,105	8,318	----	(5,473)	----	13,950
Depreciation Expense	----	(56,429)	(19,575)	(4,137)	(398)	(80,539)
Reclassifications	----	(10,859)	----	10,859	----	----
Net carrying amount at end of year	130,146	1,098,238	114,172	78,388	3,265	1,424,209

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2015						
Net carrying amount at start of year	113,100	1,017,188	91,907	75,301	3,821	1,301,317
Additions	2,000	82,317	32,812	1,166	143	118,438
Disposals	52	----	(2,762)	----	----	(2,710)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	4,405	----	----	4,405
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	4,009	43,640	----	3,775	----	51,424
Depreciation Expense	----	(48,062)	(18,513)	(3,722)	(327)	(70,624)
Net carrying amount at end of year	119,161	1,095,083	107,849	76,520	3,637	1,402,250

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the HNELHD [see note 1(k)].
- (ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(n).

The following table details the indices applied to Land, Buildings and Infrastructure Systems as determined by Corporeal Pty Ltd :

Year	Land	Buildings	Infrastructure Systems
2014/15	1.26%	2.00%	2.00%
2015/16	N/A	N/A	N/A

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
22. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
-----	2,550	Land and Buildings	-----	2,550
<u>-----</u>	<u>2,550</u>		<u>-----</u>	<u>2,550</u>

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels.

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	9,780	1,145,636	1,155,416
- Infrastructure Systems	----	----	78,388	78,388
	-----	-----	-----	-----
	-----	<u>9,780</u>	<u>1,224,024</u>	<u>1,233,804</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	26,163	996,969	1,023,132
- Infrastructure Systems	----	----	76,520	76,520
Non-Current Assets (or Disposal Groups) Held for Sale (Note 22)	----	2,550	-----	2,550
	-----	-----	-----	-----
	-----	<u>28,713</u>	<u>1,073,489</u>	<u>1,102,202</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 21.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the HNELHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Aon Risk Services Australia Limited for the 2015/16 financial year. Aon Risk Services Australia Limited is an independent entity and is not an employee of the HNELHD.

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 21 reconciliation.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

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

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

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

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

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	996,969	76,520	----	1,073,489
Additions	167,263	11,478	----	178,741
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	19,754	(5,473)	----	14,281
Transfers from Level 2	15,010	----	----	15,010
Disposals	----	----	----	----
Depreciation	(53,360)	(4,137)	----	(57,497)
Fair value as at 30 June 2016	<u>1,145,636</u>	<u>78,388</u>	----	<u>1,224,024</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

2015	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	952,192	75,301	----	1,027,493
Additions	2,426	1,166	----	3,592
Revaluation increments/decrements recognised in net result – included in the line item 'Other gains/ (losses)'	----	----	----	----
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	46,337	3,775	----	50,112
Transfers from Level 2	43,717	----	----	43,717
Disposals	(68)	----	----	(68)
Depreciation	(47,635)	(3,722)	----	(51,357)
Fair value as at 30 June 2015	<u>996,969</u>	<u>76,520</u>	----	<u>1,073,489</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
24. Restricted Assets				
<p>The HNELHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
Category				
12,037	11,211	Specific Purposes	12,037	11,211
15	15	Perpetually Invested Funds	15	15
17,415	17,319	Research Grants	17,415	17,319
22,482	22,469	Private Practice Funds	22,482	22,469
18,646	16,600	General Donations	18,646	16,600
<u>70,595</u>	<u>67,614</u>		<u>70,595</u>	<u>67,614</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	21,861	30,850
----	----	Taxation and Payroll Deductions	6,819	2,470
28,680	33,320	Accrued Liability - Purchase of Personnel Services	----	----
46,318	35,506	Creditors	46,318	35,506
		Other Creditors		
140	709	- Capital Works	140	709
14,632	14,310	- Intra Health Liability	14,632	14,310
42,133	43,484	- Other	42,133	43,484
<u>131,903</u>	<u>127,329</u>		<u>131,903</u>	<u>127,329</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

		26. Borrowings		
		Current		
128	123	Other Loans and Deposits	128	123
12,050	10,660	Public Private Partnership	12,050	10,660
<u>12,178</u>	<u>10,783</u>		<u>12,178</u>	<u>10,783</u>
		Non-Current		
343	470	Other Loans and Deposits	343	470
92,463	104,513	Public Private Partnership	92,463	104,513
<u>92,806</u>	<u>104,983</u>		<u>92,806</u>	<u>104,983</u>

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

Final Repayment is scheduled for December 2019 for other loans and deposits.

Final repayment to Novacare for Calvary Mater Newcastle Hospital Public Private Partnership is 2033/34.

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 36.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
27. Provisions				
Current				
-----	-----	Annual Leave - Short Term Benefit	114,749	107,046
-----	-----	Annual Leave - Long Term Benefit	40,489	47,569
-----	-----	Long Service Leave Consequential On-Costs	27,182	23,904
182,420	178,519	Provision for Personnel Services Liability	-----	-----
<u>182,420</u>	<u>178,519</u>		<u>182,420</u>	<u>178,519</u>
Non-Current				
-----	-----	Long Service Leave Consequential On-Costs	2,364	2,079
905	878	Other	905	878
2,364	2,079	Provision for Personnel Services Liability	-----	-----
<u>3,269</u>	<u>2,957</u>		<u>3,269</u>	<u>2,957</u>
Aggregate Employee Benefits and Related On-Costs				
-----	-----	Provisions - Current	182,420	178,519
-----	-----	Provisions - Non-Current	2,364	2,079
-----	-----	Accrued Salaries, Wages and On-Costs (Note 25)	28,680	33,320
213,464	213,918	Liability - Purchase of Personnel Services	-----	-----
<u>213,464</u>	<u>213,918</u>		<u>213,464</u>	<u>213,918</u>
28. Other Liabilities				
Current				
355	692	Income in Advance	355	692
<u>355</u>	<u>692</u>		<u>355</u>	<u>692</u>
Non-Current				
285	300	Income in Advance	285	300
<u>285</u>	<u>300</u>		<u>285</u>	<u>300</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
29. Commitments for Expenditure				
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:				
21,682	15,717	Not later than one year	21,682	15,717
3,317	1,903	Later than one year and not later than five years	3,317	1,903
-----	-----	Later than five years	-----	-----
<u>24,999</u>	<u>17,620</u>	Total Capital Expenditure Commitments (Including GST)	<u>24,999</u>	<u>17,620</u>
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,983	5,406	Not later than one year	3,983	5,406
11,089	12,576	Later than one year and not later than five years	11,089	12,576
17,597	20,311	Later than five years	17,597	20,311
<u>32,669</u>	<u>38,293</u>	Total Operating Lease Commitments (Including GST)	<u>32,669</u>	<u>38,293</u>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

c) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$57.7M million as at 30 June 2016 includes input tax credits of \$5.2M that are expected to be recoverable from the Australian Taxation Office (2015 \$5.1M).

Hunter New England Local Health District
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PARENT

CONSOLIDATION

2016 2015
\$000 \$000

2016 2015
\$000 \$000

(d) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)

In 2005-06, the Health Administration Corporation entered into a contract with a private sector provider, NovaCare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment was completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.

When Stage 1 construction was completed in January 2008, the former Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33M. The recognition was based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either the former HNEAHS or the Ministry of Health. Upon completion of the Project, the former HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.

The former HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by the former HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by the former HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.

In addition, the former Hunter New England Area Health Service recognised the liability to NovaCare, payable over the period to 2033, for the construction of both hospitals. The liability transferred from the former HNEAHS to the HNELHD on 1 January 2011.

An estimate of the commitments is as follows:

(i) Minimum lease payment commitments in relation to finance leases

21,836	21,660	Not later than one year	21,836	21,660
52,689	66,542	Later than one year and not later than five years	52,689	66,542
117,398	125,381	Later than five years	117,398	125,381
191,923	213,583	Minimum Lease Payments	191,923	213,583
(87,410)	(98,410)	Less: Future Finance Charges	(87,410)	(98,410)
104,513	115,173	Present Value of Minimum Lease Payments	104,513	115,173

(ii) The present value of finance lease commitment is as follows:

12,050	10,660	Not later than one year	12,050	10,660
25,372	35,604	Later than one year and not later than five years	25,372	35,604
67,091	68,909	Later than five years	67,091	68,909
104,513	115,173	Present Value of Minimum Lease Payments	104,513	115,173

Hunter New England Local Health District
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PARENT & CONSOLIDATION

30. Trust Funds

The HNELHD holds trust funds of \$4.6 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the HNELHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	902	1,443	250	340	2,428	1,050	3,580	2,833
Revenue	1,439	202	10	5	41,831	43,934	43,280	44,141
Expenses	(416)	(743)	(32)	(95)	(41,839)	(42,556)	(42,287)	(43,394)
Balance at the end of the financial year	1,925	902	228	250	2,420	2,428	4,573	3,580

Hunter New England Local Health District
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31. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund workers compensation insurance hindsight adjustments are calculated 3 years (interim) and 5 years (final) after the start of each policy year. Hindsight (payments/refunds) adjust insurance contributions paid to reflect actual claims experience. iCare Self Insurance (manager of the Treasury Managed Fund) calculates hindsight adjustments after the 'hindsight date' has past. At 30 June 2016, hindsight adjustments were due for the 2011/12 (final) and 2013/14 (interim) policy years. Adjustments for the 30 June 2016 'hindsight date' have not been provided by the Treasury Managed Fund. It is not possible for the Hunter New England Local Health District to reliably quantify the hindsight benefit to be received or amount payable.

b) Calvary Mater Hospital Public Private Partnership (PPP)

The liability to pay Novacare for the redevelopment of the Mater Hospital is based on a financing arrangement involving CPI-linked finance and fixed finance. An interest rate adjustment will be made as appropriate for the CPI-linked interest component over the project term. The estimated value of the contingent liability or contingent asset is unable to be fully determined because of uncertain future events.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
32. Reconciliation of Cash Flows from Operating Activities to Net Result				
86,924	119,811	Net Cash Flows from Operating Activities	86,924	119,811
(80,539)	(70,624)	Depreciation and Amortisation	(80,539)	(70,624)
(960)	(536)	Allowance for Impairment	(960)	(536)
351	1	(Increase)/ Decrease Income in Advance	351	1
(4,212)	(10,719)	(Increase)/ Decrease in Provisions	(4,212)	(10,719)
16,345	(1,242)	Increase / (Decrease) in Prepayments and Other Assets	16,345	(1,242)
(4,204)	(2,004)	(Increase)/ Decrease in Payables from Operating Activities	(4,204)	(2,004)
(1,676)	(586)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(1,676)	(586)
<u>12,029</u>	<u>34,101</u>	Net Result	<u>12,029</u>	<u>34,101</u>

33. 2015/16 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the HNELHD. Services provided include:

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

34. Unclaimed Monies

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

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

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.

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PARENT AND CONSOLIDATION

35. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$13 million, primarily due to:

Expenses (excluding losses) \$8.4M favourable

Employee related expenses, including VMO's, is Hunter New England Local Health District's largest category of expenditure and was \$0.3M over budget. The main focus continues to be reducing premium labour costs such as overtime and locum costs. Offsetting this was Other Operating costs that were \$8.7M favourable to budget and this reflects improved performance around procurement.

Income \$6.1M favourable

Primarily due to Sale of goods and services \$2.2M favourable, Grant revenue \$1.8M favourable, Other revenue \$3.7M favourable mainly due to Insurance refunds, rebates and intrahealth activity. Government payments and contributions \$1.2M unfavourable mainly due to timing of capital funding.

Gain/(Loss) on disposal and Other Gains/(Losses) \$1.0M unfavourable.

Assets and Liabilities

Current assets are above budget by \$26.8M

Cash of \$15.9M and receivables of \$13.5M above budget from operating activities and timing of payments and receipts while remaining predominately within terms.

Non Current Assets are above budget by \$13.5M

Primarily due to \$13.5M increase from the revaluation of Land, Buildings & Infrastructure not being budgeted and higher than budget Plant & Equipment purchases.

Current Liabilities are \$24.9M above budget

Primarily due to timing differences of borrowing repayments \$12.2M, creditors above budget by \$12.6M from timing of payments while remaining within terms.

Non Current Liabilities are \$12.1M below budget

Primarily due to timing differences of borrowing repayments \$12.2M

Total equity is \$27.4M above budget

Due to higher than budgeted operating surplus and Land, Buildings & Infrastructure revaluation not being budgeted.

Hunter New England Local Health District
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PARENT AND CONSOLIDATION

35. Adjusted Budget Review - Parent and Consolidated

Cash Flows

Net increase in cash was \$15.9M above budget, primarily arising from Operating Activity of \$14.0M above budget. Lower than budgeted receipts were offset by lower than budgeted payments.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01/07/2015 are as follows:

	\$000
Initial Allocation, including escalation, excluding award increases	1,529,979
Award Increases	13,654
Growth Funding	60,964
Revised Cash Management Arrangements	(30,200)
Special Projects	
NPA - Commonwealth Dental	7,385
Planning & Innovation Fund	1,835
Nurse Midwife Strategy	1,060
Drug Summit 4	4,475
IPTAAS	2,172
Other special projects	4,416
Other	
Voluntary Redundancy	849
Nursing and Midwifery enhancements	1,044
Mater PPP	748
Cash Management Adjustment	2,915
RGTP and GPPTP 2nd release	371
Use of cash reserves to increase MV fleet	6,271
Other Misc	6,269
	1,614,207
Balance as per Statement of Comprehensive Income	1,614,207

Hunter New England Local Health District
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36. Financial Instruments

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

The HNELHD's main risks arising from financial instruments are outlined below, together with the HNELHD'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 risk faced by the HNELHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 18)	N/A	98,907	110,439
Receivables (note 19)*	Loans and receivables (at amortised cost)	47,733	34,896
		<u>146,640</u>	<u>145,335</u>
Financial Liabilities			
Borrowings (note 26)		104,984	115,766
Payables (note 25)**	Financial liabilities measured at amortised cost	125,084	124,859
		<u>230,068</u>	<u>240,625</u>

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

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36. Financial Instruments

(b) Credit Risk

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

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

Credit risk associated with the HNELHD'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.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.82% in 2015/16 compared to 3.46% in the previous year.

The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the HNELHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The HNELHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016: \$43.08M; 2015: \$30.04M) and not more than 3 months past due (2016: \$2.45M; 2015: \$3.11M) are not considered impaired. Together these represent 94.48% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the HNELHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	2,451	2,451	----
3 months - 6 months overdue	1,088	718	370
> 6 months overdue	2,723	1,480	1,243
2015			
<3 months overdue	3,112	3,110	2
3 months - 6 months overdue	639	429	210
> 6 months overdue	2,956	1,323	1,633

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

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36. Financial Instruments

(c) Liquidity Risk

Liquidity risk is the risk that the HNELHD will be unable to meet its payment obligations when they fall due. The HNELHD 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 effective management of cash, investments and liquid assets and liabilities.

The HNELHD has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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 effected 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.

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36. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2016		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		21,861	-----	-----	21,861	21,861	-----	-----
- Creditors		103,223	-----	-----	103,223	103,223	-----	-----
Borrowings:								
- Loans and Deposits	4.06%	509	509	-----	-----	145	364	-----
- Public Private Partnership	8.36%	191,923	191,923	-----	-----	21,836	52,689	117,398
		<u>317,516</u>	<u>192,432</u>	-----	<u>125,084</u>	<u>147,065</u>	<u>53,053</u>	<u>117,398</u>
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		30,850	-----	-----	30,850	30,850	-----	-----
- Creditors		94,009	-----	-----	94,009	94,009	-----	-----
Borrowings:								
- Loans and Deposits	4.06%	655	655	-----	-----	146	509	-----
- Public Private Partnership	8.36%	213,583	213,583	-----	-----	21,660	66,543	125,380
		<u>339,097</u>	<u>214,238</u>	-----	<u>124,859</u>	<u>146,665</u>	<u>67,052</u>	<u>125,380</u>

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the HNELHD 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.

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36. Financial Instruments

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the HNELHD 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 for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the HNELHD's interest bearing liabilities.

However, the HNELHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The HNELHD does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA 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.

The HNELHD's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	98,907	(989)	(989)	989	989
Receivables	47,733	----	----	----	----
Financial Liabilities					
Payables	125,084	----	----	----	----
Borrowings	104,984	1,050	1,050	(1,050)	(1,050)
2015					
Financial Assets					
Cash and Cash Equivalents	110,439	(1,104)	(1,104)	1,104	1,104
Receivables	34,896	----	----	----	----
Financial Liabilities					
Payables	124,859	----	----	----	----
Borrowings	115,766	1,158	1,158	(1,158)	(1,158)

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(e) Fair Value Measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the NSW TCorp Hour-Glass facilities, which are measured at fair value.

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.

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37. Events after the Reporting Period

In July 2016, iCare Self Insurance advised of the Treasury Managed Fund workers compensation insurance hindsight adjustment calculations for the 2010/11 and 2012/13 policy years. This has resulted in a hindsight refund (revenue) of \$8.7M being recognised as a receivable at 30 June 2016.

Other than the above, there has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS