

Sydney
Local Health District

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of 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, the statement of cash flows, and service group statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements'* section of my report.

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

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

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

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

Emphasis of matter

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

Chief Executive's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- 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

5 September 2016
SYDNEY

**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 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 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.



Dr Teresa Anderson
Chief Executive
2 September 2016



Jacqueline Ferguson
Director of Finance
2 September 2016

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						
179,800	155,307	176,293		200,305	175,682	196,670
53,092	50,863	47,883	18	54,665	51,403	48,423
7,217	5,618	5,618	19	7,217	5,618	5,618
----	----	----	20	----	402	402
240,109	211,788	229,794	21	262,187	233,105	251,113
ASSETS						
Current Assets						
179,800	155,307	176,293		200,305	175,682	196,670
53,092	50,863	47,883	18	54,665	51,403	48,423
7,217	5,618	5,618	19	7,217	5,618	5,618
----	----	----	20	----	402	402
240,109	211,788	229,794	21	262,187	233,105	251,113
Non-Current Assets						
Property, Plant & Equipment						
1,126,346	900,349	923,559		1,134,464	908,959	932,169
77,754	76,852	62,934	22	80,388	78,845	64,927
443	443	442	22	443	443	442
427	----	----	22	427	----	----
1,204,970	977,644	986,935		1,215,722	988,247	997,538
659	635	635	23	659	635	635
2,501	2,501	1,497	24	2,501	2,501	1,497
1,208,130	980,780	989,067		1,218,882	991,383	999,670
1,448,239	1,192,568	1,218,861		1,481,069	1,224,488	1,250,783
LIABILITIES						
Current Liabilities						
83,144	72,557	79,986		83,372	72,555	79,983
----	217	217	27	----	217	217
196,859	193,764	190,832	28	197,469	194,491	191,558
137	36	36	29	684	86	86
280,140	266,574	271,071	30	281,525	267,349	271,844
Non-Current Liabilities						
1,998	1,998	1,743		1,998	1,998	1,743
1,998	1,998	1,743	29	1,998	1,998	1,743
282,138	268,572	272,814		283,523	269,347	273,587
1,166,101	923,996	946,047		1,197,546	955,141	977,196
EQUITY						
367,666	144,503	144,503		370,169	147,041	147,041
798,435	779,493	801,544		827,377	808,100	830,155
1,166,101	923,996	946,047		1,197,546	955,141	977,196

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015	Notes	2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(944,001)	(949,184)	(885,145)
(29,652)	(29,681)	(28,277)	Grants and Subsidies	(29,915)	(29,728)	(28,390)
----	(43)	(15)	Finance Costs	----	(43)	(15)
(1,512,130)	(1,536,080)	(1,426,472)	Other	(576,213)	(587,715)	(550,074)
<u>(1,541,782)</u>	<u>(1,565,804)</u>	<u>(1,454,764)</u>	Total Payments	<u>(1,550,129)</u>	<u>(1,566,670)</u>	<u>(1,463,624)</u>
Receipts						
1,239,083	1,229,013	1,163,639	NSW Ministry of Health Recurrent Allocations	1,239,083	1,229,013	1,163,639
8,143	8,143	13,696	NSW Ministry of Health Capital Allocations	8,143	8,143	13,696
----	----	----	Reimbursements from the Crown Entity	16,632	16,632	14,736
207,648	214,584	181,326	Sale of Goods and Services	206,555	214,569	181,409
5,444	7,520	5,912	Interest Received	5,973	7,520	6,566
63,723	69,966	58,664	Grants and Contributions	53,733	53,904	52,359
62,067	54,944	53,248	Other	65,095	55,253	54,643
<u>1,586,108</u>	<u>1,584,170</u>	<u>1,476,485</u>	Total Receipts	<u>1,595,214</u>	<u>1,585,034</u>	<u>1,487,048</u>
<u>44,326</u>	<u>18,366</u>	<u>21,721</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>45,085</u>	<u>18,364</u>	<u>23,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
282	----	91	Proceeds from Sale of Property, Plant & Equipment and Intangibles	282	----	91
74,000	74,402	25,000	Proceeds from Sale of Investments	74,402	74,402	25,000
(40,877)	(39,315)	(33,514)	Purchases of Property, Plant & Equipment and Intangibles	(41,910)	(39,315)	(33,893)
(74,000)	(74,402)	(25,000)	Purchases of Investments	(74,000)	(74,402)	(25,028)
<u>(40,595)</u>	<u>(39,315)</u>	<u>(33,423)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(41,226)</u>	<u>(39,315)</u>	<u>(33,830)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(224)	(37)	(224)	Repayment of Borrowings and Advances	(224)	(37)	(224)
<u>(224)</u>	<u>(37)</u>	<u>(224)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(224)</u>	<u>(37)</u>	<u>(224)</u>
3,507	(20,986)	(11,926)	NET INCREASE / (DECREASE) IN CASH	3,635	(20,988)	(10,630)
176,293	176,293	188,219	Opening Cash and Cash Equivalents	196,670	196,670	207,300
<u>179,800</u>	<u>155,307</u>	<u>176,293</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>200,305</u>	<u>175,682</u>	<u>196,670</u>

The accompanying notes form part of these financial statements.

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

PARENT	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2015		801,544	144,503	946,047
Total Equity at 1 July 2015		801,544	144,503	946,047
Net Result for the year		(3,183)	-----	(3,183)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	223,237	223,237
Available for Sale Financial Assets:				
Transfers on Disposal		74	(74)	-----
Total Other Comprehensive Income		74	223,163	223,237
Total Comprehensive Income for the year		(3,109)	223,163	220,054
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	0	-----	-----	-----
Balance at 30 June 2016		798,435	367,666	1,166,101
Balance at 1 July 2014		843,506	128,550	972,056
Total Equity at 1 July 2014		843,506	128,550	972,056
Net Result for the year		(41,962)	-----	(41,962)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	15,953	15,953
Total Other Comprehensive Income		-----	15,953	15,953
Total Comprehensive Income for the year		(41,962)	15,953	(26,009)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers		-----	-----	-----
Balance at 30 June 2015		801,544	144,503	946,047

The accompanying notes form part of these financial statements.

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

CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2015		830,155	147,041	977,196
Total Equity at 1 July 2015		830,155	147,041	977,196
Net Result for the year		(2,852)	-----	(2,852)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	223,202	223,202
Available for Sale Financial Assets:				
Transfers on Disposal		74	(74)	-----
Total Other Comprehensive Income		74	223,128	223,202
Total Comprehensive Income for the year		(2,778)	223,128	220,350
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	0	-----	-----	-----
Balance at 30 June 2016		827,377	370,169	1,197,546
Balance at 1 July 2014		871,315	131,000	1,002,315
Total Equity at 1 July 2014		871,315	131,000	1,002,315
Net Result for the year		(41,160)	-----	(41,160)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	16,041	16,041
Available for Sale Financial Assets:				
Transfers on Disposal		-----	-----	-----
Total Other Comprehensive Income		-----	16,041	16,041
Total Comprehensive Income for the year		(41,160)	16,041	(25,119)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers		-----	-----	-----
Balance at 30 June 2015		830,155	147,041	977,196

The accompanying notes form part of these financial statements.

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	2016		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses and Income																									
Expenses Excluding Losses																									
Operating Expenses																									
Employee Related	52,409	42,999	989	569	135,472	151,919	71,197	68,951	487,502	497,903	99,874	88,461	58,342	45,746	16,810	14,491	66,253	36,085					988,848	947,124	
Visiting Medical Officers	224	108			7,406	6,719	2,424	2,076	30,657	31,610	404	719	224	457	404	849	3,142	534					44,885	43,072	
Other Operating Expenses	19,895	20,441			99,474	138,258	29,114	22,948	267,366	236,676	17,954	14,526	21,350	17,318	4,852	4,779	25,232	18,122					485,237	473,163	
Depreciation and Amortisation	1,518	931			9,059	9,593	3,225	2,871	24,614	21,707	3,083	2,655	2,419	1,799	427	424	3,083	1,566					47,428	41,546	
Grants and Subsidies	14,352	14,192									1,500	1,514	519	505	1,426	1,375	722						18,519	17,586	
Finance Costs		1			3	5		2	4	17		3											1	7	
Payments to Affiliated Health Organisations	2,283	2,786				45			4,805	4,311							172	797					8,581	8,118	
Total Expenses Excluding Losses	90,681	81,458	989	665	251,414	306,539	105,960	98,848	814,948	792,224	122,815	107,878	82,854	65,827	25,240	22,097	98,504	57,105					1,593,305	1,530,641	
Revenue																									
NSW Ministry of Health Recurrent Allocations **																									
NSW Ministry of Health Capital Allocations **																									
Acceptance by the Crown Entity																									
of Employee Benefits and Other Liabilities	3,142	2,415	59	32	8,121	8,531	4,268	3,872	29,222	27,960	5,987	4,968	3,497	2,569	1,008	814	3,971	2,026					59,275	53,187	
Sale of Goods and Services	814	595			36,818	34,522	2,644	2,340	96,420	132,775	5,289	9,637	6,713	13,642	6,713	4,283	48,006	496					203,417	198,290	
Investment Revenue	43	98			30	749	12	237	141	1,916	12	356	18	274	749	315	5,083	2,735					6,088	6,682	
Grants and Contributions	1,903	1,765	300		100	4,673	50	642	4,306	5,178	100	1,123	1,152	12,083	7,310	4,267	34,847	17,469					50,068	47,200	
Other Revenue	1,262	430			3,906	2,706	1,923	853	17,576	7,527	1,583	1,229	1,623	844	331	183	1,743						30,047	13,776	
Total Revenue	7,164	5,303	359	38	48,975	51,181	8,897	7,944	147,665	175,356	13,071	17,313	13,003	29,412	16,111	9,862	93,650	22,726					1,596,121	1,498,470	
Gain / (Loss) on Disposal	(4)	(25)			(26)	(262)	(9)	(78)	(69)	(593)	(9)	(73)	(7)	(49)	(1)	(12)	(9)	(43)					(194)	(1,135)	
Other Gains / (Losses)	(110)	(97)	(5)		(749)	(939)	(136)	(146)	(2,257)	(3,217)	(200)	(318)	(199)	(540)	(246)	(181)	(1,432)	(417)					(5,394)	(5,854)	
Net Result	(83,631)	(76,277)	(635)	(626)	(203,214)	(256,559)	(97,208)	(89,128)	(669,609)	(620,676)	(109,953)	(90,956)	(70,057)	(37,004)	(9,376)	(12,428)	(6,395)	(34,839)					(2,852)	(41,160)	
Other Comprehensive Income																									
Net Increase/(Decrease) in PP&E Revaluator Surplus	7,142	359			42,632	3,704	15,178	1,108	115,842	8,381	14,508	1,025	11,383	685	2,009	164	14,508	605					223,202	16,541	
Total Other Comprehensive Income	7,142	359			42,632	3,704	15,178	1,108	115,842	8,381	14,508	1,025	11,383	695	2,009	164	14,508	605					223,202	16,541	
Total Comprehensive Income	(76,489)	(75,918)	(635)	(626)	(160,582)	(252,855)	(82,030)	(88,020)	(553,767)	(612,297)	(95,445)	(89,931)	(58,674)	(36,309)	(7,367)	(12,264)	8,113	(34,234)					220,350	(251,9)	

* 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.

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	2016	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Assets and Liabilities																								
ASSETS																								
Cash and Cash Equivalents	5,408	5,212			22,634	22,125	4,807	4,700	36,057	35,440	4,807	4,779	4,206	4,091	601	669	121,785	119,595					200,305	196,670
Receivables	219	145			9,894	8,430	7,111	571	25,911	32,424	1,421	2,353	1,804	3,332	1,804	1,046	12,901	121					54,665	48,423
Inventories	296	243			1,479	1,642	433	272	3,977	2,810	267	172	318	206	72	57	375	215					7,217	5,618
Financial Assets at Fair Value		21				81		25		208		28		17		6		15						402
Total Current Assets	5,923	5,621	62	34,007	32,278	5,951	5,588	65,945	70,882	7,332	6,495	7,332	6,328	7,646	2,477	1,778	135,061	119,946					262,187	251,113
Non-Current Assets																								
Property, Plant and Equipment	23,824	19,689			223,489	183,917	77,144	63,387	536,601	441,475	199,666	163,689	34,034	27,499	14,748	12,025	24,958	20,508					1,134,464	932,169
- Land and Buildings	1,286	1,013			18,570	15,011	6,431	5,162	44,696	36,099	3,135	2,532	1,527	1,240	1,286	1,058	3,457	2,811					80,388	64,527
- Plant and Equipment	14	10			85	102	30	31	229	230	29	28	23	19	4	5	29	17					443	442
- Infrastructure Systems	14				82		29		220		28		22		4		28						427	
- Leasehold Improvements	21	14			126	147	45	44	341	332	43	41	34	27	6	6	43	24					659	635
Intangible Assets	142	80	2	395	300	166	95	1,278	773	193	106	106	130	64	40	22	155	56					2,501	1,497
Other	25,301	20,786	2	242,747	199,477	83,845	68,719	583,365	478,909	203,094	166,396	35,770	28,849	16,088	13,116	28,670	23,416					1,218,882	999,670	
Total Non-Current Assets	31,224	26,407	2	276,754	231,755	89,796	74,287	649,310	549,791	209,589	173,728	42,098	36,495	18,565	14,894	163,731	143,362					1,481,069	1,250,783	
TOTAL ASSETS																								
LIABILITIES																								
Current Liabilities																								
Payables	3,418	3,455			17,091	23,371	5,002	3,879	45,939	40,007	3,085	2,455	3,668	2,927	834	808	4,335	3,063					83,372	79,583
Borrowings		12				43		14		112		15		9		3		8						217
Provisions	10,466	8,697	197	27,053	30,726	14,218	13,945	97,353	100,702	19,944	17,882	11,651	9,252	3,357	2,931	13,230	7,298						197,469	191,558
Other	39	5		108	17	45	5	350	45	36	6	4	36	4	11	1	42	3					684	86
Total Current Liabilities	13,923	12,169	197	44,252	54,157	19,265	17,843	143,642	140,866	23,082	20,368	15,355	12,192	4,202	3,743	17,607	10,372					281,525	271,844	
Non-Current Liabilities																								
Provisions	106	79	2	274	280	144	127	984	916	202	163	118	84	84	34	27	134	66					1,998	1,743
Total Non-Current Liabilities	106	79	2	274	280	144	127	984	916	202	163	118	84	84	34	27	134	66					1,998	1,743
TOTAL LIABILITIES	14,029	12,248	199	44,526	54,437	19,409	17,970	144,626	141,782	23,284	20,531	15,473	12,276	4,236	3,770	17,741	10,438					283,523	273,587	
NET ASSETS	17,195	14,159	(197)	232,228	177,318	70,387	56,317	504,684	408,009	186,305	153,197	26,625	24,219	14,329	11,124	145,990	132,924					1,197,546	977,966	

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

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 26), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SLHD to exercise its functions.
- * The Anzac Health and Medical Research Foundation is a controlled entity of SLHD conducting medical research on the Concord Hospital campus and the consolidated entity comprises the Parent, Special Purpose Service Entity and Anzac Health and Medical Research Foundation.

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, Anzac Health and Medical Research Foundation 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 SLHD 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 2 September 2016.

b) Basis of Preparation

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

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

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

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 SLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The SLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SLHD 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.

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

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.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the SLHD as shown in Note 29.

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 SLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

The SLHD'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.

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

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

Use of Outside Facilities

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

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 SLHD 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 \$8.581 million (Tresillian and Scarba) 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 SLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

j) 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(ab)).

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

k) Capitalisation Thresholds

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

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

l) 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 SLHD. 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%
*Buildings - Leasehold	4%	4%

"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.

*Where improvements are made to a leasehold property, these improvements are allocated progressively over the unexpired portion of the lease.

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

m) 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(p).

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 22 and Note 25 for further information regarding fair value.

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

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

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

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

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

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

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

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

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

n) 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.

o) 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.

p) 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 SLHD does not have any property that meets the definition of Investment Property.

q) Intangible Assets

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

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

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

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

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

r) 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.

s) 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.

t) 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.

u) 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.

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

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 TCorp 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 SLHD's key management personnel.

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

TCorp 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 TCorp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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.

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 SLHD commits to purchase or sell the asset.

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

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.

w) Impairment of financial assets

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

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

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

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

x) 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 SLHD transfers the financial asset:

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

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

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

y) Payables

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

z) 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.

aa) Fair Value Hierarchy

A number of the SLHD'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 SLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Refer Note 25 and Note 39 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

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

ac) 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 SLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(m).

ad) Trust Funds

The SLHD receives monies in a trustee capacity for various trusts as set out in Note 32.

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

ae) 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 SLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD 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 38.

af) Emerging Asset

The SLHD's emerging interest in the Lifehouse Class A Assets, Radiation Oncology Building and Lifehouse Main Building has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the SLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 40 years using the annuity method and the Government Bond rate of 4.74% at commencement of the concession period.

ag) 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 SLHD identifies those components that can be specifically identified and reported by service groups.

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

ah) 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 in 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.

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
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	845,580	812,183
----	----	Superannuation - Defined Benefit Plans	9,472	9,996
----	----	Superannuation - Defined Contribution Plans	73,739	70,626
----	----	Long Service Leave	52,991	46,260
----	----	Redundancies	43	222
----	----	Workers' Compensation Insurance	6,959	7,744
----	----	Fringe Benefits Tax	64	93
----	----		988,848	947,124
3. Personnel Services				
841,653	807,785	Salaries and Wages	----	----
73,404	70,247	Superannuation - Defined Contribution Plans	----	----
3,188	3,071	Long Service Leave	----	----
43	222	Redundancies	----	----
6,959	7,744	Workers' Compensation Insurance	----	----
64	93	Fringe Benefits Tax	----	----
925,311	889,162		----	----
4. Other Operating Expenses				
130	78	Advertising	133	80
240	270	Auditor's Remuneration - Audit of Financial Statements	266	278
21,396	19,652	Blood and Blood Products	21,396	19,652
600	719	Consultancies	600	719
3,577	2,362	Contractors	4,036	2,527
17,264	17,488	Domestic Supplies and Services	17,273	17,503
78,416	72,728	Drug Supplies	78,441	72,757
25,965	24,905	Food Supplies	25,979	24,925
10,491	12,732	Fuel, Light and Power	10,491	12,734
4,671	3,272	Hospital Ambulance Transport Costs	4,671	3,272
21,007	15,113	Information Management Expenses	21,049	15,129
1,777	1,799	Insurance	1,779	1,803
31,503	35,313	Maintenance (See 4(b) below)	31,694	35,496
91,179	94,139	Medical and Surgical Supplies	91,226	94,178
1,980	1,979	Motor Vehicle Expenses	1,984	1,986
2,403	2,784	Postal and Telephone Costs	2,406	2,793
4,124	4,331	Printing and Stationery	4,165	4,376
2,597	2,213	Rates and Charges	2,612	2,225
3,707	2,648	Rental	3,707	2,648
43	----	Hosted Services Purchased from Other NSW Health Entities	43	----
62,670	60,642	Special Service Departments	63,742	62,018
13,223	10,759	Staff Related Costs	14,008	11,281
4,816	4,519	Travel Related Costs	4,968	4,656
78,321	79,600	Other (See 4(a) below)	78,568	80,127
482,100	470,045		485,237	473,163

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:				
503	18	Aircraft Expenses (Ambulance)	503	18
44,861	25,327	Contract for Patient Services	44,861	25,327
10,208	8,462	Corporate Support Services	10,208	8,462
786	571	Courier and Freight	836	637
7,913	9,250	Legal Services	7,930	9,253
670	499	Membership/Professional Fees	680	523
2,298	2,245	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,302	2,249
2,521	2,625	Other Operating Lease Expense - Minimum Lease Payments	2,521	2,625
88	112	Quality Assurance/Accreditation	88	112
928	664	Security Services	928	664
7,545	29,827	Other Miscellaneous	7,711	30,257
<u>78,321</u>	<u>79,600</u>		<u>78,568</u>	<u>80,127</u>
b) Reconciliation of Total Maintenance				
21,018	21,073	Maintenance Contracts	21,115	21,173
4,926	9,752	New/Replacement Equipment under \$10,000	4,993	9,830
5,496	4,996	Repairs Maintenance/Non Contract	5,523	5,001
63	(508)	Other	63	(508)
<u>31,503</u>	<u>35,313</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>31,694</u>	<u>35,496</u>
7,244	7,363	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	7,244	7,364
<u>38,747</u>	<u>42,676</u>	Total Maintenance Expenses	<u>38,938</u>	<u>42,860</u>

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
5. Depreciation and Amortisation				
34,138	28,796	Depreciation - Buildings	34,595	29,245
12,100	11,933	Depreciation - Plant and Equipment	12,465	12,266
12	12	Depreciation - Infrastructure Systems	12	12
263	----	Amortisation - Leasehold Improvements	263	----
93	23	Amortisation - Intangible Assets	93	23
<u>46,606</u>	<u>40,764</u>		<u>47,428</u>	<u>41,546</u>
6. Grants and Subsidies				
17,062	16,746	Non-Government Organisations	17,062	16,746
167	170	Grants to Research Organisations	167	170
483	336	Grants to Other NSW Health Entities	483	336
591	248	Other Grants	807	334
<u>18,303</u>	<u>17,500</u>		<u>18,519</u>	<u>17,586</u>
7. Finance Costs				
7	17	Interest on Loans	7	17
----	15	Other Interest Charges	----	15
<u>7</u>	<u>32</u>		<u>7</u>	<u>32</u>
8. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
7,987	7,538	Tresillian Family Care Centres at Belmore, Willoughby, and Wollstonecraft	7,987	7,538
594	580	Central Sydney Scarba Service	594	580
<u>8,581</u>	<u>8,118</u>		<u>8,581</u>	<u>8,118</u>

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
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
691	1,061	Pharmacy Sales	691	1,061
8,892	8,837	Sale of Prosthesis	8,892	8,837
12	41	Other	12	41
b) Rendering of Services comprise the following:-				
		Patient Fees		
72,516	75,826	- Inpatient Fees	72,516	75,826
112	133	- Nursing Home Fees	112	133
3,163	2,499	- Non Inpatient Fees	3,163	2,499
11,945	14,172	Department of Veterans' Affairs	11,945	14,172
490	585	Staff-Meals and Accommodation	490	585
15,959	15,434	Infrastructure Fees	15,959	15,434
8,578	9,583	- Monthly Facility Charge	8,578	9,583
		- Annual Charge		
2,773	2,760	Cafeteria/Kiosk	2,773	2,760
4,714	5,104	Car Parking	4,714	5,104
2,802	2,533	Child Care Fees	2,802	2,533
4,452	4,440	Clinical Services (excluding Clinical Drug Trials)	4,452	4,440
323	251	Commercial Activities	323	251
139	----	Enteral Nutrition Income	139	----
98	109	Fees for Medical Records	98	109
71	71	Information Retrieval	71	71
36,150	27,931	High Cost Drugs	36,150	27,931
5,579	8,292	Motor Accident Authority Third Party	5,579	8,292
3	25	Patient Transport Fees	3	25
189	145	Private Use of Motor Vehicles	189	145
778	751	Salary Packaging Fee	778	751
12,639	12,853	Hosted Services Provided to Other NSW Health Entities	12,639	12,853
5,344	4,757	Services Provided to Non NSW Health Organisations	5,344	4,757
131	----	Shared Corporate Services	131	----
4,874	97	Other	4,874	97
203,417	198,290		203,417	198,290
10. Investment Revenue				
5,444	5,912	Interest	5,973	6,566
115	116	Other	115	116
5,559	6,028		6,088	6,682

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
11. Grants and Contributions				
5,910	5,139	Clinical Drug Trials	5,910	5,139
11,946	13,036	Commonwealth Government Grants	11,946	13,036
9,094	4,473	Industry Contributions/Donations	9,364	4,701
4,966	3,685	Cancer Institute Grants	4,966	3,834
2,747	2,517	NSW Government Grants	2,747	2,517
4,280	4,257	Grants from Other NSW Health Entities	4,280	5,330
2,387	2,180	Research Grants	8,189	8,294
2,666	4,349	Other Grants	2,666	4,349
<u>43,996</u>	<u>39,636</u>		<u>50,068</u>	<u>47,200</u>
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	9,472	9,997
-----	-----	Long Service Leave	49,803	43,190
<u>-----</u>	<u>-----</u>		<u>59,275</u>	<u>53,187</u>
13. Other Revenue				
Other Revenue comprises the following:-				
5	-----	Bad Debts Recovered	5	-----
178	231	Commissions	178	231
941	1,184	Conference and Training Fees	941	1,184
104	-----	Discounts	104	-----
367	120	Insurance Refunds	367	120
4,372	3,996	Lease and Rental	4,372	3,996
62	-----	Property not Previously Recognised	62	-----
23	14	Sale of Merchandise, Old Wares and Books	23	14
684	296	Sponsorship	684	296
17,071	5,668	Treasury Managed Fund Hindsight Adjustment	17,071	5,668
-----	6	Unclaimed Deposits	-----	6
4,046	898	Other	6,240	2,261
<u>27,853</u>	<u>12,413</u>		<u>30,047</u>	<u>13,776</u>

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		
11,509	10,038	Property, Plant and Equipment	11,702	10,186
<u>(11,120)</u>	<u>(8,830)</u>	Accumulated Depreciation	<u>(11,286)</u>	<u>(8,960)</u>
389	1,208	Written Down Value	416	1,226
282	91	Proceeds from Disposal	282	91
		Gain/(Loss) on Disposal of		
<u>(107)</u>	<u>(1,117)</u>	Property, Plant and Equipment	<u>(134)</u>	<u>(1,135)</u>
		Total Gain/(Loss) on Disposal		
<u>(107)</u>	<u>(1,117)</u>		<u>(134)</u>	<u>(1,135)</u>
		15. Other Gains / (Losses)		
(5,334)	(5,854)	Impairment of Receivables	(5,334)	(5,854)
<u>(5,334)</u>	<u>(5,854)</u>		<u>(5,334)</u>	<u>(5,854)</u>

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

PARENT

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current year for which expenditure in the manner specified had not occurred as at reporting date	28,688	8,734	1,614	39,036
Contributions recognised in previous years which were not expended in the current reporting period	53,837	33,136	46,656	133,629
Total amount of unexpended contributions as at reporting date	82,525	41,870	48,270	172,665

Comment on restricted assets appears in Note 26

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

CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	31,085	15,142	1,614	47,841
Contributions recognised in previous years which were not expended in the current reporting period	76,144	33,465	46,656	156,265
Total amount of unexpended contributions as at reporting date	107,229	48,607	48,270	204,106

Comment on restricted assets appears in Note 26

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

17. Service Groups of the SLHD

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 SLHD

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.

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
18. Cash and Cash Equivalents				
79,982	77,062	Cash at Bank and On Hand	88,987	78,545
99,818	99,231	Short Term Deposits	111,318	118,125
<u>179,800</u>	<u>176,293</u>		<u>200,305</u>	<u>196,670</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>179,800</u>	<u>176,293</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>200,305</u>	<u>196,670</u>
<u>179,800</u>	<u>176,293</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>200,305</u>	<u>196,670</u>

Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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
		19. Receivables		
		Current		
35,015	37,890	Sale of Goods and Services	36,646	38,783
8,636	10,382	Intra Health Receivables	8,636	9,929
3,503	2,746	Goods and Services Tax	3,340	2,656
9,833	2,222	Other Debtors	9,869	2,286
<u>56,987</u>	<u>53,240</u>	Sub Total	<u>58,491</u>	<u>53,654</u>
(5,594)	(7,315)	Less Allowance for Impairment	(5,594)	(7,315)
51,393	45,925	Sub Total	52,897	46,339
1,699	1,958	Prepayments	1,768	2,084
<u>53,092</u>	<u>47,883</u>		<u>54,665</u>	<u>48,423</u>
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(5,949)	(2,801)	Balance at Commencement of Reporting Period	(5,949)	(2,801)
6,317	2,331	Amounts written off during the period	6,317	2,331
(5,128)	(5,479)	(Increase)/decrease in Allowance Recognised in the Net Result	(5,128)	(5,479)
<u>(4,760)</u>	<u>(5,949)</u>	Balance at 30 June	<u>(4,760)</u>	<u>(5,949)</u>
		b) Movement in the Allowance for Impairment		
		Other Debtors		
(1,366)	(1,104)	Balance at Commencement of Reporting Period	(1,366)	(1,104)
738	113	Amounts written off during the period	738	113
(206)	(375)	(Increase)/decrease in Allowance Recognised in the Net Result	(206)	(375)
<u>(834)</u>	<u>(1,366)</u>	Balance at 30 June	<u>(834)</u>	<u>(1,366)</u>
<u>(5,594)</u>	<u>(7,315)</u>		<u>(5,594)</u>	<u>(7,315)</u>
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
4,871	5,670	Patient Fees - Compensable	4,871	5,670
0,239	14,504	Patient Fees - Ineligible	0,239	14,504
11,260	11,013	Patient Fees - Inpatient & Other	11,260	11,013
<u>24,370</u>	<u>31,247</u>		<u>24,370</u>	<u>31,247</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

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				
5,592	4,808	Drugs	5,592	4,808
1,625	810	Medical and Surgical Supplies	1,625	810
<u>7,217</u>	<u>5,618</u>		<u>7,217</u>	<u>5,618</u>
21. Financial Assets at Fair Value				
Current				
-----	-----	NSW Treasury Corporation - Hour-Glass Investment Facilities	-----	402
<u>-----</u>	<u>-----</u>		<u>-----</u>	<u>402</u>

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. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,975,341	1,615,652	Gross Carrying Amount	1,988,891	1,628,881
848,995	692,093	Less: Accumulated Depreciation and Impairment	854,427	696,712
<u>1,126,346</u>	<u>923,559</u>	Net Carrying Amount	<u>1,134,464</u>	<u>932,169</u>
Plant and Equipment - Fair Value*				
204,665	187,858	Gross Carrying Amount	210,252	192,604
126,911	124,924	Less: Accumulated Depreciation and Impairment	129,864	127,677
<u>77,754</u>	<u>62,934</u>	Net Carrying Amount	<u>80,388</u>	<u>64,927</u>
Infrastructure Systems - Fair Value				
500	466	Gross Carrying Amount	500	466
57	24	Less: Accumulated Depreciation and Impairment	57	24
<u>443</u>	<u>442</u>	Net Carrying Amount	<u>443</u>	<u>442</u>
Leasehold Improvements - Fair Value*				
690	----	Gross Carrying Amount	690	----
263	----	Less: Accumulated Depreciation and Impairment	263	----
<u>427</u>	<u>----</u>	Net Carrying Amount	<u>427</u>	<u>----</u>
Total Property, Plant and Equipment				
<u>1,204,970</u>	<u>986,935</u>	At Net Carrying Amount	<u>1,215,722</u>	<u>997,538</u>

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

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

PARENT

22. Property, Plant and Equipment - Reconciliation

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	311,644	611,915	62,934	442	----	986,935
Additions	----	13,701	26,461	----	690	40,852
Disposals	----	----	(389)	----	----	(389)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	848	----	----	848
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	39,656	183,568	----	13	----	223,237
Depreciation Expense	----	(34,138)	(12,100)	(12)	(263)	(46,513)
Reclassifications	----	----	----	----	----	----
Net carrying amount at end of year	351,300	775,046	77,754	443	427	1,204,970

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2015						
Net carrying amount at start of year	301,338	621,758	56,168	450	----	979,714
Additions	----	14,902	17,341	----	----	32,243
Disposals	----	(763)	(444)	----	----	(1,207)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	973	----	----	973
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	10,306	5,643	----	4	----	15,953
Depreciation Expense	----	(28,796)	(11,933)	(12)	----	(40,741)
Reclassifications	----	(829)	829	----	----	----
Net carrying amount at end of year	311,644	611,915	62,934	442	0	986,935

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the SLHD [see note 1(j)].

(ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(m).

(iii) For land, buildings infrastructure systems and Other Assets the SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
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CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	311,644	620,525	64,927	442	----	997,538
Additions	----	13,701	27,494	----	690	41,885
Disposals	----	----	(416)	----	----	(416)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	848	----	----	848
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	39,655	183,534	----	13	----	223,202
Depreciation Expense	----	(34,595)	(12,465)	(12)	(263)	(47,335)
Reclassifications	----	----	----	----	----	----
Net carrying amount at end of year	351,299	783,165	80,388	443	427	1,215,722
2015						
Net carrying amount at start of year	301,338	630,731	58,137	450	----	990,656
Additions	----	14,901	17,718	----	----	32,619
Disposals	----	(764)	(463)	----	----	(1,227)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	972	----	----	972
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	10,306	5,731	----	4	----	16,041
Depreciation Expense	----	(29,245)	(12,266)	(12)	----	(41,523)
Reclassifications	----	(829)	829	----	----	----
Net carrying amount at end of year	311,644	620,525	64,927	442	0	997,538

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the SLHD [see note 1(j)].

(ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(m).

(iii) For land, buildings infrastructure systems and Other Assets the SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
23. Intangible Assets				
		Intangibles		
789	673	Cost (Gross Carrying Amount)	789	673
130	38	Less Accumulated Amortisation and Impairment	130	38
<u>659</u>	<u>635</u>	Net Carrying Amount	<u>659</u>	<u>635</u>
<u>659</u>	<u>635</u>	Total Intangible Assets at Net Carrying Amount	<u>659</u>	<u>635</u>

PARENT

23. Intangibles - Reconciliation

	Intangibles \$000	Total \$000
2016		
Net Carrying Amount at Start of Year	635	635
Additions from Internal Development or Acquired Separately	117	117
Amortisation (Recognised in Depreciation and Amortisation)	(93)	(93)
Net Carrying Amount at End of Year	659	659

	Intangibles \$000	Total \$000
2015		
Net Carrying Amount at Start of Reporting Period	76	76
Additions from Internal Development or Acquired Separately	582	582
Amortisation (Recognised in Depreciation and Amortisation)	(23)	(23)
Net Carrying Amount at End of Year	635	635

Sydney Local Health District
Notes to and forming part of the Financial Statements
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CONSOLIDATION

23. Intangibles - Reconciliation

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	635	635
Additions (From Internal Development or Acquired Separately)	117	117
Amortisation (Recognised in Depreciation and Amortisation)	(93)	(93)
Net carrying amount at end of year	659	659

	Intangibles \$000	Total \$000
2015		
Net carrying amount at start of year	76	76
Additions (From Internal Development or Acquired Separately)	582	582
Amortisation (Recognised in Depreciation and Amortisation)	(23)	(23)
Net carrying amount at end of year	635	635

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
		24. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 1(a))		
2,501	1,497		2,501	1,497
2,501	1,497		2,501	1,497

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

PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	9,697	1,099,811	1,109,508
- Infrastructure Systems	----	----	443	443
Other Assets (Note 24) Emerging Assets	----	----	2,501	2,501
	-----	-----	-----	-----
	----	9,697	1,102,755	1,112,452
	=====	=====	=====	=====
CONSOLIDATION				
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	9,697	1,107,930	1,117,627
- Infrastructure Systems	----	----	443	443
Other Assets (Note 24) Emerging Assets	----	----	2,501	2,501
	-----	-----	-----	-----
	----	9,697	1,110,874	1,120,571
	=====	=====	=====	=====

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

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

PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	399,357	520,980	920,337
- Infrastructure Systems	----	----	442	442
Other Assets (Note 24) Emerging Assets	----	----	1,497	1,497
	-----	-----	-----	-----
	----	<u>399,357</u>	<u>522,919</u>	<u>922,276</u>
CONSOLIDATION				
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	399,357	529,590	928,947
- Infrastructure Systems	----	----	442	442
Other Assets (Note 24) Emerging Assets	----	----	1,497	1,497
	-----	-----	-----	-----
	----	<u>399,357</u>	<u>531,529</u>	<u>930,886</u>

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

Work in Progress and Newly Completed Projects is carried at cost, therefore excluded from figures above and as a result will not agree to Note 22.

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

PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings, infrastructure systems and Other Assets the SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 22 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.

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

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

25. 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
PARENT				
Fair value as at 1 July 2015	520,980	442	1,497	522,919
Additions	62	----	1,004	1,066
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	220,375	13	----	220,388
Transfers from Level 2	391,552	----	----	391,552
Transfers to Level 2	(248)	----	----	(248)
Depreciation	(32,910)	(12)	----	(32,922)
Fair value as at 30 June 2016	<u>1,099,811</u>	<u>443</u>	<u>2,501</u>	<u>1,102,755</u>
CONSOLIDATION				
Fair value as at 1 July 2015	529,590	442	1,497	531,529
Additions	62	----	1,004	1,066
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	220,340	13	----	220,353
Transfers from Level 2	391,552	----	----	391,552
Transfers to Level 2	(248)	----	----	(248)
Depreciation	(33,366)	(12)	----	(33,378)
Fair value as at 30 June 2016	<u>1,107,930</u>	<u>443</u>	<u>2,501</u>	<u>1,110,874</u>

Transfers from/to Level 2 mainly relate to assets which have, in current year been subject to asset revaluations consistent with the specialised nature/use of the assets.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2015	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2014	542,901	450	1,497	544,848
Additions	----	----	54	54
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	5,291	4	(54)	5,241
Depreciation	(27,212)	(12)	----	(27,224)
Fair value as at 30 June 2015	<u>520,980</u>	<u>442</u>	<u>1,497</u>	<u>522,919</u>
CONSOLIDATION				
Fair value as at 1 July 2014	551,873	450	1,497	553,820
Additions	----	----	54	54
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	5,379	4	(54)	5,329
Depreciation	(27,662)	(12)	----	(27,674)
Fair value as at 30 June 2015	<u>529,590</u>	<u>442</u>	<u>1,497</u>	<u>531,529</u>

Transfers from/to Level 2 mainly relate to assets which have, in current year been subject to asset revaluations consistent with the specialised nature/use of the assets.

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. Restricted Assets		
<p style="margin-left: 40px;">The SLHD'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				
82,525	83,355	Specific Purposes	107,229	107,284
41,870	40,688	Research Grants	48,607	47,903
48,270	53,584	Private Practice Funds	48,270	53,584
172,665	177,627		204,106	208,771
172,665	177,627		204,106	208,771

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		27. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	17,332	24,881
----	----	Taxation and Payroll Deductions	5,730	1,256
23,063	26,139	Accrued Liability - Purchase of Personnel Services	----	----
42,606	33,514	Creditors	42,595	33,513
		Other Creditors		
14,860	13,278	- Intra Health Liability	14,860	13,278
2,615	7,055	- Other	2,855	7,055
<u>83,144</u>	<u>79,986</u>		<u>83,372</u>	<u>79,983</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 39.

		28. Borrowings		
		Current		
----	217	Other Loans and Deposits	----	217
----	<u>217</u>		----	<u>217</u>

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 39.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		29. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	94,491	93,938
----	----	Annual Leave - Long Term Benefit	58,250	55,825
----	----	Long Service Leave Consequential On-Costs	22,978	20,045
21,750	21,750	Other	21,750	21,750
175,109	169,082	Provision for Personnel Services Liability	----	----
<u>196,859</u>	<u>190,832</u>		<u>197,469</u>	<u>191,558</u>
		Non-Current		
1,998	1,743	Long Service Leave Consequential On-Costs	1,998	1,743
<u>1,998</u>	<u>1,743</u>		<u>1,998</u>	<u>1,743</u>
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	175,719	169,808
----	----	Provisions - Non-Current	1,998	1,743
----	----	Accrued Salaries, Wages and On-Costs (Note 27)	23,062	26,137
200,170	196,964	Liability - Purchase of Personnel Services	----	----
<u>200,170</u>	<u>196,964</u>		<u>200,779</u>	<u>197,688</u>
		30. Other Liabilities		
		Current		
137	36	Income in Advance	684	86
<u>137</u>	<u>36</u>		<u>684</u>	<u>86</u>

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

PARENT			CONSOLIDATION	
2016	2015	31. Commitments for Expenditure	2016	2015
\$000	\$000		\$000	\$000
		a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, leasehold improvements and intangible assets, contracted for at balance date and not provided for:		
		Not later than one year	12,967	1,539
12,967	1,539	Later than one year and not later than five years	110	-----
110	-----		-----	-----
<u>13,077</u>	<u>1,539</u>	Total Capital Expenditure Commitments (Including GST)	<u>13,077</u>	<u>1,539</u>
		b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	7,371	7,292
7,371	7,292	Later than one year and not later than five years	11,276	18,874
11,276	18,874	Later than five years	-----	2,592
-----	2,592		-----	-----
<u>18,647</u>	<u>28,758</u>	Total Operating Lease Commitments (Including GST)	<u>18,647</u>	<u>28,758</u>

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

c) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$31.724 million as at 30 June 2016 includes input tax credits of \$2.884 million that are expected to be recoverable from the Australian Taxation Office (2015 \$2.754 million).

Sydney Local Health District
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PARENT & CONSOLIDATION

32. Trust Funds

The SLHD holds trust funds of \$14.4 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 SLHD 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	136	158	3,315	4,497	13,532	10,615	16,983	15,270
Restructures -Transfers In/(Out)	-----	-----	-----	-----	-----	-----	-----	-----
Revenue	199	215	781	465	37,235	42,890	38,215	43,570
Expenses	(194)	(237)	(1,607)	(1,647)	(39,038)	(39,973)	(40,839)	(41,857)
Balance at the end of the financial year	141	136	2,489	3,315	11,729	13,532	14,359	16,983

Sydney Local Health District
Notes to and forming part of the Financial Statements
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33. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

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

b) Other

Damages

A claim was made against the former Central Sydney Area Health Service (now SLHD) by the lessee of a property owned by the District on the Royal Prince Alfred Hospital (RPAH) campus, on which the lessee had agreed to construct a carpark and private hospital to be operated by the lessee. The lessee sought damages principally because it claimed its failure to commence construction of the hospital and to complete the carpark was caused by the former Area Health Service. That claim failed, however the lessee successfully sought to be restored to possession and is claiming substantial damages for having been kept out of possession. SLHD also has a cross-claim for damages. The matters are before the court. The contingent liability is not able to be reliably quantified at this time.

34. Joint Arrangements

The interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the entity is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the statement of comprehensive income and the statement of changes in equity.

Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
35. Reconciliation of Cash Flows from Operating Activities to Net Result				
44,326	21,721	Net Cash Flows from Operating Activities	45,085	23,424
(46,606)	(40,764)	Depreciation and Amortisation	(47,428)	(41,546)
(5,334)	(5,854)	Allowance for Impairment	(5,334)	(5,854)
(101)	104	(Increase)/ Decrease Income in Advance	(598)	54
(6,283)	(25,958)	(Increase)/ Decrease in Provisions	(6,166)	(26,032)
13,633	9,980	Increase / (Decrease) in Prepayments and Other Assets	14,779	9,764
(2,773)	(74)	(Increase)/ Decrease in Payables from Operating Activities	(3,118)	165
----	----	Revaluation of Property, Plant and Equipment recognised in "Other gains/(losses)"	----	----
(107)	(1,117)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(134)	(1,135)
62	----	Assets donated or brought to account for the first time	62	----
<u>(3,183)</u>	<u>(41,962)</u>	Net Result	<u>(2,852)</u>	<u>(41,160)</u>

36. 2015/16 Voluntary Services

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

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

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
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38. Adjusted Budget Review - Parent and Consolidated

Net Result

In accordance with the Ministry of Health's Performance Framework SLHD has been rated at Performance Level 0 for the entire twelve months to the end of 30 June 2016. This performance is a continuation of the monthly rating achieved for the previous two financial years.

As at 30 June 2016 the District's Consolidated Net Result is \$19.203M favourable to budget. The Parent result was \$18.872M favourable to budget.

Assets and Liabilities

As at 30 June 2016 SLHD Consolidation had Current Assets of \$262.187M and Current Liabilities of \$281.525M. Non Current Assets totalled \$1,218.882M and Non Current Liabilities were \$1.998M. During 2015/16 the value of SLHD's land and buildings were revalued by an independent valuer. This financial year the District has continued to record an emerging asset for a building situated on the District's land that is owned and operated by Lifehouse Australia. Overall SLHD has a sound asset base with Net Assets of \$1,197.546M.

Cash Flows

At Consolidation level, SLHD's net increase in Cash and Cash Equivalents for the 2015/16 financial year was \$3.635M. This comprised a net increase in cash flows from Operating activities of \$45.085M, a net decrease in cash flows from Investing activities of \$41.226M and a net decrease in cash flows from Financial activities of \$0.224M. The decrease in cash flows from Investing activities reflected a range of capital works and assets purchases including the da Vinci Robot at RPA (\$4.191M), CRGH Animal House (\$4.560M), CRGH Interventional Hybrid Vascular Theatre (\$3.555M), SLHD Aged Care / Rehab Network (\$0.987M), RPA Institute of Academic Surgery (\$3.947M), RPA Radiology Replacement Equipment (\$5.558M) and Sydney Dental Hospital L4 Refurbishment (\$2.283M). There was also expenditure on Minor Works and Equipment greater than \$10,000 (\$13.931M) and various works (\$1.618M) relating to lifts upgrade, redevelopment costs and expansion of the wireless network.

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

	\$000
Initial Allocation	1,135,505
Growth Allocation - as per Schedule C Initial budget 15/16	57,599
Ministerial Approved NGO Grants Drug Summit 4	1,204
2015-16 Integrated Care Demonstrator Program AND and Planning and Innovation Fund	1,151
Level 1 (PDY) Radiography Position	120
Nurse and Midwifery Initiatives 2015-16	711
Restricted Asset SP&T Budget Allocation 2015-16	1,096
2014-15 Nursing Enhancements	225
NSW Aged Care Assessment Program (ACAP) Funding Allocation 2015-16	257
2015-16 Budget Supplementation-Lifehouse	14,308
Tissue Typing for Transplantation	1,134
2015-16 TMF Budget Adjustments	(245)
Drug Summit 4	2,007
Peak Activity Team Initiative 2015-16	240
Transfer NPA project funds	1,000
Palliative Care Flexible Funding Pool	182
Whole of Health Budget Supplementation	180
Living Well-NSW Mental Health Reform Funded Projects	733
Tertiary Eating Disorder Outreach Service	210
Bed Replacement Program Initiative 2015-16	2,422
Service Support for Mr Phillip Crewes	100
Workplace Culture and Safety	288
Peak Activity Strategies and Initiatives	200
S100 Highly Specialised Drugs Co-payments	430
Chris O'Brien Lifehouse JMO	2,100

Sydney Local Health District
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Quality and Appropriateness Adjustors	421
Nursing and Midwifery Enhancements	128
Pelvic Exenteration	1,500
Concord Hospital - Superannuation	3,214
Other	593
Subtotal	<hr/> 1,229,013
NSW Ministry of Health cash assistance allocation	10,070
Balance as per Statement of Comprehensive Income	<hr/> <hr/> 1,239,083

Sydney Local Health District
Notes to and forming part of the Financial Statements
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39. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the SLHD, 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

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2016 \$000	2015 \$000
Cash and Cash Equivalents (note 18)	N/A	179,800	176,293
Receivables (note 19)*	Loans and receivables (at amortised cost)	47,890	43,179
Total Financial Assets		227,690	219,472
Financial Liabilities			
Borrowings (note 28)		----	217
Payables (note 27)**	Financial liabilities measured at amortised cost	77,414	78,730
Total Financial Liabilities		77,414	78,947

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)

Sydney Local Health District
Notes to and forming part of the Financial Statements
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**39. Financial Instruments
CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2016 \$000	2015 \$000
Cash and Cash Equivalents (note 18)	N/A	200,305	196,670
Receivables (note 19)*	Loans and receivables (at amortised cost)	49,557	43,683
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	----	402
Total Financial Assets		249,862	240,755
Financial Liabilities			
Borrowings (note 28)		----	217
Payables (note 27)**	Financial liabilities measured at amortised cost	77,642	78,727
Total Financial Liabilities		77,642	78,944

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

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

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 2.60% to 2.85% in 2015/16 compared to 2.85% to 3.35% in the previous year.

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

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the SLHD 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 SLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016: \$43.566M; 2015: \$28.447M) and not more than 3 months past due (2016: \$6.199M; 2015: \$6.267M) are not considered impaired. Together these represent 79% 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 SLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Sydney Local Health District
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39. Financial Instruments

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.

PARENT

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	6,199	6,199	-----
3 months - 6 months overdue	5,479	5,479	-----
> 6 months overdue	6,107	513	5,594
2015			
<3 months overdue	6,267	6,267	-----
3 months - 6 months overdue	7,956	7,956	-----
> 6 months overdue	8,328	1,013	7,315

CONSOLIDATION

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	6,199	6,199	-----
3 months - 6 months overdue	5,479	5,479	-----
> 6 months overdue	6,107	513	5,594
2015			
<3 months overdue	6,267	6,267	-----
3 months - 6 months overdue	7,956	7,956	-----
> 6 months overdue	8,328	1,013	7,315

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.

Sydney Local Health District
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39. Financial Instruments

(c) Liquidity Risk

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

The SLHD 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 SLHD 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 SLHD 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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39. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

PARENT	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Interest Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		----	----	----	----	----	----	----
- Creditors		77,414	----	----	77,414	77,414	----	----
Borrowings:								
- Other Loans and Deposits	0.00%	----	----	----	----	----	----	----
		<u>77,414</u>	----	----	<u>77,414</u>	<u>77,414</u>	----	----
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		----	----	----	----	----	----	----
- Creditors		78,730	----	----	78,730	78,730	----	----
Borrowings:								
- Other Loans and Deposits	0.00%	224	----	----	224	224	----	----
		<u>78,954</u>	----	----	<u>78,954</u>	<u>78,954</u>	----	----
CONSOLIDATION								
	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Interest Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		17,332	----	----	17,332	17,332	----	----
- Creditors		60,310	----	----	60,310	60,310	----	----
Borrowings:								
- Other Loans and Deposits	0.00%	----	----	----	----	----	----	----
		<u>77,642</u>	----	----	<u>77,642</u>	<u>77,642</u>	----	----
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		24,881	----	----	24,881	24,881	----	----
- Creditors		53,846	----	----	53,846	53,846	----	----
Borrowings:								
- Other Loans and Deposits	0.00%	224	----	----	224	224	----	----
		<u>78,951</u>	----	----	<u>78,951</u>	<u>78,951</u>	----	----

Notes:

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

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

Interest rate risk

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

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

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The SLHD 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 SLHD's exposure to interest rate risk is set out below.

PARENT	Carrying	-1%		+1%	
	Amount	Net	Equity	Net	Equity
	\$000	Result	\$000	Result	\$000
		\$000		\$000	
2016					
Financial Assets					
Cash and Cash Equivalents	179,800	(1,798)	(1,798)	1,798	1,798
Receivables	47,890	----	----	----	----
Financial Liabilities					
Payables	77,414	----	----	----	----
Borrowings	----	----	----	----	----
2015					
Financial Assets					
Cash and Cash Equivalents	176,203	(1,763)	(1,763)	1,763	1,763
Receivables	43,179	----	----	----	----
Financial Liabilities					
Payables	78,730	----	----	----	----
Borrowings	217	2	2	(2)	(2)

Sydney Local Health District
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CONSOLIDATION	Carrying Amount \$000 \$000	-1% Net Result \$000	Equity \$000	+1% Net Result \$000	Equity \$000
2016					
Financial Assets					
Cash and Cash Equivalents	200,305	(2,003)	(2,003)	2,003	2,003
Receivables	49,557	----	----	----	----
Financial Assets at Fair Value	----	----	----	----	----
Financial Liabilities					
Payables	77,642	----	----	----	----
Borrowings	----	----	----	----	----
2015					
Financial Assets					
Cash and Cash Equivalents	196,670	(1,967)	(1,967)	1,967	1,967
Receivables	43,683	----	----	----	----
Financial Assets at Fair Value	402	(4)	(4)	4	4
Financial Liabilities					
Payables	78,727	----	----	----	----
Borrowings	217	2	2	(2)	(2)

Sydney Local Health District
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Other price risk - TCorp Hour-Glass Investment facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The SLHD has no direct equity investments. The SLHD holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2016 \$000	2015 \$000
Cash facility	Cash and money market instruments	Up to 1.5 years	24,921	22,875
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	-----	402

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

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

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

Impact on net result	Change in unit price	2016	2015
		\$000	\$000
Hour-Glass Investment - Cash facility	+/- 1%	249	229
Hour-Glass Investment - Medium-term growth facility	+/- 7% (PY +/- 6%)	-----	24

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

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

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

Sydney Local Health District
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(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	-----	24,921	-----	24,921
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	23,277	-----	23,277

(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 SLHD'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.

40. 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 \$7.661M 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