

**South Eastern Sydney
Local Health District**

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of South Eastern Sydney 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 and 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 entity 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(ah). 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 be dissolved by an Act of Parliament or otherwise cease. 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:

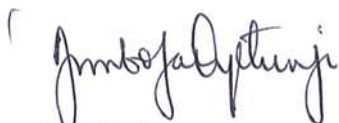
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A 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.



A Oyetunji
Director, Financial Audit Services

9 September 2016
SYDNEY

**South Eastern Sydney 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 South Eastern Sydney 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 South Eastern Sydney 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.



Gerry Marr
Chief Executive
7 September 2016



Karen Foldi
Director of Finance
7 September 2016

South Eastern Sydney Local Health District
Statement of Comprehensive Income for the year ended 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
Expenses excluding losses						
Operating Expenses						
-----	-----	-----				
				2	1,069,685	1,069,149
1,009,918	1,009,003	974,627		3	-----	-----
49,516	44,801	46,413			49,516	44,801
427,155	423,796	407,843		4	427,155	423,796
53,174	53,267	56,010		1(m), 5	53,174	53,267
14,332	14,028	17,464		6	14,332	14,028
1	-----	4		1(g), 7	1	-----
44,458	44,469	34,208		8	44,458	44,469
1,598,554	1,589,364	1,536,569			1,658,321	1,649,510
Total Expenses excluding losses						
Revenue						
1,252,984	1,217,446	1,203,214		1(h)	1,252,984	1,217,446
96,909	96,909	45,693		1(h)	96,909	96,909
-----	-----	-----		1(e)(ii), 12	59,767	60,146
258,459	275,273	251,119		9	258,459	275,273
2,339	2,013	2,565		10	2,339	2,013
52,979	43,413	38,269		11	52,979	43,413
23,990	21,555	15,852		13	23,990	21,555
1,687,660	1,656,609	1,556,712			1,747,427	1,716,755
Total Revenue						
(247)	-----	(6,178)		14	(247)	-----
Gain / (Loss) on Disposal						
(1,241)	(2,658)	(4,269)		15	(1,241)	(2,658)
Other Gains / (Losses)						
87,618	64,587	9,696		32	87,618	64,587
Net Result						
Other Comprehensive Income						
Net Increase/(Decrease) in Property, Plant &						
(15)	-----	89,682			(15)	-----
Equipment Revaluation and Emerging Asset Surplus						
(15)	-----	89,682			(15)	-----
Total Other Comprehensive Income						
87,603	64,587	99,378			87,603	64,587
TOTAL COMPREHENSIVE INCOME						

The accompanying notes form part of these financial statements.

South Eastern Sydney 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						
95,821	77,545	97,554		95,821	77,545	97,554
68,462	61,654	53,608	18	68,462	61,654	53,608
20,694	18,694	16,157	19	20,694	18,694	16,157
184,977	157,893	167,319	20	184,977	157,893	167,319
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
1,062,813	1,068,246	977,808		1,062,813	1,068,246	977,808
74,963	72,798	72,389	21	74,963	72,798	72,389
66,921	66,921	71,036	21	66,921	66,921	71,036
1,204,697	1,207,965	1,121,233	21	1,204,697	1,207,965	1,121,233
162	96	181		162	96	181
40,272	40,287	36,514	22	40,272	40,287	36,514
1,245,131	1,248,348	1,157,928	23	1,245,131	1,248,348	1,157,928
1,430,108	1,406,241	1,325,247		1,430,108	1,406,241	1,325,247
Total Non-Current Assets						
Total Assets						
LIABILITIES						
Current Liabilities						
102,139	99,688	102,042		102,139	99,688	102,042
170,143	171,298	168,383	26	170,143	171,298	168,383
19,245	18,284	3,462	27	19,245	18,284	3,462
291,527	289,270	273,887	28	291,527	289,270	273,887
Total Current Liabilities						
Non-Current Liabilities						
1,985	1,985	1,732		1,985	1,985	1,732
8,711	9,346	9,346	27	8,711	9,346	9,346
10,696	11,331	11,078	28	10,696	11,331	11,078
302,223	300,601	284,965		302,223	300,601	284,965
1,127,885	1,105,640	1,040,282		1,127,885	1,105,640	1,040,282
Total Non-Current Liabilities						
Total Liabilities						
Net Assets						
EQUITY						
138,141	138,165	138,166		138,141	138,165	138,166
989,744	967,475	902,116		989,744	967,475	902,116
1,127,885	1,105,640	1,040,282		1,127,885	1,105,640	1,040,282
Total Equity						

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 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	(1,027,057)	(1,029,275)	(988,673)
(67,685)	(67,392)	(59,681)	Grants and Subsidies	(67,685)	(67,392)	(59,681)
(1,571,574)	(1,564,455)	(1,512,060)	Other	(544,517)	(535,180)	(523,387)
<u>(1,639,259)</u>	<u>(1,631,847)</u>	<u>(1,571,741)</u>	Total Payments	<u>(1,639,259)</u>	<u>(1,631,847)</u>	<u>(1,571,741)</u>
Receipts						
1,252,984	1,217,446	1,203,214	NSW Ministry of Health Recurrent Allocations	1,252,984	1,217,446	1,203,214
96,909	96,909	45,693	NSW Ministry of Health Capital Allocations	96,909	96,909	45,693
17,417	17,417	15,288	Reimbursements from the Crown Entity	17,417	17,417	15,288
280,927	305,187	277,304	Sale of Goods and Services	280,927	305,187	277,304
2,339	2,013	2,565	Interest Received	2,339	2,013	2,565
75,470	65,903	60,329	Grants and Contributions	75,470	65,903	60,329
52,079	49,837	26,469	Other	52,079	49,837	26,469
<u>1,778,125</u>	<u>1,754,712</u>	<u>1,630,862</u>	Total Receipts	<u>1,778,125</u>	<u>1,754,712</u>	<u>1,630,862</u>
<u>138,866</u>	<u>122,865</u>	<u>59,121</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>138,866</u>	<u>122,865</u>	<u>59,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
197	509	1,322	Proceeds from Sale of Property, Plant & Equipment and Intangibles	197	509	1,322
(140,795)	(143,383)	(59,245)	Purchases of Property, Plant & Equipment and Intangibles	(140,795)	(143,383)	(59,245)
<u>(140,598)</u>	<u>(142,874)</u>	<u>(57,923)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(140,598)</u>	<u>(142,874)</u>	<u>(57,923)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(1)	----	(4)	Repayment of Borrowings and Advances	(1)	----	(4)
<u>(1)</u>	<u>----</u>	<u>(4)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(1)</u>	<u>----</u>	<u>(4)</u>
(1,733)	(20,009)	1,194	NET INCREASE / (DECREASE) IN CASH	(1,733)	(20,009)	1,194
97,554	97,554	96,360	Opening Cash and Cash Equivalents	97,554	97,554	96,360
<u>95,821</u>	<u>77,545</u>	<u>97,554</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>95,821</u>	<u>77,545</u>	<u>97,554</u>

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		902,116	138,166	1,040,282
Total Equity at 1 July 2015		902,116	138,166	1,040,282
Net Result for the year		87,618	-----	87,618
Other Comprehensive Income:				
Assets		-----	(15)	(15)
Transfers on Disposal		10	(10)	-----
Total Other Comprehensive Income		10	(25)	(15)
Total Comprehensive Income for the year		87,628	(25)	87,603
Balance at 30 June 2016		989,744	138,141	1,127,885
Balance at 1 July 2014		891,331	49,573	940,904
Total Equity at 1 July 2014		891,331	49,573	940,904
Net Result for the year		9,696	-----	9,696
Other Comprehensive Income:				
Assets	21	-----	89,682	89,682
Transfers on Disposal		1,089	(1,089)	-----
Total Other Comprehensive Income		1,089	88,593	89,682
Total Comprehensive Income for the year		10,785	88,593	99,378
Balance at 30 June 2015		902,116	138,166	1,040,282

The accompanying notes form part of these financial statements.

South Eastern Sydney 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	35,018	29,789	2,816	2,805	157,261	158,100	88,782	90,932	511,577	483,823	89,806	85,422	121,399	120,900	22,601	22,096	40,425	35,898	-----	-----	1,069,685	1,029,765		
Visiting Medical Officers	73	26	5	5	5,949	6,512	2,519	2,344	36,352	32,773	1,192	1,748	537	962	1,155	1,130	1,734	913	-----	-----	49,516	46,413		
Other Operating Expenses	12,086	8,367	509	475	98,396	98,218	28,029	28,974	214,015	203,566	16,539	14,665	32,670	33,994	10,415	8,710	14,496	10,874	-----	-----	427,155	407,843		
Depreciation and Amortisation	1,554	1,459	41	58	12,318	11,778	3,590	3,830	26,657	27,970	848	1,637	5,446	6,621	613	764	2,107	1,893	-----	-----	53,174	56,010		
Grants and Subsidies	2,305	3,768	-----	-----	8,099	5,722	-----	-----	4	42	1,844	1,958	2	13	1,843	1,946	235	4,015	-----	-----	14,332	17,464		
Finance Costs	-----	-----	-----	-----	-----	1	-----	-----	1	3	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	1	4	
Payments to Affiliated Health Organisations	3,704	-----	-----	-----	5,307	34,208	-----	-----	23	-----	-----	-----	34,919	-----	-----	-----	505	-----	-----	-----	-----	44,458	34,208	
Total Expenses Excluding Losses	54,740	43,409	3,371	3,343	287,330	314,539	122,920	126,080	788,629	748,177	110,229	105,430	194,973	162,490	36,627	34,646	59,502	53,593	-----	-----	1,658,321	1,591,707		
Revenue																								
NSW Ministry of Health Recurrent Allocations **																					1,252,984	1,203,214	1,252,984	1,203,214
NSW Ministry of Health Capital Allocations **																					96,909	45,693	96,909	45,693
Acceptance by the Crown Entity of Employee Benefits	1,875	1,486	166	169	8,538	8,385	4,983	5,009	28,754	26,663	5,207	4,887	6,715	4,466	1,297	1,574	2,232	2,499	-----	-----	59,767	55,138		
Sale of Goods and Services	690	1,166	27	48	57,267	72,293	2,588	11,057	127,091	122,943	6,257	5,527	48,234	27,368	3,924	4,260	12,381	6,457	-----	-----	258,459	251,119		
Investment Revenue	33	18	3	1	387	640	70	50	623	490	77	15	496	71	89	170	561	1,110	-----	-----	2,339	2,565		
Grants and Contributions	3,982	3,185	971	750	4,670	5,548	647	667	10,918	3,070	1,171	137	10,772	6,791	10,555	7,300	9,293	10,821	-----	-----	52,979	38,269		
Other Revenue	711	(192)	63	97	3,732	3,503	1,884	217	10,914	4,540	1,969	905	2,625	708	488	5,839	1,604	235	-----	-----	23,990	15,852		
Total Revenue	7,291	5,663	1,230	1,065	74,594	90,369	10,172	17,000	178,300	157,706	14,681	11,471	68,842	39,404	16,353	19,143	26,071	21,122	1,349,893	1,248,907	1,747,427	1,611,850		
Gain / (Loss) on Disposal	(12)	(161)	(25)	(6)	(37)	(1,299)	(49)	(422)	(62)	(3,086)	(25)	(181)	(25)	(730)	(6)	(84)	(6)	(209)	-----	-----	(247)	(6,178)		
Other Gains / (Losses)	(62)	(20)	(124)	(1)	(186)	(1,229)	(248)	(188)	(311)	(2,090)	(124)	(94)	(124)	(465)	(31)	(72)	(31)	(110)	-----	-----	(1,241)	(4,269)		
Net Result	(47,523)	(37,927)	(2,290)	(2,285)	(212,959)	(226,698)	(113,045)	(109,690)	(610,702)	(595,647)	(95,697)	(94,234)	(126,280)	(124,281)	(20,311)	(15,659)	(33,468)	(32,790)	1,349,893	1,248,907	87,618	9,696		
Other Comprehensive Income																								
Net Increase/(Decrease) in PP&E Revaluation Surplus	-----	2,336	-----	92	(3)	18,859	(1)	6,133	(8)	44,785	-----	2,622	(2)	10,602	-----	1,223	(1)	3,030	-----	-----	(15)	89,682		
Total Other Comprehensive Income	-----	2,336	-----	92	(3)	18,859	(1)	6,133	(8)	44,785	-----	2,622	(2)	10,602	-----	1,223	(1)	3,030	-----	-----	(15)	89,682		
Total Comprehensive Income	(47,523)	(35,591)	(2,290)	(2,193)	(212,962)	(207,839)	(113,046)	(103,557)	(610,710)	(550,862)	(95,697)	(91,612)	(126,282)	(113,679)	(20,311)	(14,436)	(33,469)	(29,760)	1,349,893	1,248,907	87,603	99,378		

* 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.

South Eastern Sydney 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
	\$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	3,163	2,660	195	205	16,602	19,278	7,103	7,727	45,569	45,855	6,369	6,462	11,266	9,959	2,116	2,123	3,438	3,285	-----	-----	95,821	97,554
Receivables	183	249	7	10	15,169	15,433	686	2,360	33,665	26,247	1,657	1,180	12,776	5,842	1,039	909	3,280	1,378	-----	-----	68,462	53,608
Inventories	586	331	25	19	4,767	3,891	1,358	1,148	10,367	8,064	801	581	1,583	1,347	505	345	702	431	-----	-----	20,694	16,157
Total Current Assets	3,932	3,240	227	234	36,538	38,602	9,147	11,235	89,601	80,166	8,827	8,223	25,625	17,148	3,660	3,377	7,420	5,094	-----	-----	184,977	167,319
Non-Current Assets																						
Property, Plant and Equipment																						
- Land and Buildings	31,057	25,471	815	1,007	246,200	205,619	71,758	66,865	532,808	488,296	16,959	28,583	108,861	115,590	12,248	13,337	42,107	33,040	-----	-----	1,062,813	977,808
- Plant and Equipment	2,191	1,886	57	75	17,365	15,222	5,061	4,950	37,581	36,150	1,196	2,116	7,678	8,557	864	987	2,970	2,446	-----	-----	74,963	72,389
- Infrastructure Systems	1,956	1,850	51	73	15,502	14,938	4,518	4,858	33,549	35,474	1,068	2,077	6,855	8,397	771	969	2,651	2,400	-----	-----	66,921	71,036
Intangible Assets	5	5	-----	-----	38	38	11	12	80	92	3	5	17	21	2	2	6	6	-----	-----	162	181
Other	1,329	996	82	77	6,978	7,216	2,985	2,892	19,152	17,162	2,677	2,419	4,735	3,728	889	795	1,445	1,229	-----	-----	40,272	36,514
Total Non-Current Assets	36,538	30,208	1,005	1,232	286,083	243,033	84,333	79,577	623,170	577,174	21,903	35,200	128,146	136,293	14,774	16,090	49,179	39,121	-----	-----	1,245,131	1,157,928
TOTAL ASSETS	40,470	33,448	1,232	1,466	322,621	281,635	93,480	90,812	712,771	657,340	30,730	43,423	153,771	153,441	18,434	19,467	56,599	44,215	-----	-----	1,430,108	1,325,247
LIABILITIES																						
Current Liabilities																						
Payables	2,890	2,094	122	119	23,528	24,574	6,702	7,249	51,174	50,932	3,955	3,669	7,812	8,505	2,490	2,179	3,466	2,721	-----	-----	102,139	102,042
Provisions	5,570	4,871	448	459	25,014	25,852	14,122	14,869	81,370	79,112	14,284	13,968	19,310	19,769	3,595	3,613	6,430	5,870	-----	-----	170,143	168,383
Other	635	94	39	7	3,334	684	1,427	274	9,152	1,629	1,279	229	2,263	353	425	75	691	117	-----	-----	19,245	3,462
Total Current Liabilities	9,095	7,059	609	585	51,876	51,110	22,251	22,392	141,696	131,673	19,518	17,866	29,385	28,627	6,510	5,867	10,587	8,708	-----	-----	291,527	273,887
Non-Current Liabilities																						
Provisions	65	50	5	5	292	266	165	153	949	814	167	144	225	203	42	37	75	60	-----	-----	1,985	1,732
Other	288	255	18	20	1,509	1,847	646	740	4,142	4,393	579	619	1,024	954	192	203	313	315	-----	-----	8,711	9,346
Total Non-Current Liabilities	353	305	23	25	1,801	2,113	811	893	5,091	5,207	746	763	1,249	1,157	234	240	388	375	-----	-----	10,696	11,078
TOTAL LIABILITIES	9,448	7,364	632	610	53,677	53,223	23,062	23,285	146,787	136,880	20,264	18,629	30,634	29,784	6,744	6,107	10,975	9,083	-----	-----	302,223	284,965
NET ASSETS	31,022	26,084	600	856	268,944	228,412	70,418	67,527	565,984	520,460	10,466	24,794	123,137	123,657	11,690	13,360	45,624	35,132	-----	-----	1,127,885	1,040,282

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

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

The SESLHD, 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 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- The South Eastern Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SESLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD to exercise its functions.

As a consequence the values in the 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 SESLHD 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 30 August 2016.

b) Basis of Preparation

The SESLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (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(ah).

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

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

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 SESLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- The SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry 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.

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 SESLHD has assessed the actuarial advice based on the SESLHD'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 SESLHD'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 SESLHD accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the SESLHD 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 SESLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

The SESLHD'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.

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 SESLHD 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 SESLHD 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 SESLHD 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 SESLHD'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 SESLHD 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 SESLHD use in the advancement of the SESLHD or individuals within it.

Use of Outside Facilities

The SESLHD 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 SESLHD obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

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

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

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

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(ae)).

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 SESLHD are deemed to be controlled by the SESLHD and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

South Eastern Sydney 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 SESLHD. 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(s).

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 24 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 SESLHD 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.

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.

1. Summary of Significant Accounting Policies

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) Assets Not Able to be Reliably Measured

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

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

q) 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.

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

The SESLHD 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.

s) 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 SESLHD does not have any property that meets the definition of Investment Property.

t) Intangible Assets

The SESLHD recognises intangible assets only if it is probable that future economic benefits will flow to the SESLHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. 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. Amortisation rates initially applied to intangible assets are between 10% and 25%.

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

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.

u) 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.

1. Summary of Significant Accounting Policies

v) 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.

w) 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.

x) 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.

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

- The SESLHD 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 SESLHD's key management personnel.

The risk management strategy of the SESLHD 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 SESLHD 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 SESLHD commits to purchase or sell the asset.

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.

1. Summary of Significant Accounting Policies

z) 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 SESLHD 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.

aa) 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 SESLHD transfers the financial asset:

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

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

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

ab) Payables

These amounts represent liabilities for goods and services provided to the SESLHD 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 SESLHD.

ac) 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.

ad) Fair Value Hierarchy

A number of the SESLHD'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 SESLHD 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 SESLHD can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer Note 24 and Note 37 for further disclosures regarding fair value measurements of financial and non-financial assets.

1. Summary of Significant Accounting Policies

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

af) 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 SESLHD'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.

ag) Trust Funds

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

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

ah) 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 SESLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the SESLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the SESLHD and the 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

ai) Emerging Asset

The SESLHD's emerging interest in the St George (STG), Sydney (SYD) and Prince of Wales (POW) Hospital Car Parks has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the SESLHD 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 6.61% (STG), 9.47% (SYD) & 7.23% (POW) at commencement of the concession period.

aj) 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 SESLHD identifies those components that can be specifically identified and reported by service groups.

1. Summary of Significant Accounting Policies

ak) 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.

South Eastern Sydney 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)	910,340	883,215
----	----	Superannuation - Defined Benefit Plans	9,158	10,197
----	----	Superannuation - Defined Contribution Plans	80,079	75,693
----	----	Long Service Leave	53,777	48,095
----	----	Redundancies	5,996	1,764
----	----	Workers' Compensation Insurance	10,284	10,779
----	----	Fringe Benefits Tax	51	22
<u>----</u>	<u>----</u>		<u>1,069,685</u>	<u>1,029,765</u>
3. Personnel Services				
910,340	883,215	Salaries and Wages	----	----
80,079	75,693	Superannuation - Defined Contribution Plans	----	----
3,168	3,154	Long Service Leave	----	----
5,996	1,764	Redundancies	----	----
10,284	10,779	Workers' Compensation Insurance	----	----
51	22	Fringe Benefits Tax	----	----
<u>1,009,918</u>	<u>974,627</u>		<u>----</u>	<u>----</u>
4. Other Operating Expenses				
399	330	Advertising	399	330
201	260	Auditor's Remuneration - Audit of Financial Statements	201	260
8,845	9,769	Blood and Blood Products	8,845	9,769
2,972	2,111	Consultancies	2,972	2,111
10	28	Contractors	10	28
19,911	19,379	Domestic Supplies and Services	19,911	19,379
88,219	85,215	Drug Supplies	88,219	85,215
24,408	23,232	Food Supplies	24,408	23,232
8,818	10,210	Fuel, Light and Power	8,818	10,210
5,542	4,264	Hospital Ambulance Transport Costs	5,542	4,264
28,651	23,180	Information Management Expenses	28,651	23,180
1,704	1,830	Insurance	1,704	1,830
32,807	31,612	Maintenance (See 4(b) below)	32,807	31,612
80,630	76,927	Medical and Surgical Supplies	80,630	76,927
1,325	1,461	Motor Vehicle Expenses	1,325	1,461
3,219	2,791	Postal and Telephone Costs	3,219	2,791
3,609	3,879	Printing and Stationery	3,609	3,879
1,717	1,908	Rates and Charges	1,717	1,908
3,769	3,197	Rental	3,769	3,197
1,096	----	Hosted Services Purchased from Other NSW Health Entities	1,096	----
60,706	60,663	Special Service Departments	60,706	60,663
8,526	9,016	Staff Related Costs	8,526	9,016
6,815	6,353	Travel Related Costs	6,815	6,353
33,256	30,228	Other (See 4(a) below)	33,256	30,228
<u>427,155</u>	<u>407,843</u>		<u>427,155</u>	<u>407,843</u>

South Eastern Sydney 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:				
7,464	6,943	Contract for Patient Services	7,464	6,943
11,829	6,427	Corporate Support Services	11,829	6,427
968	1,062	Courier and Freight	968	1,062
120	157	Isolated Patient Travel and Accommodation Assistance Scheme	120	157
252	484	Legal Services	252	484
660	997	Membership/Professional Fees	660	997
1,454	1,515	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,454	1,515
2,505	2,549	Other Operating Lease Expense - Minimum Lease Payments	2,505	2,549
124	157	Quality Assurance/Accreditation	124	157
250	238	Security Services	250	238
7,630	9,699	Other Miscellaneous	7,630	9,699
33,256	30,228		33,256	30,228
b) Reconciliation of Total Maintenance				
12,606	12,300	Maintenance Contracts	12,606	12,300
10,945	7,826	New/Replacement Equipment under \$10,000	10,945	7,826
11,640	12,216	Repairs Maintenance/Non Contract	11,640	12,216
(2,384)	(730)	Other	(2,384)	(730)
32,807	31,612	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	32,807	31,612
4,605	4,308	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	4,605	4,308
37,412	35,920		37,412	35,920

South Eastern Sydney 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
5. Depreciation and Amortisation				
36,452	36,061	Depreciation - Buildings	36,452	36,061
12,569	15,675	Depreciation - Plant and Equipment	12,569	15,675
4,115	4,201	Depreciation - Infrastructure Systems	4,115	4,201
38	73	Amortisation - Intangible Assets	38	73
<u>53,174</u>	<u>56,010</u>		<u>53,174</u>	<u>56,010</u>
6. Grants and Subsidies				
12,181	14,414	Non-Government Organisations	12,181	14,414
-----	1,417	Community Packages	-----	1,417
409	438	Grants to Research Organisations	409	438
(215)	-----	NSW Government Sector Grants	(215)	-----
385	-----	Grants to Other NSW Health Entities	385	-----
1,572	1,195	Other Grants	1,572	1,195
<u>14,332</u>	<u>17,464</u>		<u>14,332</u>	<u>17,464</u>
7. Finance Costs				
1	4	Other Interest Charges	1	4
<u>1</u>	<u>4</u>		<u>1</u>	<u>4</u>
8. Payments to Affiliated Health Organisations				
		Recurrent Sourced		
28,051	21,044	Calvary Health Care Sydney	28,051	21,044
15,077	11,853	War Memorial Hospital Waverley	15,077	11,853
1,330	1,311	Eastern Sydney SCARBA Centre	1,330	1,311
<u>44,458</u>	<u>34,208</u>		<u>44,458</u>	<u>34,208</u>

South Eastern Sydney 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
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
360	711	Pharmacy Sales	360	711
8,888	8,352	Sale of Prosthesis	8,888	8,352
279	191	Other	279	191
b) Rendering of Services comprise the following:-				
		Patient Fees		
96,901	89,571	- Inpatient Fees	96,901	89,571
93	99	- Nursing Home Fees	93	99
4,866	2,670	- Non Inpatient Fees	4,866	2,670
23,530	22,360	Department of Veterans' Affairs	23,530	22,360
329	423	Staff-Meals and Accommodation	329	423
17,957	20,152	Infrastructure Fees - Monthly Facility Charge	17,957	20,152
10,819	13,311	Infrastructure Fees - Annual Charge	10,819	13,311
-----	2	Cafeteria/Kiosk	-----	2
1,876	2,009	Car Parking	1,876	2,009
1,070	934	Child Care Fees	1,070	934
(137)	282	Clinical Services (excluding Clinical Drug Trials)	(137)	282
7,747	15,721	Commercial Activities	7,747	15,721
11	11	Enteral Nutrition	11	11
259	234	Fees for Medical Records	259	234
3	2	Information Retrieval	3	2
54,045	50,949	High Cost Drugs	54,045	50,949
13,635	11,902	Motor Accident Authority Third Party	13,635	11,902
172	171	Private Use of Motor Vehicles	172	171
607	-----	Salary Packaging Fee	607	-----
3,920	6,630	Hosted Services Provided to Other NSW Health Entities	3,920	6,630
3,926	4,198	Services Provided to Non NSW Health Organisations	3,926	4,198
6,960	-----	Shared Corporate Services	6,960	-----
115	-----	Multi Purpose Service Centre Fees	115	-----
228	234	Other	228	234
258,459	251,119		258,459	251,119
10. Investment Revenue				
208	367	Interest	208	367
2,131	2,198	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	2,131	2,198
2,339	2,565		2,339	2,565

South Eastern Sydney 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
11. Grants and Contributions				
1,403	4,109	Clinical Drug Trials	1,403	4,109
13,785	9,507	Commonwealth Government Grants	13,785	9,507
-----	24	Commonwealth Teaching Hospital Grants	-----	24
8,467	6,256	Industry Contributions/Donations	8,467	6,256
9,797	8,636	Cancer Institute Grants	9,797	8,636
1,752	1,788	NSW Government Grants	1,752	1,788
13,825	2,168	Grants from Other NSW Health Entities	13,825	2,168
1,582	1,121	Research Grants	1,582	1,121
2,368	4,660	Other Grants	2,368	4,660
52,979	38,269		52,979	38,269
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	9,158	10,197
-----	-----	Long Service Leave	50,609	44,941
-----	-----		59,767	55,138
13. Other Revenue				
Other Revenue comprises the following:-				
424	269	Commissions	424	269
381	528	Conference and Training Fees	381	528
126	111	Discounts	126	111
272	40	Insurance Refunds	272	40
7,841	7,833	Lease and Rental	7,841	7,833
-----	1,750	Property not Previously Recognised	-----	1,750
274	35	Sale of Merchandise, Old Wares and Books	274	35
198	287	Sponsorship	198	287
6,139	153	Treasury Managed Fund Hindsight Adjustment	6,139	153
8,335	4,846	Other	8,335	4,846
23,990	15,852		23,990	15,852

South Eastern Sydney 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				
13,220	20,665	Property, Plant and Equipment	13,220	20,665
(12,776)	(14,007)	Accumulated Depreciation	(12,776)	(14,007)
<u>444</u>	<u>6,658</u>	Written Down Value	<u>444</u>	<u>6,658</u>
197	303	Proceeds from Disposal	197	303
<u>(247)</u>	<u>(6,355)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(247)</u>	<u>(6,355)</u>
-----	332	Assets Held for Sale	-----	332
-----	509	Proceeds from Disposal	-----	509
<u>-----</u>	<u>177</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>-----</u>	<u>177</u>
<u>(247)</u>	<u>(6,178)</u>	Total Gain/(Loss) on Disposal	<u>(247)</u>	<u>(6,178)</u>
15. Other Gains / (Losses)				
(1,241)	(4,269)	Impairment of Receivables	(1,241)	(4,269)
<u>(1,241)</u>	<u>(4,269)</u>		<u>(1,241)</u>	<u>(4,269)</u>

South Eastern Sydney 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	Total
	\$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	-----	11,063	11,063
Contributions recognised in previous years which were not expended in the current reporting period	4,540	73,048	77,588
Total amount of unexpended contributions as at reporting date	4,540	84,111	88,651

Comment on restricted assets appears in Note 25

17. Service Groups of the SESLHD

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

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 SESLHD

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.

Consistent with Prior Years

South Eastern Sydney 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
18. Cash and Cash Equivalents				
17,475	16,214	Cash at Bank and On Hand	17,475	16,214
78,346	81,340	Short Term Deposits	78,346	81,340
<u>95,821</u>	<u>97,554</u>		<u>95,821</u>	<u>97,554</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>				
95,821	97,554	Cash and Cash Equivalents (per Statement of Financial Position)	95,821	97,554
<u>95,821</u>	<u>97,554</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>95,821</u>	<u>97,554</u>

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

South Eastern Sydney 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
19. Receivables				
Current				
38,145	29,573	Sale of Goods and Services	38,145	29,573
20,528	16,564	Intra Health Receivables	20,528	16,564
4,869	2,463	Goods and Services Tax	4,869	2,463
5,940	6,645	Other Debtors	5,940	6,645
<u>69,482</u>	<u>55,245</u>	Sub Total	<u>69,482</u>	<u>55,245</u>
(5,787)	(5,434)	Less Allowance for Impairment	(5,787)	(5,434)
<u>63,695</u>	<u>49,811</u>	Sub Total	<u>63,695</u>	<u>49,811</u>
4,767	3,797	Prepayments	4,767	3,797
<u>68,462</u>	<u>53,608</u>		<u>68,462</u>	<u>53,608</u>
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(4,937)	(5,438)	Balance at Commencement of Reporting Period	(4,937)	(5,438)
764	4,245	Amounts written off during the period	764	4,245
-----	(29)	Amounts recovered during the period	-----	(29)
(1,234)	(3,715)	(Increase)/decrease in Allowance Recognised in the Net Result	(1,234)	(3,715)
<u>(5,407)</u>	<u>(4,937)</u>	Balance at 30 June	<u>(5,407)</u>	<u>(4,937)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(497)	(226)	Balance at Commencement of Reporting Period	(497)	(226)
124	283	Amounts written off during the period	124	283
(7)	(554)	(Increase)/decrease in Allowance Recognised in the Net Result	(7)	(554)
<u>(380)</u>	<u>(497)</u>	Balance at 30 June	<u>(380)</u>	<u>(497)</u>
<u>(5,787)</u>	<u>(5,434)</u>		<u>(5,787)</u>	<u>(5,434)</u>
The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
1,177	216	Patient Fees - Compensable	1,177	216
8,963	5,636	Patient Fees - Ineligible	8,963	5,636
14,841	13,216	Patient Fees - Inpatient & Other	14,841	13,216
<u>24,981</u>	<u>19,068</u>		<u>24,981</u>	<u>19,068</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

South Eastern Sydney 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				
9,368	7,128	Drugs	9,368	7,128
11,314	9,015	Medical and Surgical Supplies	11,314	9,015
12	11	Food and Hotel Supplies	12	11
-----	3	Engineering Supplies	-----	3
<u>20,694</u>	<u>16,157</u>		<u>20,694</u>	<u>16,157</u>

South Eastern Sydney 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				
1,810,964	1,689,524	Gross Carrying Amount	1,810,964	1,689,524
748,151	711,716	Less: Accumulated Depreciation and Impairment	748,151	711,716
1,062,813	977,808	Net Carrying Amount	1,062,813	977,808
Plant and Equipment - Fair Value*				
182,273	179,873	Gross Carrying Amount	182,273	179,873
107,310	107,484	Less: Accumulated Depreciation and Impairment	107,310	107,484
74,963	72,389	Net Carrying Amount	74,963	72,389
Infrastructure Systems - Fair Value				
164,550	164,551	Gross Carrying Amount	164,550	164,551
97,629	93,515	Less: Accumulated Depreciation and Impairment	97,629	93,515
66,921	71,036	Net Carrying Amount	66,921	71,036
1,204,697	1,121,233	Total Property, Plant and Equipment At Net Carrying Amount	1,204,697	1,121,233

* 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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2016					
Net carrying amount at start of year	193,849	783,959	72,389	71,036	1,121,233
Additions	----	124,322	11,737	----	136,059
Disposals	----	(9)	(435)	----	(444)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	985	----	985
Depreciation Expense	----	(36,452)	(12,569)	(4,115)	(53,136)
Reclassifications	----	(2,856)	2,856	----	-----
Net carrying amount at end of year	193,849	868,964	74,963	66,921	1,204,697
	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2015					
Net carrying amount at start of year	169,876	713,895	69,648	80,847	1,034,266
Additions	1,750	44,416	13,275	----	59,441
Disposals	----	(5,778)	(880)	----	(6,658)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	22,223	73,508	----	(5,610)	90,121
Depreciation Expense	----	(36,061)	(15,675)	(4,201)	(55,937)
Reclassifications	----	(6,021)	6,021	----	-----
Net carrying amount at end of year	193,849	783,959	72,389	71,036	1,121,233

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the SESLHD [see note 1(k)].
- (ii) Indices provided by CBRE Valuations Pty Ltd were not applied, as they were immaterial.

Year	Land	Buildings	Infrastructure Systems
2015/16	2 - 4%	3%	3%

South Eastern Sydney 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
22. Intangible Assets				
		Intangibles		
503	484	Cost (Gross Carrying Amount)	503	484
341	303	Less Accumulated Amortisation and Impairment	341	303
<u>162</u>	<u>181</u>	Net Carrying Amount	<u>162</u>	<u>181</u>
<u>162</u>	<u>181</u>	Total Intangible Assets at Net Carrying Amount	<u>162</u>	<u>181</u>

PARENT & CONSOLIDATION

Intangibles - Reconciliation

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	181	181
Additions (From Internal Development or Acquired Separately)	19	19
Amortisation (Recognised in Depreciation and Amortisation)	(38)	(38)
Net carrying amount at end of year	162	162

	Intangibles \$000	Total \$000
2015		
Net carrying amount at start of year	133	133
Additions (From Internal Development or Acquired Separately)	121	121
Amortisation (Recognised in Depreciation and Amortisation)	(73)	(73)
Net carrying amount at end of year	181	181

South Eastern Sydney 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
		23. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 1(ai))		
40,272	36,514		40,272	36,514
40,272	36,514		40,272	36,514

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

24. 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	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	39,634	768,103	807,737
- Infrastructure Systems	----	----	66,921	66,921
Other Assets (Note 23) Emerging Assets	----	----	40,272	40,272
	-----	<u>39,634</u>	<u>875,296</u>	<u>914,930</u>

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

2015	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	43,601	798,151	841,752
- Infrastructure Systems	----	----	71,036	71,036
Other Assets (Note 23) Emerging Assets	----	----	36,514	36,514
	-----	<u>43,601</u>	<u>905,701</u>	<u>949,302</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 and therefore excluded from figures above and as a result will not agree to Note

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the SESLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by CBRE Valuations Pty Ltd for the 2014/15 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an employee of the SESLHD.

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

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.

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

PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

24. 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	798,151	71,036	36,514	905,701
Additions	-----	-----	3,772	3,772
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	-----	-----	(14)	(14)
Transfers to Level 2	3,950	-----	-----	3,950
Disposals	(9)	-----	-----	(9)
Depreciation	(33,989)	(4,115)	-----	(38,104)
Fair value as at 30 June 2016	768,103	66,921	40,272	875,296

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	726,942	80,847	33,446	841,235
Additions	-----	-----	3,507	3,507
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	91,947	(5,610)	(439)	85,898
Transfers from Level 2	18,725	-----	-----	18,725
Disposals	(5,779)	-----	-----	(5,779)
Depreciation	(33,684)	(4,201)	-----	(37,885)
Fair value as at 30 June 2015	798,151	71,036	36,514	905,701

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.

South Eastern Sydney 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
25. Restricted Assets				
<p>The SESLHD'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:		
40,247	47,632	Specific Purposes	40,247	47,632
17,254	17,647	Research Grants	17,254	17,647
31,150	29,400	Private Practice Funds	31,150	29,400
<u>88,651</u>	<u>94,679</u>		<u>88,651</u>	<u>94,679</u>

South Eastern Sydney 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
		26. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	20,578	25,948
-----	-----	Taxation and Payroll Deductions	5,159	1,233
25,737	27,181	Accrued Liability - Purchase of Personnel Services	-----	-----
50,782	45,100	Creditors	50,782	45,100
		Other Creditors		
13,878	15,779	- Intra Health Liability	13,878	15,779
11,742	13,982	- Other	11,742	13,982
<u>102,139</u>	<u>102,042</u>		<u>102,139</u>	<u>102,042</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

South Eastern Sydney 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
27. Provisions			
Current			
----	----	Annual Leave - Short Term Benefit	104,833
----	----	Annual Leave - Long Term Benefit	42,480
----	----	Long Service Leave Consequential On-Costs	22,830
170,143	168,383	Provision for Personnel Services Liability	----
<u>170,143</u>	<u>168,383</u>	<u>170,143</u>	<u>168,383</u>
Non-Current			
----	----	Long Service Leave Consequential On-Costs	1,985
1,985	1,732	Provision for Personnel Services Liability	----
<u>1,985</u>	<u>1,732</u>	<u>1,985</u>	<u>1,732</u>
Aggregate Employee Benefits and Related On-Costs			
----	----	Provisions - Current	170,143
----	----	Provisions - Non-Current	1,985
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	25,737
197,865	197,296	Liability - Purchase of Personnel Services	----
<u>197,865</u>	<u>197,296</u>	<u>197,865</u>	<u>197,296</u>
28. Other Liabilities			
Current			
19,245	3,462	Income in Advance	19,245
<u>19,245</u>	<u>3,462</u>	<u>19,245</u>	<u>3,462</u>
Non-Current			
8,711	9,346	Income in Advance	8,711
<u>8,711</u>	<u>9,346</u>	<u>8,711</u>	<u>9,346</u>

Income in Advance was derived from the following:

In May 1995 \$5.5 million was received as income in advance from International Parking (Sydney) Pty Ltd and AIDC under the terms of contract to provide and operate a car park facility at the Sydney & Sydney Eye Hospitals campus for the 25 years ending May 2020.

In October 1996 \$5 million was received as income in advance from HCoA Operations (Australia) Pty Ltd under the terms of contract to provide and operate a private hospital facility at the Prince of Wales Hospital campus for the 40 years ending October 2036.

In June 1997 \$18.5 million was received as income in advance from International Parking (Randwick) Pty Ltd under the terms of contract to provide and operate a car park facility at the Prince of Wales Hospital campus for the 25 years ending June 2022.

In June 1999 \$4.5 million was received as income in advance from International Parking Pty Ltd under the terms of contract to provide and operate a car park facility at the St George Hospital campus for the 25.5 years ending December 2024.

In the financial years 2014/15 and 2015/16, \$19.4M was received as income in advance from the University of New South Wales under terms of the funding agreement for the Bright Alliance building for right of access to three floors for the 40 years ending December 2056.

South Eastern Sydney 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:				
310,278	165,141	Not later than one year	310,278	165,141
22,620	308,038	Later than one year and not later than five years	22,620	308,038
332,898	473,179	Total Capital Expenditure Commitments (Including GST)	332,898	473,179
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,406	3,542	Not later than one year	3,406	3,542
4,233	4,566	Later than one year and not later than five years	4,233	4,566
354	-----	Later than five years	354	-----
7,993	8,108	Total Operating Lease Commitments (Including GST)	7,993	8,108
c) Contingent Asset Related to Commitments for Expenditure				
The total of 'Commitments for Expenditure' above, i.e. \$341 million as at 30 June 2016 includes input tax credits of \$31M that are expected to be recoverable from the Australian Taxation Office (2015 \$44M).				

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

30. Trust Funds

The SESLHD holds trust funds of \$4.1 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 SESLHD 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	1,469	429	340	375	432	372	2,241	1,176
Revenue	5,759	3,918	-----	56	38,541	40,533	44,300	44,507
Expenses	(3,985)	(2,878)	(99)	(91)	(38,333)	(40,473)	(42,417)	(43,442)
Balance at the end of the financial year	3,243	1,469	241	340	640	432	4,124	2,241

PARENT AND CONSOLIDATED

31. Contingent Liabilities and Assets

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 SESLHD to reliably quantify the hindsight benefit to be received or amount payable.

South Eastern Sydney 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
32. Reconciliation of Cash Flows from Operating Activities to Net Result				
138,866	59,121	Net Cash Flows from Operating Activities	138,866	59,121
(53,174)	(56,010)	Depreciation and Amortisation	(53,174)	(56,010)
(1,241)	(4,269)	Allowance for Impairment	(1,241)	(4,269)
(15,148)	(298)	(Increase)/ Decrease Income in Advance	(15,148)	(298)
(2,013)	(8,186)	(Increase)/ Decrease in Provisions	(2,013)	(8,186)
20,517	3,612	Increase / (Decrease) in Prepayments and Other Assets	20,517	3,612
15	17,573	(Increase)/ Decrease in Payables from Operating Activities	15	17,573
(247)	(6,178)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(247)	(6,178)
43	4,331	Assets donated or brought to account for the first time	43	4,331
87,618	9,696	Net Result	87,618	9,696
33. Non-Cash Financing and Investing Activities				
43	4,331	Assets Received by Donation	43	4,331
43	4,331		43	4,331

34. 2015/16 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the SESLHD. 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

35. 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 SESLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of SESLHD.

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

PARENT AND CONSOLIDATION

36. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$23 million, primarily due to:

- Unbudgeted cash assistance of \$35.5M was received from the Ministry of Health.
- The SESLHD fell short of achieving budget by \$12.5M

Assets and Liabilities

- Increase in Debtors - Ineligible Patients Fees of \$3.5M.
- Increase in Patient Fees Accrual of \$1.5M.
- Increase in Other User Charges Accrual of \$2.7M.
- See Cash Flows below for details pertaining to Cash and Cash Equivalents budget variance.

Cash Flows

• As noted above in Net Result, the SESLHD received \$35.5M of unbudgeted cash assistance and fell short in achieving budget by \$12.5M. The impact of these events on SESLHD's budget variance for Cash and Cash Equivalents is \$18.7M.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 23 Jun 2015 are as follows:

	\$000
Initial Allocation, 23 Jun 2015	1,177,746
Award Increases	18,355
Special Projects	
Cash Adjustment	9,700
Voluntary Redundancies	5,996
Drug Summit 4 Funding	1,463
Mental Health - Living Well New South Wales	777
Nurse Midwifery Strategy	708
Tissue Typing for Transplantation	548
New South Wales Aged Care Assessment Program	461
Bobby Goldsmith Grant Transferred to Ministry of Health	(1,606)
Transfer National Partner A Project Funds	(1,000)
Treasury Managed Fund 2015/16 Budget Adjustment	(491)
Non-Government Organisation Grants transferred to Ministry of Health	(363)
Other	5,152
Balance as per Statement of Comprehensive Income	1,217,446

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

37. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the SESLHD, 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	95,821	97,554
Receivables (note 19)*	Loans and receivables (at amortised cost)	58,826	47,348
		154,647	144,902
Financial Liabilities			
Payables (note 26)**	Financial liabilities measured at amortised cost	96,980	100,809
		96,980	100,809

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)

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

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

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 2.8% in 2015/16 compared to 3.2% in the previous year.

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

37. Financial Instruments

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 SESLHD 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 SESLHD 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: \$29.2M; 2015: \$16.7M) and not more than 3 months past due (2016: \$2.7M; 2015: \$2.1M) are not considered impaired. Together these represent 61% 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 SESLHD'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}
2016	\$000	\$000	\$000
<3 months overdue	3,590	2,729	861
3 months - 6 months overdue	1,846	587	1,259
> 6 months overdue	4,557	890	3,667
2015			
<3 months overdue	3,159	1,917	1,242
3 months - 6 months overdue	1,503	51	1,452
> 6 months overdue	2,832	92	2,740

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.

Authority Deposits

The SESLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.5% (2015: 2.8%), while over the year the weighted average interest rate was 1.3% (2015: 1.6%) on a weighted average balance during the year of \$80.7M (2015: \$82.3M). None of these assets are past due or impaired.

37. Financial Instruments

(c) Liquidity Risk

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

The SESLHD 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 SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

37. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure		Maturity Dates
	Nominal Amount ¹	Non - Interest Bearing	< 1 Yr
2016	\$000	\$000	\$000
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	20,578	20,578	20,578
- Creditors	76,402	76,402	76,402
	96,980	96,980	96,980
2015			
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	25,948	25,948	25,948
- Creditors	74,861	74,861	74,861
	100,809	100,809	100,809

Notes:

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

37. 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 SESLHD's exposures to market risk are primarily through interest rate risk on the SESLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The SESLHD 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 SESLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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 SESLHD 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 SESLHD'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	95,821	(958)	(958)	958	958
Receivables	58,826	-----	-----	-----	-----
Financial Liabilities					
Payables	96,980	-----	-----	-----	-----
2015					
Financial Assets					
Cash and Cash Equivalents	97,554	(976)	(976)	976	976
Receivables	47,348	-----	-----	-----	-----
Financial Liabilities					
Payables	100,809	-----	-----	-----	-----

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

(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.

(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	78,346	-----	78,346

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	81,340	-----	81,340

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

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

As discussed, the value of the Hour-Glass Investments is based on the SESLHD's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

38. 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 \$2.8M 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