

South Western Sydney Local Health District

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

South Western Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of South Western Sydney Local Health District (the District), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and service group statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of matter

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

Chief Executive's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

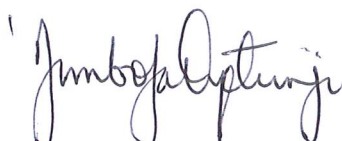
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

1 September 2016
SYDNEY

**South Western Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2016**

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

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


Amanda Larkin
Chief Executive
31st August, 2016


Ross Sinclair
Director Finance
31st August, 2016

South Western Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2016

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual			
2016 \$000	2016 \$000	2015 \$000			2016 \$000	2016 \$000	2015 \$000			
			Expenses excluding losses							
			Operating Expenses							
			Employee Related	2	1,055,892	1,060,875	1,002,122			
1,001,843	1,006,588	953,507	Personnel Services	3	-----	-----	-----			
74,226	74,229	71,645	Visiting Medical Officers		74,226	74,229	71,645			
437,188	436,582	400,085	Other Operating Expenses	4	437,188	436,582	400,085			
61,274	61,356	53,494	Depreciation and Amortisation	1(m), 5	61,274	61,356	53,494			
10,124	9,466	10,600	Grants and Subsidies	6	10,124	9,466	10,600			
4,773	2,361	2,466	Finance Costs	1(g), 7	4,773	2,361	2,466			
29,639	29,645	28,534	Payments to Affiliated Health Organisations	8	29,639	29,645	28,534			
<u>1,619,067</u>	<u>1,620,227</u>	<u>1,520,331</u>	Total Expenses excluding losses		<u>1,673,116</u>	<u>1,674,514</u>	<u>1,568,946</u>			
			Revenue							
1,347,327	1,347,327	1,271,095	NSW Ministry of Health Recurrent Allocations	1(h)	1,347,327	1,347,327	1,271,095			
16,900	16,951	32,267	NSW Ministry of Health Capital Allocations	1(h)	16,900	16,951	32,267			
-----	-----	-----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 12	54,049	54,287	48,615			
180,049	177,626	160,339	Sale of Goods and Services	9	180,049	177,626	160,339			
1,275	1,275	2,093	Investment Revenue	10	1,275	1,275	2,093			
34,468	33,747	36,709	Grants and Contributions	11	34,468	33,747	36,709			
18,357	15,749	5,931	Other Revenue	13	18,357	15,749	5,931			
<u>1,598,376</u>	<u>1,592,675</u>	<u>1,508,434</u>	Total Revenue		<u>1,652,425</u>	<u>1,646,962</u>	<u>1,557,049</u>			
582	4,668	(157)	Gain / (Loss) on Disposal	14	582	4,668	(157)			
(2,262)	(738)	(2,236)	Other Gains / (Losses)	15	(2,262)	(738)	(2,236)			
<u>(22,371)</u>	<u>(23,622)</u>	<u>(14,290)</u>	Net Result	33	<u>(22,371)</u>	<u>(23,622)</u>	<u>(14,290)</u>			
			Other Comprehensive Income							
			Items that will not be reclassified to net result							
			Net Increase/(Decrease) in Property, Plant &							
126,070	-----	17,682	Equipment Revaluation Surplus	21	126,070	-----	17,682			
<u>126,070</u>	<u>-----</u>	<u>17,682</u>	Total Other Comprehensive Income		<u>126,070</u>	<u>-----</u>	<u>17,682</u>			
<u>103,699</u>	<u>(23,622)</u>	<u>3,392</u>	TOTAL COMPREHENSIVE INCOME		<u>103,699</u>	<u>(23,622)</u>	<u>3,392</u>			

The accompanying notes form part of these financial statements.

**South Western 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	2016	2015					2016	2016	2015
\$000	\$000	\$000					\$000	\$000	\$000
ASSETS									
Current Assets									
61,463	66,964	68,122	Cash and Cash Equivalents		18	61,463	66,964	68,122	
56,714	59,752	34,080	Receivables		19	56,714	59,752	34,080	
4,260	4,046	4,045	Inventories		20	4,260	4,046	4,045	
<u>122,437</u>	<u>130,762</u>	<u>106,247</u>				<u>122,437</u>	<u>130,762</u>	<u>106,247</u>	
1,878	1,813	1,000	Non-Current Assets Held for Sale		23	1,878	1,813	1,000	
124,315	132,575	107,247	Total Current Assets			124,315	132,575	107,247	
Non-Current Assets									
1,215	1,260	1,260	Receivables		19	1,215	1,260	1,260	
1,245,940	1,249,618	1,133,226	Property, Plant & Equipment						
73,937	65,884	73,235	- Land and Buildings		21	1,245,940	1,249,618	1,133,226	
13,017	12,342	11,315	- Plant and Equipment		21	73,937	65,884	73,235	
876	806	941	- Infrastructure Systems		21	13,017	12,342	11,315	
1,333,770	1,328,650	1,218,717	- Leasehold Improvements		21	876	806	941	
391	513	513	Total Property, Plant & Equipment			1,333,770	1,328,650	1,218,717	
<u>1,335,376</u>	<u>1,330,423</u>	<u>1,220,490</u>	Intangible Assets		22	391	513	513	
1,459,691	1,462,998	1,327,737	Total Non-Current Assets			1,335,376	1,330,423	1,220,490	
			Total Assets			1,459,691	1,462,998	1,327,737	
LIABILITIES									
Current Liabilities									
77,931	79,926	87,879	Payables		26	77,931	79,926	87,879	
5,405	5,105	4,757	Borrowings		27	5,405	5,105	4,757	
183,457	181,250	178,345	Provisions		28	183,457	181,250	178,345	
585	604	604	Other		29	585	604	604	
<u>267,378</u>	<u>266,885</u>	<u>271,585</u>	Total Current Liabilities			<u>267,378</u>	<u>266,885</u>	<u>271,585</u>	
Non-Current Liabilities									
58,906	63,957	26,696	Borrowings		27	58,906	63,957	26,696	
1,749	1,749	1,497	Provisions		28	1,749	1,749	1,497	
<u>60,655</u>	<u>65,706</u>	<u>28,193</u>	Total Non-Current Liabilities			<u>60,655</u>	<u>65,706</u>	<u>28,193</u>	
328,033	332,591	299,778	Total Liabilities			328,033	332,591	299,778	
1,131,658	1,130,407	1,027,959	Net Assets			1,131,658	1,130,407	1,027,959	
EQUITY									
253,541	254,373	128,303	Reserves			253,541	254,373	128,303	
878,117	876,034	899,656	Accumulated Funds			878,117	876,034	899,656	
<u>1,131,658</u>	<u>1,130,407</u>	<u>1,027,959</u>	Total Equity			<u>1,131,658</u>	<u>1,130,407</u>	<u>1,027,959</u>	

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 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
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
				(1,020,626)	(1,027,028)	(949,779)
(43,607)	(42,955)	(42,826)		(43,607)	(42,955)	(42,826)
(2,361)	(2,361)	(2,466)		(2,361)	(2,361)	(2,466)
(1,581,644)	(1,591,851)	(1,471,079)		(561,018)	(564,823)	(521,300)
<u>(1,627,612)</u>	<u>(1,637,167)</u>	<u>(1,516,371)</u>		<u>(1,627,612)</u>	<u>(1,637,167)</u>	<u>(1,516,371)</u>
Total Payments						
Receipts						
1,347,327	1,347,327	1,271,095		1,347,327	1,347,327	1,271,095
16,900	16,951	32,267		16,900	16,951	32,267
14,009	14,009	11,811		14,009	14,009	11,811
174,929	179,520	162,495		174,929	179,520	162,495
1,275	1,275	2,093		1,275	1,275	2,093
36,452	35,731	38,867		36,452	35,731	38,867
47,365	44,684	50,785		47,365	44,684	50,785
<u>1,638,257</u>	<u>1,639,497</u>	<u>1,569,413</u>		<u>1,638,257</u>	<u>1,639,497</u>	<u>1,569,413</u>
<u>10,645</u>	<u>2,330</u>	<u>53,042</u>		<u>10,645</u>	<u>2,330</u>	<u>53,042</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
6,472	5,699	65		6,472	5,699	65
(21,381)	(11,543)	(43,731)		(21,381)	(11,543)	(43,731)
<u>(14,909)</u>	<u>(5,844)</u>	<u>(43,666)</u>		<u>(14,909)</u>	<u>(5,844)</u>	<u>(43,666)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
(2,395)	2,356	(882)		(2,395)	2,356	(882)
<u>(2,395)</u>	<u>2,356</u>	<u>(882)</u>		<u>(2,395)</u>	<u>2,356</u>	<u>(882)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES						
(6,659)	(1,158)	8,494		(6,659)	(1,158)	8,494
68,122	68,122	59,628		68,122	68,122	59,628
<u>61,463</u>	<u>66,964</u>	<u>68,122</u>		<u>61,463</u>	<u>66,964</u>	<u>68,122</u>
NET INCREASE / (DECREASE) IN CASH						
Opening Cash and Cash Equivalents						
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

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

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2015		899,656	128,303	1,027,959
Total Equity at 1 July 2015		899,656	128,303	1,027,959
Net Result for the year		(22,371)	----	(22,371)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	126,070	126,070
Transfers on Disposal		832	(832)	----
Total Other Comprehensive Income		832	125,238	126,070
Total Comprehensive Income for the year		(21,539)	125,238	103,699
Balance at 30 June 2016		878,117	253,541	1,131,658
Balance at 1 July 2014		913,946	110,621	1,024,567
Total Equity at 1 July 2014		913,946	110,621	1,024,567
Net Result for the year		(14,290)	----	(14,290)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	17,682	17,682
Total Other Comprehensive Income		----	17,682	17,682
Total Comprehensive Income for the year		(14,290)	17,682	3,392
Balance at 30 June 2015		899,656	128,303	1,027,959

The accompanying notes form part of these financial statements.

South Western 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	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	2,943	2,879	25	102	9,429	9,561	5,672	6,810	31,312	35,461	5,227	5,753	4,998	6,161	912	684	945	701						
Receivables	253	40			12,711	6,387	1,852	750	32,866	22,884	1,945	793	6,475	3,259	223	149	389	37						
Inventories	140	80			865	849	348	382	2,191	2,182	233	197	337	295	47	33	69	23						
Non-Current Assets Held for Sale	86	28			300	172	217	123	997	525	143	64	121	73	9	3	25	11						
Total Current Assets	3,402	3,027	25	108	23,335	16,949	8,089	8,065	67,366	60,852	7,548	6,807	11,931	9,788	1,191	879	1,428	772						
Non-Current Assets																								
Receivables	5	1			272	235	40	28	704	839	42	29	139	121	5	6	8	1						
Property, Plant and Equipment																								
- Land and Buildings	43,678	31,856	274	1,117	199,313	194,424	144,196	138,927	661,139	595,125	94,884	72,554	80,119	82,778	5,987	3,862	16,538	12,583						
- Plant and Equipment	2,592	2,058	16	71	11,828	12,565	8,557	8,978	39,234	38,460	5,619	4,689	4,754	5,350	356	250	981	813						
- Infrastructure Systems	456	318	3	11	2,082	1,941	1,507	1,387	6,907	5,942	989	724	637	827	63	39	173	128						
- Leasehold Improvements	31	26			140	161	101	115	465	494	67	60	56	69	4	3	12	10						
Intangible Assets	14	14			63	88	45	63	207	269	30	33	25	37	2	2	5	6						
Total Non-Current Assets	46,776	34,274	293	1,203	213,698	209,414	154,448	149,496	708,656	641,129	101,431	78,089	85,930	89,182	6,427	4,162	17,717	13,539						
TOTAL ASSETS	50,178	37,301	318	1,311	237,033	226,363	162,537	157,563	776,022	701,981	108,979	84,896	97,861	98,970	7,618	5,041	19,145	14,311						
LIABILITIES																								
Current Liabilities																								
Payables	2,555	1,735	(3)	69	16,367	18,451	6,365	8,301	40,086	47,396	4,271	4,290	6,158	6,417	862	721	1,270	499						
Borrowings	259	201	1	7	829	688	499	476	2,754	2,476	460	402	440	430	80	48	83	49						
Provisions	7,916	6,707	116	358	25,504	21,375	18,605	19,400	92,580	91,809	18,189	17,943	14,238	16,462	3,286	2,152	2,983	2,109						
Other	28	26	(11)	1	90	85	54	60	298	314	50	51	48	55	9	6	9	6						
Total Current Liabilities	10,758	8,669	113	435	42,840	40,579	25,523	28,237	135,696	141,995	22,980	22,686	20,884	23,394	4,237	2,927	4,345	2,663						
Non-Current Liabilities																								
Borrowings	2,821	1,128	23	40	9,037	3,747	5,436	2,669	30,009	13,897	5,010	2,254	4,790	2,414	874	272	906	275						
Provisions	75	56	2	3	244	179	177	163	882	771	174	151	136	138	31	18	28	18						
Total Non-Current Liabilities	2,896	1,184	25	43	9,281	3,926	5,613	2,832	30,891	14,668	5,184	2,405	4,926	2,552	905	290	934	293						
TOTAL LIABILITIES	13,654	9,853	138	478	52,121	44,505	31,136	31,069	166,589	156,663	28,164	25,091	25,810	25,946	5,142	3,217	5,279	2,956						
NET ASSETS	36,524	27,448	180	833	184,912	181,858	131,401	126,494	609,433	545,318	80,815	59,805	72,051	73,024	2,476	1,824	13,866	11,355						

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

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

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The South Western Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SWSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SWSLHD to exercise its functions.

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

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The SWSLHD 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 31st August, 2016.

b) Basis of Preparation

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

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

The Secretary of Health, the Chair of the South Western 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 SWSLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the SWSLHD fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction 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 SWSLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The SWSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SWSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

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

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

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

c) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

South Western 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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the SWSLHD as shown in Note 28.

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

f) Insurance

The SWSLHD'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.

South Western 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 SWSLHD 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 SWSLHD 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 SWSLHD 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 SWSLHD'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 SWSLHD based on a percentage of receipts generated.
- * the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the SWSLHD use in the advancement of the SWSLHD or individuals within it.

Use of Outside Facilities

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

South Western 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 SWSLHD 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 \$29.639m (net expense), for the following Affiliated Health Organisations, (Braeside Hospital, Carrington Centennial Care, Karitane, South Western Sydney Scarba Service and STARTTS), 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 SWSLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. 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 SWSLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

j) Interstate Patient Flows

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

k) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 1(ad)).

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

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

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

l) Capitalisation Thresholds

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

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

1. Summary of Significant Accounting Policies

m) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the SWSLHD. 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%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%
Leasehold Improvements	33%	33%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

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

n) Revaluation of Non-Current Assets

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

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

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 21 and Note 24 for further information regarding fair value.

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

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

South Western 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.

o) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

p) Restoration Costs

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

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

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

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

r) Investment Properties

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

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

s) Intangible Assets

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

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. 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 SWSLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the SWSLHD 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.

South Western 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

t) Maintenance

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

u) Leased Assets

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

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

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

v) Inventories

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

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

w) Loans and Receivables

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

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

x) Investments

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

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

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

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

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

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

The movement in the fair value of the T Corp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item "investment revenue".

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

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

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

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

South Western 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.

y) Impairment of financial assets

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

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

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

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

z) De-recognition of financial assets and financial liabilities

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

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

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

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

aa) Payables

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

ab) Borrowings

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

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

ac) Fair Value Hierarchy

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

Refer Note 24 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

South Western 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

ad) Equity Transfers

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

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

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

ae) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

af) Trust Funds

The SWSLHD receives monies in a trustee capacity for various trusts as set out in Note 31.

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

ag) Adjusted Budgeted Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The SWSLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the SWSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the SWSLHD 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 37.

ah) 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 SWSLHD identifies those components that can be specifically identified and reported by service groups.

South Western 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

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

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

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

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

(ii) Issued but not yet effective

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

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

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

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

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

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

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

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	909,038	864,715
----	----	Superannuation - Defined Benefit Plans	7,188	7,822
----	----	Superannuation - Defined Contribution Plans	78,857	73,831
----	----	Long Service Leave	50,020	43,825
----	----	Redundancies	124	186
----	----	Workers' Compensation Insurance	10,573	11,615
----	----	Fringe Benefits Tax	92	128
<u>-----</u>	<u>-----</u>		<u>1,055,892</u>	<u>1,002,122</u>
The amounts below are capitalised and do not form part of the above total employee related costs:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	57	301
3. Personnel Services				
909,038	864,715	Salaries and Wages	----	----
78,857	73,831	Superannuation - Defined Contribution Plans	----	----
3,159	3,032	Long Service Leave	----	----
124	186	Redundancies	----	----
10,573	11,615	Workers' Compensation Insurance	----	----
92	128	Fringe Benefits Tax	----	----
<u>1,001,843</u>	<u>953,507</u>		<u>-----</u>	<u>-----</u>
The amounts below are capitalised and do not form part of the above total personnel services:				
57	301	Personnel Services Expenses Capitalised - Land and Buildings	----	----
4. Other Operating Expenses				
289	256	Advertising	289	256
236	237	Auditor's Remuneration - Audit of Financial Statements	236	237
12,603	11,255	Blood and Blood Products	12,603	11,255
701	409	Consultancies	701	409
2,854	2,396	Contractors	2,854	2,396
19,917	19,816	Domestic Supplies and Services	19,917	19,816
67,563	57,756	Drug Supplies	67,563	57,756
28,330	27,860	Food Supplies	28,330	27,860
8,993	10,605	Fuel, Light and Power	8,993	10,605
6,728	5,594	Hospital Ambulance Transport Costs	6,728	5,594
12,474	10,079	Information Management Expenses	12,474	10,079
1,777	1,715	Insurance	1,777	1,715
40,310	35,824	Maintenance (See 4(b) below)	40,310	35,824
84,611	88,853	Medical and Surgical Supplies	84,611	88,853
1,945	2,251	Motor Vehicle Expenses	1,945	2,251
2,773	2,510	Postal and Telephone Costs	2,773	2,510
3,840	3,647	Printing and Stationery	3,840	3,647
1,998	2,317	Rates and Charges	1,998	2,317
3,033	2,872	Rental	3,033	2,872
12,603	12,180	Hosted Services Purchased from Other NSW Health Entities	12,603	12,180
65,840	60,356	Special Service Departments	65,840	60,356
8,464	8,045	Staff Related Costs	8,464	8,045
5,108	5,191	Travel Related Costs	5,108	5,191
44,198	28,061	Other (See 4(a) below)	44,198	28,061
<u>437,188</u>	<u>400,085</u>		<u>437,188</u>	<u>400,085</u>

South Western 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
4. Other Operating Expenses				
a) Other Includes:				
10,583	11,355	Contract for Patient Services	10,583	11,355
13,778	3,516	Corporate Support Services	13,778	3,516
606	625	Courier and Freight	606	625
62	63	Isolated Patient Travel and Accommodation Assistance Scheme	62	63
434	402	Legal Services	434	402
539	290	Membership/Professional Fees	539	290
2,667	3,201	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,667	3,201
848	550	Other Operating Lease Expense - Minimum Lease Payments	848	550
83	184	Quality Assurance/Accreditation	83	184
3,969	3,601	Security Services	3,969	3,601
10,629	4,274	Other Miscellaneous	10,629	4,274
44,198	28,061		44,198	28,061
b) Reconciliation of Total Maintenance				
18,511	17,133	Maintenance Contracts	18,511	17,133
13,495	12,865	New/Replacement Equipment under \$10,000	13,495	12,865
8,287	5,824	Repairs Maintenance/Non Contract	8,287	5,824
17	2	Other	17	2
40,310	35,824	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	40,310	35,824
3,924	4,111	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	3,924	4,111
44,234	39,935		44,234	39,935

South Western 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				
45,594	38,504	Depreciation - Buildings	45,594	38,504
14,854	14,648	Depreciation - Plant and Equipment	14,854	14,648
345	333	Depreciation - Infrastructure Systems	345	333
359	----	Amortisation - Leasehold Improvements	359	----
122	9	Amortisation - Intangible Assets	122	9
61,274	53,494		61,274	53,494
6. Grants and Subsidies				
8,349	8,018	Non-Government Organisations	8,349	8,018
----	2,148	Community Packages	----	2,148
994	39	Grants to Research Organisations	994	39
----	3	NSW Government Sector Grants	----	3
173	----	Grants to Other NSW Health Entities	173	----
608	392	Other Grants	608	392
10,124	10,600		10,124	10,600
7. Finance Costs				
2,412	----	Public Private Partnership Lease Interest Charges	2,412	----
2,361	2,466	Interest on Loans	2,361	2,466
4,773	2,466		4,773	2,466
8. Payments to Affiliated Health Organisations				
17,589	16,629	Braeside Hospital	17,589	16,629
1,150	1,250	Carrington Centennial Care	1,150	1,250
5,717	5,626	Karitane	5,717	5,626
536	524	South Western Sydney Scarba Service	536	524
4,647	4,505	STARTTS	4,647	4,505
29,639	28,534		29,639	28,534

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

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
563	545	Pharmacy Sales	563	545
3,367	3,859	Sale of Prosthesis	3,367	3,859
28	34	Other	28	34
b) Rendering of Services comprise the following:-				
		Patient Fees		
		- Inpatient Fees		
63,830	57,663	- Nursing Home Fees	63,830	57,663
322	193	- Non Inpatient Fees	322	193
3,327	2,118	Department of Veterans' Affairs	3,327	2,118
19,356	19,543	Staff-Meals and Accommodation	19,356	19,543
68	100	Infrastructure Fees - Monthly Facility Charge	68	100
16,925	16,934	Infrastructure Fees - Annual Charge	16,925	16,934
7,292	10,910	Cafeteria/Kiosk	7,292	10,910
2	1,125	Car Parking	2	1,125
8,671	6,947	Child Care Fees	8,671	6,947
1,643	1,760	Clinical Services (excluding Clinical Drug Trials)	1,643	1,760
106	289	Commercial Activities	106	289
1,599	1,358	Fees for Medical Records	1,599	1,358
235	223	Information Retrieval	235	223
34	32	High Cost Drugs	34	32
31,803	23,383	Motor Accident Authority Third Party	31,803	23,383
15,811	10,835	Patient Transport Fees	15,811	10,835
----	48	Private Use of Motor Vehicles	----	48
65	246	Salary Packaging Fee	65	246
442	718	Hosted Services Provided to Other NSW Health Entities	442	718
297	----	Services Provided to Non NSW Health Organisations	297	----
541	520	Shared Corporate Services	541	520
3	398	Multi Purpose Service Centre Fees	3	398
70	67	Other	70	67
3,649	491		3,649	491
180,049	160,339		180,049	160,339
10. Investment Revenue				
1,275	2,093	Interest	1,275	2,093
1,275	2,093		1,275	2,093

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

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
11. Grants and Contributions				
1,834	1,674	Clinical Drug Trials	1,834	1,674
13,721	14,120	Commonwealth Government Grants	13,721	14,120
386	647	Commonwealth Teaching Hospital Grants	386	647
2,645	2,086	Industry Contributions/Donations	2,645	2,086
6,530	6,587	Cancer Institute Grants	6,530	6,587
3,006	3,576	NSW Government Grants	3,006	3,576
3,068	3,854	Grants from Other NSW Health Entities	3,068	3,854
533	653	Research Grants	533	653
2,745	3,512	Other Grants	2,745	3,512
<u>34,468</u>	<u>36,709</u>		<u>34,468</u>	<u>36,709</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	7,188	7,822
----	----	Long Service Leave	46,861	40,793
<u>----</u>	<u>----</u>		<u>54,049</u>	<u>48,615</u>
13. Other Revenue				
Other Revenue comprises the following:-				
1	1	Bad Debts Recovered	1	1
398	549	Commissions	398	549
1,689	1,796	Conference and Training Fees	1,689	1,796
212	----	Discounts	212	----
360	61	Insurance Refunds	360	61
2,411	1,361	Lease and Rental	2,411	1,361
1	----	Sale of Merchandise, Old Wares and Books	1	----
150	249	Sponsorship	150	249
12,142	973	Treasury Managed Fund Hindsight Adjustment	12,142	973
5	21	Unclaimed Deposits	5	21
988	920	Other	988	920
<u>18,357</u>	<u>5,931</u>		<u>18,357</u>	<u>5,931</u>

South Western 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		
14,927	9,670	Property, Plant and Equipment	14,927	9,670
<u>(10,952)</u>	<u>(9,448)</u>	Accumulated Depreciation	<u>(10,952)</u>	<u>(9,448)</u>
3,975	222	Written Down Value	3,975	222
6	65	Proceeds from Disposal	6	65
		Gain/(Loss) on Disposal of		
<u>(3,969)</u>	<u>(157)</u>	Property, Plant and Equipment	<u>(3,969)</u>	<u>(157)</u>
1,915	----	Assets Held for Sale	1,915	----
<u>6,466</u>	<u>----</u>	Proceeds from Disposal	<u>6,466</u>	<u>----</u>
<u>4,551</u>	<u>----</u>	Gain/(Loss) on Disposal of Assets	<u>4,551</u>	<u>----</u>
		Held for Sale		
<u>582</u>	<u>(157)</u>	Total Gain/(Loss) on Disposal	<u>582</u>	<u>(157)</u>
		15. Other Gains / (Losses)		
(2,262)	(2,236)	Impairment of Receivables	(2,262)	(2,236)
<u>(2,262)</u>	<u>(2,236)</u>		<u>(2,262)</u>	<u>(2,236)</u>

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

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	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	----	4,257	11,496	15,753
Contributions recognised in previous years which were not expended in the current reporting period	----	9,649	27,395	37,044
Total amount of unexpended contributions as at reporting date	----	13,906	38,891	52,797

Comment on restricted assets appears in Note 25

17. Service Groups of the SWSLHD

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

17. Service Groups of the SWSLHD

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.

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
18. Cash and Cash Equivalents				
23,423	31,000	Cash at Bank and On Hand	23,423	31,000
38,040	37,122	Short Term Deposits	38,040	37,122
<u>61,463</u>	<u>68,122</u>		<u>61,463</u>	<u>68,122</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>				
61,463	68,122	Cash and Cash Equivalents (per Statement of Financial Position)	61,463	68,122
<u>61,463</u>	<u>68,122</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>61,463</u>	<u>68,122</u>

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

South Western Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
19. Receivables				
Current				
25,355	19,493	Sale of Goods and Services	25,355	19,493
9,050	4,182	Intra Health Receivables	9,050	4,182
5,375	3,894	Goods and Services Tax	5,375	3,894
<u>15,094</u>	<u>6,096</u>	Other Debtors	<u>15,094</u>	<u>6,096</u>
54,874	33,665	Sub Total	54,874	33,665
<u>(2,319)</u>	<u>(2,411)</u>	Less Allowance for Impairment	<u>(2,319)</u>	<u>(2,411)</u>
52,555	31,254	Sub Total	52,555	31,254
4,159	2,826	Prepayments	4,159	2,826
<u>56,714</u>	<u>34,080</u>		<u>56,714</u>	<u>34,080</u>
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(2,233)	(2,399)	Balance at Commencement of Reporting Period	(2,233)	(2,399)
2,306	2,289	Amounts written off during the period	2,306	2,289
<u>(2,262)</u>	<u>(2,123)</u>	(Increase)/decrease in Allowance Recognised in the Net Result	<u>(2,262)</u>	<u>(2,123)</u>
(2,189)	(2,233)	Balance at 30 June	(2,189)	(2,233)
b) Movement in the Allowance for Impairment				
Other Debtors				
(178)	(342)	Balance at Commencement of Reporting Period	(178)	(342)
48	277	Amounts written off during the period	48	277
<u>-----</u>	<u>(113)</u>	(Increase)/decrease in Allowance Recognised in the Net Result	<u>-----</u>	<u>(113)</u>
(130)	(178)	Balance at 30 June	(130)	(178)
<u>(2,319)</u>	<u>(2,411)</u>		<u>(2,319)</u>	<u>(2,411)</u>
Non-Current				
1,215	1,260	Prepayments	1,215	1,260
<u>1,215</u>	<u>1,260</u>		<u>1,215</u>	<u>1,260</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:				
3,351	3,134	Patient Fees - Compensable	3,351	3,134
6,146	4,874	Patient Fees - Ineligible	6,146	4,874
<u>10,643</u>	<u>8,008</u>	Patient Fees - Inpatient & Other	<u>10,643</u>	<u>8,008</u>
<u>20,140</u>	<u>16,016</u>		<u>20,140</u>	<u>16,016</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

South Western 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
		20. Inventories		
4,032	3,837	Drugs	4,032	3,837
145	118	Medical and Surgical Supplies	145	118
83	90	Engineering Supplies	83	90
<u>4,260</u>	<u>4,045</u>		<u>4,260</u>	<u>4,045</u>

South Western 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
21. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,932,735	1,750,300	Gross Carrying Amount	1,932,735	1,750,300
686,795	617,074	Less: Accumulated Depreciation and Impairment	686,795	617,074
<u>1,245,940</u>	<u>1,133,226</u>	Net Carrying Amount	<u>1,245,940</u>	<u>1,133,226</u>
Plant and Equipment - Fair Value*				
187,328	177,932	Gross Carrying Amount	187,328	177,932
113,391	104,697	Less: Accumulated Depreciation and Impairment	113,391	104,697
<u>73,937</u>	<u>73,235</u>	Net Carrying Amount	<u>73,937</u>	<u>73,235</u>
Infrastructure Systems - Fair Value				
15,345	13,312	Gross Carrying Amount	15,345	13,312
2,328	1,997	Less: Accumulated Depreciation and Impairment	2,328	1,997
<u>13,017</u>	<u>11,315</u>	Net Carrying Amount	<u>13,017</u>	<u>11,315</u>
Leasehold Improvements - Fair Value*				
1,442	941	Gross Carrying Amount	1,442	941
566	-----	Less: Accumulated Depreciation and Impairment	566	-----
<u>876</u>	<u>941</u>	Net Carrying Amount	<u>876</u>	<u>941</u>
<u>1,333,770</u>	<u>1,218,717</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,333,770</u>	<u>1,218,717</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.

South Western Sydney Local Health District
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PARENT & CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	111,170	1,022,056	73,235	11,315	941	1,218,717
Additions	----	39,368	15,095	1,020	133	55,616
Recognition of Assets Held for Sale	(2,728)	(65)	----	----	----	(2,793)
Disposals	----	(3,149)	(825)	----	----	(3,974)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	1,286	----	----	1,286
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	28,190	96,988	----	1,027	(135)	126,070
Depreciation Expense	----	(45,594)	(14,854)	(345)	(359)	(61,152)
Reclassifications	----	(296)	----	----	296	----
Net carrying amount at end of year	136,632	1,109,308	73,937	13,017	876	1,333,770

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2015						
Net carrying amount at start of year	93,488	1,032,794	73,350	11,901	----	1,211,533
Additions	----	27,512	13,253	----	941	41,706
Disposals	----	----	(222)	----	----	(222)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	1,503	----	----	1,503
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	17,682	----	----	----	----	17,682
Depreciation Expense	----	(38,504)	(14,648)	(333)	----	(53,485)
Reclassifications	----	254	(1)	(253)	----	----
Net carrying amount at end of year	111,170	1,022,056	73,235	11,315	941	1,218,717

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

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

South Western Sydney Local Health District
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		22. Intangible Assets		
		Intangibles		
522	522	Cost (Gross Carrying Amount)	522	522
131	9	Less Accumulated Amortisation and Impairment	131	9
<u>391</u>	<u>513</u>	Net Carrying Amount	<u>391</u>	<u>513</u>
<u>391</u>	<u>513</u>	Total Intangible Assets at Net Carrying Amount	<u>391</u>	<u>513</u>

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22. Intangibles - Reconciliation

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	513	513
Amortisation (Recognised in Depreciation and Amortisation)	(122)	(122)
Net carrying amount at end of year	391	391

	Intangibles \$000	Total \$000
2015		
Additions (From Internal Development or Acquired Separately)	522	522
Amortisation (Recognised in Depreciation and Amortisation)	(9)	(9)
Net carrying amount at end of year	513	513

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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
23. Non-Current Assets (or Disposal Groups) Held for Sale				
		Assets Held for Sale		
1,878	1,000	Land and Buildings	1,878	1,000
1,878	1,000		1,878	1,000

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

The Non-current Asset Held for Sale comprises the Picton Lakes Village property \$1.878m, at 155 East Parade, Couridjah. This is a Government Property NSW approved sale to help fund future SWSLHD capital projects.

The property was sold on the 25th June, 2016 for \$1.956m (GST Incl.), however no Loss on Sale will be recognised until settlement and the receipt of the proceeds by the NSW Ministry of Health in FY2016/17.

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24. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	---	73,478	1,134,507	1,207,985
- Infrastructure Systems	---	---	13,017	13,017
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	---	1,878	---	1,878
	---	75,356	1,147,524	1,222,880

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

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	---	26,036	950,769	976,805
- Infrastructure Systems	---	---	11,315	11,315
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	---	1,000	---	1,000
	---	27,036	962,084	989,120

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

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

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the SWSLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Liquid Pacific Holdings P/L in December 2015 for the 2015/16 financial year. Liquid Pacific Holdings P/L is an independent entity and is not an employee of the SWSLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices if applicable. As per advice received from Liquid Pacific Holdings P/L there has been no material movements in property values over the period 01-Jan-16 to 30-Jun-16.

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

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

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

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

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24. Fair Value Measurement of Non-Financial Assets

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

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which in this case is equal to the property's carrying amount. These assets are categorised as level 2.

South Western Sydney Local Health District
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PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	950,769	11,315	962,084
Additions	151,414	1,020	152,434
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	113,712	1,027	114,739
Transfers to Level 2	(40,754)	----	(40,754)
Disposals	(378)	----	(378)
Depreciation	(40,256)	(345)	(40,601)
Fair value as at 30 June 2016	<u>1,134,507</u>	<u>13,017</u>	<u>1,147,524</u>

Transfers to Level 2 relate to a number of Community Health and Childcare Centre properties which have been assessed as Level 2 due to the high level of observable inputs available in the market.

2015	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	968,997	11,901	980,898
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	17,682	----	17,682
Depreciation	(35,910)	(333)	(36,243)
Other - Reclassification	----	(253)	(253)
Fair value as at 30 June 2015	<u>950,769</u>	<u>11,315</u>	<u>962,084</u>

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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		25. Restricted Assets		
		The SWSLHD'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.		
		Category		
12,965	13,137	Specific Purposes	12,965	13,137
9,040	11,014	Research Grants	9,040	11,014
25,328	22,717	Private Practice Funds	25,328	22,717
599	987	Other - Clinical Services	599	987
3,509	3,355	Other - Community Services	3,509	3,355
1,356	1,449	Other - Nursing Services	1,356	1,449
<hr style="border-top: 1px solid black;"/> 52,797	<hr style="border-top: 1px solid black;"/> 52,659		<hr style="border-top: 1px solid black;"/> 52,797	<hr style="border-top: 1px solid black;"/> 52,659

South Western 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
		26. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	17,363	26,590
----	----	Taxation and Payroll Deductions	6,267	5,567
23,630	32,157	Accrued Liability - Purchase of Personnel Services	----	----
24,777	30,058	Creditors	24,777	30,058
		Other Creditors		
13,096	10,675	- Intra Health Liability	13,096	10,675
16,428	14,989	- Other	16,428	14,989
77,931	87,879		77,931	87,879

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		27. Borrowings		
		Current		
5,057	4,757	Other Loans and Deposits	5,057	4,757
348	----	Finance Leases [see note 2(u)]	348	----
5,405	4,757		5,405	4,757
		Non-Current		
24,001	26,696	Other Loans and Deposits	24,001	26,696
34,905	----	Finance Leases [see note 2(u)]	34,905	----
58,906	26,696		58,906	26,696

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

Final Repayment is scheduled for 30th June, 2019 for the EEGP Fairfield Hospital Utilities Upgrade loan and 25th June, 2024 for the Liverpool Carpark loan.

"Other loans", (i.e. the EEGP and Liverpool Carpark Loan), still to be extinguished represent monies to be repaid to the NSW Ministry of Health.

"Finance Lease" - SWSLHD has entered into a collaborative relationship with the Ingham Institute for Applied Medical Research to create a research precinct on the grounds of Liverpool Hospital. The goal is to undertake medical research that can be translated & applied to the needs of the local population and wider Australia.

As part of the arrangement the Ingham Institute Building has been sub-leased to SWSLHD to allow its employees to conduct research across a number of streams. This arrangement has been classified as a Finance Lease.

NSW Treasury has given approval under section 8(2) of the Public Authorities (Financial Arrangements) Act 1987, for SWSLHD to obtain financial accommodation for this arrangement.

The final repayments for the Ingham Finance Lease are to be made in 2051/52.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 38.

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
28. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	95,076	86,808
----	----	Annual Leave - Long Term Benefit	68,265	74,327
----	----	Long Service Leave Consequential On-Costs	20,116	17,210
183,457	178,345	Provision for Personnel Services Liability	----	----
183,457	178,345		183,457	178,345
Non-Current				
----	----	Long Service Leave Consequential On-Costs	1,749	1,497
1,749	1,497	Provision for Personnel Services Liability	----	----
1,749	1,497		1,749	1,497
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	183,457	178,345
----	----	Provisions - Non-Current	1,749	1,497
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	23,630	32,157
208,836	211,999	Liability - Purchase of Personnel Services	----	----
208,836	211,999		208,836	211,999
29. Other Liabilities				
Current				
585	604	Income in Advance	585	604
585	604		585	604

Income in Advance includes prepaid patient accounts of \$0.238m, i.e. deferred patient revenue. This compares to \$0.214m in 2014/15.

Capital funding received from the University of Wollongong in 2014/15 to assist in the establishment of an education and training facility at Bowral Hospital has been treated as deferred rental income over 10 years. Of the \$0.425m funding received, \$0.078m has been recognised as revenue leaving a balance of \$0.347m as at 30 June, 2016.

South Western Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
30. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
1,453	1,523	Not later than one year	1,453	1,523
<u>---</u>	<u>72</u>	Later than one year and not later than five years	<u>---</u>	<u>72</u>
<u>1,453</u>	<u>1,595</u>	Total Capital Expenditure Commitments (Including GST)	<u>1,453</u>	<u>1,595</u>
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,435	3,619	Not later than one year	3,435	3,619
<u>3,102</u>	<u>5,304</u>	Later than one year and not later than five years	<u>3,102</u>	<u>5,304</u>
<u>6,537</u>	<u>8,923</u>	Total Operating Lease Commitments (Including GST)	<u>6,537</u>	<u>8,923</u>
The operating lease commitments above are for motor vehicles and medical equipment.				
c) Finance Lease Commitments				
Minimum lease payment commitments in relation to finance leases are payable as follows:				
943	<u>---</u>	Not later than one year	943	<u>---</u>
3,966	<u>---</u>	Later than one year and not later than five years	3,966	<u>---</u>
<u>44,144</u>	<u>---</u>	Later than five years	<u>44,144</u>	<u>---</u>
49,053	<u>---</u>	Minimum Lease Payments	49,053	<u>---</u>
13,800	<u>---</u>	Less: Future Finance Charges	13,800	<u>---</u>
<u>35,253</u>	<u>---</u>	Present Value of Minimum Lease Payments	<u>35,253</u>	<u>---</u>
The present value of finance lease commitments is as follows:				
348	<u>---</u>	Not later than one year	348	<u>---</u>
1,648	<u>---</u>	Later than one year and not later than five years	1,648	<u>---</u>
<u>33,257</u>	<u>---</u>	Later than five years	<u>33,257</u>	<u>---</u>
<u>35,253</u>	<u>---</u>	Present Value of Minimum Lease Payments Classified as:	<u>35,253</u>	<u>---</u>
348	<u>---</u>	(a) Current (Note 27)	348	<u>---</u>
<u>34,905</u>	<u>---</u>	(b) Non-Current (Note 27)	<u>34,905</u>	<u>---</u>
<u>35,253</u>	<u>---</u>		<u>35,253</u>	<u>---</u>

A finance lease arrangement exists for the sub-lease of the Ingham Institute for Applied Medical Research building to SWSLHD.

This arrangement has a term of 40 years.

d) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$57.043m million as at 30 June 2016 includes input tax credits of \$0.594m that are expected to be recoverable from the Australian Taxation Office (2015 \$0.811m).

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31. Trust Funds

The SWSLHD holds trust funds of \$973 thousand 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 SWSLHD 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	507	501	424	334	4	84	935	919
Revenue	34	85	126	254	35,504	37,757	35,664	38,096
Expenses	-----	(79)	(126)	(164)	(35,500)	(37,837)	(35,626)	(38,080)
Balance at the end of the financial year	541	507	424	424	8	4	973	935

32 Contingent Liabilities and Assets

Workers Compensation Hindsight Adjustment

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

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2016 \$000	2015 \$000		2016 \$000	2015 \$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
10,645	53,042	Net Cash Flows from Operating Activities	10,645	53,042
(61,274)	(53,494)	Depreciation and Amortisation	(61,274)	(53,494)
(2,262)	(2,236)	Allowance for Impairment	(2,262)	(2,236)
19	(227)	(Increase)/ Decrease Income in Advance	19	(227)
(5,364)	(13,209)	(Increase)/ Decrease in Provisions	(5,364)	(13,209)
24,664	(973)	Increase / (Decrease) in Prepayments and Other Assets	24,664	(973)
10,349	2,964	(Increase)/ Decrease in Payables from Operating Activities	10,349	2,964
582	(157)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	582	(157)
270	----	Amortisation of Finance Lease Liabilities	270	----
(22,371)	(14,290)	Net Result	(22,371)	(14,290)
34. Non-Cash Financing and Investing Activities				
35,522	----	Property, Plant and Equipment Acquired by Finance Lease	35,522	----
35,522	----		35,522	----

35. 2015/16 Voluntary Services

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

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

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

PARENT AND CONSOLIDATION

37. Adjusted Budget Review - Parent and Consolidated

Net Result

In accordance with the NSW Ministry of Health's Performance Framework, SWSLHD was rated at Performance Level 0 throughout 2015/16. As at 30 June, 2016 the SWSLHD's Consolidated Net Result was favourable to the Adjusted Budget by \$1.2m. Favourability in Expenditure of \$1.4m and Revenue of \$5.7m was offset by an unfavourable result in Other Items and Crown Acceptance of \$5.9m, namely Patient Fees Provision for Doubtful Debts and Gain on Sale of Assets.

The result in expenditure was driven by Employee Related expenditure being \$5m favourable to budget in the S&W Base line, partly due to an increase in Annual Leave taken. Offsetting this was an unfavourable result in Finance Costs and Grant Expenses due to unbudgeted Finance Lease Liability interest expense \$2.4m and grant payments \$0.658m as part of the Ingham Institute land rental arrangement.

The result in revenue was due to a \$2m favourability in Facility Fee charges, unbudgeted TMF Hindsight Adjustment revenue of \$1.4m and \$2m in Other User Charges for the unbudgeted SWSLHD Services revenue as part of the Ingham Institute Finance Lease arrangement.

The \$4m unfavourable result in the Gain / (Loss) on Disposal line was largely the result of the unbudgeted write off of prior years Work In Progress for the Bankstown and Campbelltown Mental Health Redevelopments that were no longer being undertaken or had changed in scope.

Other Gains / (Losses) unfavourability was due to insufficient budget being allocated for the Patient Fees Provision for Doubtful Debts. These being Ineligible Patient accounts to be written off in 2016/17.

Assets and Liabilities

As at 30 June, 2016 SWSLHD had Current Assets of \$113.6m and Current Liabilities of \$267m. Non Current Assets totalled \$1,335m and Non Current Liabilities were \$0.061m. There were no material variances between Actuals and the Adjusted Budget. During 2015/16 an independent valuation of SWSLHD's Land, Buildings and Infrastructure was carried out. The increases to fair value were as follows: Land \$28m, Buildings \$97m and Infrastructure \$1m. This financial year saw the retrospective recognition of a Finance Lease arrangement for the sub-lease of the Ingham Institute for Applied Medical Research Building. A Building Asset and corresponding Finance Lease Liability were recorded at the initial Fair Value amount of \$35.522m, before adjusting prior years depreciation and repayments. Appropriate budgets were provided for the Balance Sheet components.

Cash Flows

The closing actual cash position was \$6.7m lower than the prior year. This was due to the introduction of the new Treasury Banking System whereby General Fund Operating Bank account balances received subsidy up to a minimum weekly cash reserve buffer of \$6.4m. The Net Decrease in Cash was unfavourable to the Adjusted Budget by \$5.5m. This result was made up of a favourable cash position in Operating Activities of \$8.3m, and unfavourable positions of \$9.1m in Investing Activities and \$4.7m in Financing Activities.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1st July, 2015 are as follows:

	\$000
Initial Allocation, 01/07/2015	1,258,609
Growth & Escalation	58,802
Interest Revenue Adjustment Arising from Cash Management Reforms	821
Revised Cash Management Arrangements	(9,491)
Movements in Leave Accruals	11,414
Leap Year NCOS	2,351
Special Projects	
New Initiatives & Projects	19,658
Drug & Alcohol Service	3,233
Mental Health Service	2,425
TMF Adjustment	(1,163)
Nurse Strategy Reserve	668
Balance as per Statement of Comprehensive Income	1,347,327

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38. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the SWSLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 18)	N/A	61,463	68,122
Receivables (note 19)*	Loans and receivables (at amortised cost)	47,180	27,360
		<u>108,643</u>	<u>95,482</u>
Financial Liabilities			
Borrowings (note 27)	Financial liabilities measured at amortised cost	64,311	31,453
Payables (note 26)**		71,664	82,312
		<u>135,975</u>	<u>113,765</u>

Notes

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

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

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

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

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% in 2015/16 compared to 2.96% in the previous year.

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

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38. Financial Instruments

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the SWSLHD 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 SWSLHD 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: \$49.932m; 2015: \$26.706m) and not more than 3 months past due (2016: \$1.695m; 2015: \$3.219m) are not considered impaired. Together these represent 94% 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 SWSLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	1,695	1,695	----
3 months - 6 months overdue	1,084	928	156
> 6 months overdue	2,163	----	2,163
2015			
<3 months overdue	3,219	3,219	----
3 months - 6 months overdue	1,584	1,194	390
> 6 months overdue	2,156	135	2,021

Notes

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

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

Authority Deposits

The SWSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 1.96% (2015: 2.09%), while over the year the weighted average interest rate was 2.47% (2015: 2.75%) on a weighted average balance during the year of \$37.6m (2015: \$41.2m). None of these assets are past due or impaired.

(c) Liquidity Risk

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

The SWSLHD 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 SWSLHD 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 SWSLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

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

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		17,363	----	----	17,363	17,363	----	----
- Creditors		54,301	----	----	54,301	54,301	----	----
Borrowings:								
- Loans and Deposits	7.74%	28,894	28,894	----	----	5,000	20,000	13,685
- Finance Leases	1.69%	49,053	----	49,053	----	943	3,966	44,143
- Other (EEGP Fairfield Hospital)	2.51%	164	164	----	----	57	114	----
		<u>149,775</u>	<u>29,058</u>	<u>49,053</u>	<u>71,664</u>	<u>77,664</u>	<u>24,080</u>	<u>57,828</u>
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		26,590	----	----	26,590	26,590	----	----
- Creditors		55,722	----	----	55,722	55,722	----	----
Borrowings:								
- Loans and Deposits	7.74%	31,237	31,237	----	----	4,700	20,000	18,685
- Other (EEGP Fairfield Hospital)	2.51%	216	216	----	----	57	172	----
		<u>113,765</u>	<u>31,453</u>	<u>----</u>	<u>82,312</u>	<u>87,069</u>	<u>20,172</u>	<u>18,685</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 SWSLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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

Interest rate risk

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

However, the SWSLHD 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 SWSLHD 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 SWSLHD's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	61,463	(615)	(615)	615	615
Receivables	47,180	----	----	----	----
Financial Liabilities					
Payables	71,664	----	----	----	----
Borrowings	64,311	643	643	(643)	(643)
2015					
Financial Assets					
Cash and Cash Equivalents	68,122	(681)	(681)	681	681
Receivables	27,360	----	----	----	----
Financial Liabilities					
Payables	82,312	----	----	----	----
Borrowings	31,453	315	315	(315)	(315)

39. 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 \$10.7M being recognised as a receivable at 30 June 2016.

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

END OF AUDITED FINANCIAL STATEMENTS