

# **Hunter New England Local Health District**

## **Financial Statements**

for the year ended 30 June 2017



## INDEPENDENT AUDITOR'S REPORT

### Hunter New England Local Health District

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Hunter New England Local Health District (the District), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 2017, 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 *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 the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

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

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

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing 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 – Presentation of Budget Information**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 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.

## **The Chief Executive's Responsibility for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of financial statements that 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 except where operations will be dissolved by an Act of Parliament or otherwise cease. The assessment must, disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). 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
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Clayton  
Director, Financial Audit Services

4 September 2017  
SYDNEY

**Hunter New England Local Health District  
Certification of the Financial Statements  
for the year ended 30 June 2017**

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

- 1) The financial statements of the Hunter New England Local Health District for the year ended 30 June 2017 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 Regulation 2015 (the Act); and
  - c) Financial Reporting Directions issued by the Treasurer under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Hunter New England Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Michael DiRienzo

**Chief Executive**

1 September 2017

**Hunter New England Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2017**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
			<b>Expenses excluding losses</b>			
			Operating Expenses			
-----	-----	-----				
1,193,878	1,188,501	1,140,152		1,227,709	1,222,196	1,211,589
101,782	99,326	96,655	2	-----	-----	-----
562,704	578,754	540,212	3	101,782	99,326	96,655
82,003	82,027	80,539		562,704	578,754	540,212
6,601	7,220	7,131	4	82,003	82,027	80,539
8,888	8,886	9,920	1(m), 5	6,601	7,220	7,131
135,776	135,776	130,399	6	8,888	8,886	9,920
<b>2,091,632</b>	<b>2,100,490</b>	<b>2,005,008</b>	1(g), 7	135,776	135,776	130,399
			8	<b>2,125,463</b>	<b>2,134,185</b>	<b>2,076,445</b>
			<b>Total Expenses excluding losses</b>			
			<b>Revenue</b>			
1,670,163	1,670,415	1,614,420	1(h)	1,670,163	1,670,415	1,614,420
61,419	61,713	75,372	1(h)	61,419	61,713	75,372
-----	-----	-----	1(e)(ii),12	33,831	33,695	71,437
256,999	265,170	253,846	1(h), 9	256,999	265,170	253,846
1,914	2,334	2,018	1(h),10	1,914	2,334	2,018
64,835	64,280	47,499	1(h),11	64,835	64,280	47,499
15,118	8,585	26,518	13	15,118	8,585	26,518
<b>2,070,448</b>	<b>2,072,497</b>	<b>2,019,673</b>		<b>2,104,279</b>	<b>2,106,192</b>	<b>2,091,110</b>
(1,291)	(785)	(1,676)	14	(1,291)	(785)	(1,676)
(1,204)	(825)	(960)	15	(1,204)	(825)	(960)
			<b>Total Revenue</b>			
			<b>Gain / (Loss) on Disposal</b>			
			<b>Other Gains / (Losses)</b>			
<b>(23,679)</b>	<b>(29,603)</b>	<b>12,029</b>	31	<b>(23,679)</b>	<b>(29,603)</b>	<b>12,029</b>
			<b>Net Result</b>			
			<b>Other Comprehensive Income</b>			
			<b>Items that will not be reclassified to net result</b>			
			Net Increase/(Decrease) in Property, Plant &			
1,302	-----	13,950		1,302	-----	13,950
<b>1,302</b>	<b>-----</b>	<b>13,950</b>	20	<b>1,302</b>	<b>-----</b>	<b>13,950</b>
			<b>Total Other Comprehensive Income</b>			
<b>(22,377)</b>	<b>(29,603)</b>	<b>25,979</b>	<b>TOTAL COMPREHENSIVE INCOME</b>			

The accompanying notes form part of these financial statements.

Hunter New England Local Health District  
Statement of Financial Position as at 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current Assets</b>						
92,372	44,193	98,907		92,372	44,193	98,907
66,780	62,416	65,013	17	66,780	62,416	65,013
2,494	2,397	2,398	18	2,494	2,397	2,398
<b>161,646</b>	<b>109,006</b>	<b>166,318</b>	19	<b>161,646</b>	<b>109,006</b>	<b>166,318</b>
<b>Total Current Assets</b>						
<b>Non-Current Assets</b>						
Property, Plant & Equipment						
1,234,036	1,258,826	1,228,384		1,234,036	1,258,826	1,228,384
133,368	103,904	114,172	20	133,368	103,904	114,172
79,795	78,388	78,388	20	79,795	78,388	78,388
2,355	3,265	3,265	20	2,355	3,265	3,265
<b>1,449,554</b>	<b>1,444,383</b>	<b>1,424,209</b>		<b>1,449,554</b>	<b>1,444,383</b>	<b>1,424,209</b>
<b>1,449,554</b>	<b>1,444,383</b>	<b>1,424,209</b>		<b>1,449,554</b>	<b>1,444,383</b>	<b>1,424,209</b>
<b>1,611,200</b>	<b>1,553,389</b>	<b>1,590,527</b>		<b>1,611,200</b>	<b>1,553,389</b>	<b>1,590,527</b>
<b>Total Assets</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
173,020	134,544	131,903		173,020	134,544	131,903
14,573	15,936	12,178	23	14,573	15,936	12,178
189,796	184,781	182,420	24	189,796	184,781	182,420
264	355	355	25	264	355	355
<b>377,653</b>	<b>335,616</b>	<b>326,856</b>	26	<b>377,653</b>	<b>335,616</b>	<b>326,856</b>
<b>Total Current Liabilities</b>						
<b>Non-Current Liabilities</b>						
85,270	76,655	92,806		85,270	76,655	92,806
3,073	3,126	3,269	24	3,073	3,126	3,269
270	285	285	25	270	285	285
<b>88,613</b>	<b>80,066</b>	<b>96,360</b>	26	<b>88,613</b>	<b>80,066</b>	<b>96,360</b>
<b>Total Non-Current Liabilities</b>						
<b>Total Liabilities</b>						
<b>466,266</b>	<b>415,682</b>	<b>423,216</b>		<b>466,266</b>	<b>415,682</b>	<b>423,216</b>
<b>Net Assets</b>						
<b>1,144,934</b>	<b>1,137,707</b>	<b>1,167,311</b>		<b>1,144,934</b>	<b>1,137,707</b>	<b>1,167,311</b>
<b>EQUITY</b>						
133,578	132,368	132,368		133,578	132,368	132,368
1,011,356	1,005,341	1,034,943		1,011,356	1,005,341	1,034,943
<b>1,144,934</b>	<b>1,137,709</b>	<b>1,167,311</b>		<b>1,144,934</b>	<b>1,137,709</b>	<b>1,167,311</b>
<b>Total Equity</b>						

The accompanying notes form part of these financial statements.

**Hunter New England Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2017**

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
<b>Balance at 1 July 2016</b>		1,034,943	132,368	1,167,311
<b>Net Result for the year</b>		(23,679)	-----	(23,679)
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	1,302	1,302
Available for Sale Financial Assets:				
Transfers on Disposal		92	(92)	-----
<b>Total Other Comprehensive Income</b>		92	1,210	1,302
<b>Total Comprehensive Income for the year</b>		(23,587)	1,210	(22,377)
<b>Balance at 30 June 2017</b>		<b>1,011,356</b>	<b>133,578</b>	<b>1,144,934</b>
<b>Balance at 1 July 2015</b>		1,022,914	118,418	1,141,332
<b>Net Result for the year</b>		12,029	-----	12,029
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	13,950	13,950
<b>Total Other Comprehensive Income</b>		-----	13,950	13,950
<b>Total Comprehensive Income for the year</b>		12,029	13,950	25,979
<b>Balance at 30 June 2016</b>		<b>1,034,943</b>	<b>132,368</b>	<b>1,167,311</b>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District  
Statement of Cash Flows for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
----	----	----	Employee Related	(1,204,928)	(1,209,603)	(1,163,583)
(157,888)	(158,507)	(152,609)	Grants and Subsidies	(157,888)	(158,507)	(152,609)
(8,886)	(8,886)	(9,920)	Finance Costs	(8,886)	(8,886)	(9,920)
(1,909,659)	(1,951,983)	(1,856,339)	Other	(704,731)	(742,380)	(692,756)
<u>(2,076,433)</u>	<u>(2,119,376)</u>	<u>(2,018,868)</u>	<b>Total Payments</b>	<u>(2,076,433)</u>	<u>(2,119,376)</u>	<u>(2,018,868)</u>
<b>Receipts</b>						
1,670,163	1,670,415	1,614,420	NSW Ministry of Health Recurrent Allocations	1,670,163	1,670,415	1,614,420
61,419	61,713	75,372	NSW Ministry of Health Capital Allocations	61,419	61,713	75,372
25,060	25,060	21,734	Reimbursements from the Crown Entity	25,060	25,060	21,734
260,547	270,292	253,945	Sale of Goods and Services	260,547	270,292	253,945
1,914	2,334	1,997	Interest Received	1,914	2,334	1,997
69,709	69,155	51,322	Grants and Contributions	69,709	69,155	51,322
93,260	80,765	87,002	Other	93,260	80,765	87,002
<u>2,182,072</u>	<u>2,179,734</u>	<u>2,105,792</u>	<b>Total Receipts</b>	<u>2,182,072</u>	<u>2,179,734</u>	<u>2,105,792</u>
<u><b>105,639</b></u>	<u><b>60,358</b></u>	<u><b>86,924</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>105,639</b></u>	<u><b>60,358</b></u>	<u><b>86,924</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
5,156	5,683	3,254	Proceeds from Sale of Property, Plant & Equipment	5,156	5,683	3,254
(112,187)	(108,363)	(90,928)	Purchases of Property, Plant & Equipment	(112,187)	(108,363)	(90,928)
<u>(107,031)</u>	<u>(102,680)</u>	<u>(87,674)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(107,031)</u>	<u>(102,680)</u>	<u>(87,674)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
(5,143)	(12,392)	(10,782)	Repayment of Borrowings and Advances	(5,143)	(12,392)	(10,782)
<u>(5,143)</u>	<u>(12,392)</u>	<u>(10,782)</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(5,143)</u>	<u>(12,392)</u>	<u>(10,782)</u>
(6,535)	(54,714)	(11,532)	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,535)	(54,714)	(11,532)
98,907	98,907	110,439	Opening Cash and Cash Equivalents	98,907	98,907	110,439
<u><b>92,372</b></u>	<u><b>44,193</b></u>	<u><b>98,907</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>92,372</b></u>	<u><b>44,193</b></u>	<u><b>98,907</b></u>

The accompanying notes form part of these financial statements.



Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**a) The Reporting Entity**

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

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

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Hunter New England Local Health District Special Purpose Service Entity was established as a Division of the HNELHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the HNELHD to exercise its functions.

As a consequence the values in the 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.

HNELHD is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 1 September 2017.

**b) Basis of Preparation**

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

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

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

Other circumstances why the going concern assumption is appropriate include:

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

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

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

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

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**c) Comparative Information**

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

**d) Statement of Compliance**

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

**e) Employee Benefits and Other Provisions**

**i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.2% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 16.7%). The HNELHD has assessed the actuarial advice based on the HNELHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

**ii) Long Service Leave and Superannuation**

The HNELHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The HNELHD accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the HNELHD as shown in Note 25.

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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

**iii) Consequential On-Costs**

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

**iv) Other Provisions**

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

**f) Insurance**

The HNELHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**g) Finance Costs**

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

**h) Income Recognition**

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

*Sale of Goods*

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

*Rendering of Services*

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

*Patient Fees*

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

*Highly Specialised Drugs*

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are 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.

*State Insurance Regulatory Authority (SIRA)*

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

*Department of Veterans' Affairs*

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

*Investment Revenue*

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

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

Refer to Note 9(b) for further details.

*Use of Outside Facilities*

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

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

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

*Grants and Contributions*

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

*NSW Ministry of Health Allocations*

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

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

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

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

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

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

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

**j) Interstate Patient Flows**

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

**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.

Most assets are acquired from Health Administration Corporation, a controlled entity of the immediate parent.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

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

**l) Capitalisation Thresholds**

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

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**m) Depreciation of Property, Plant and Equipment**

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

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

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

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

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

**n) Revaluation of Non-Current Assets**

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 21 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.

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.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

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

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

**o) Impairment of Property, Plant and Equipment**

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

**p) Restoration Costs**

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

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

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

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

**r) Investment Properties**

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

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

**s) Intangible Assets**

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

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

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

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

Computer software developed or acquired by the HNELHD are recognised as intangible assets and are amortised over four years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the parent.

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.

**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.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**v) Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value.

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

**w) Loans and Receivables**

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

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

**x) Investments**

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

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

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

T-Corp Hour-Glass Investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to the HNELHD's key management personnel.

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

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

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

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

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

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

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

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.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

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

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

**z) De-recognition of Financial Assets and Financial Liabilities**

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

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

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

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

**aa) Payables**

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

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

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

**ab) Borrowings**

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

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

**ac) Fair Value Hierarchy**

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

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

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

Refer to Note 21 and Note 35 for further disclosures regarding fair value measurements of financial and non-financial assets.

**ad) Equity Transfers**

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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



Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**ae) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

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

**(iii) Separate Reserves**

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

**af) Trust Funds**

The HNELHD receives monies in a trustee capacity for various trusts as set out in Note 28.

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

**ag) Adjusted Budgeted Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The HNELHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the HNELHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the HNELHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 34.

**ah) Emerging Asset**

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

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

**(i) Effective for the First Time in 2016-17**

The accounting policies applied in 2016-17 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:

*AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* extends the scope of *AASB 124 Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

**(ii) Issued But Not Yet Effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. 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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* applies to annual periods beginning on or after 1 January 2017. The standard amends *AASB 107 Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

AASB 16 *Leases* applies to annual periods beginning on or after 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. The application of this standard will likely have a significant transitional impact as all leases, except short term (<12 months) and low value leases, brought on balance sheet.

AASB 15 *Revenue from Contracts with Customers* (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 *Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions* and is not expected to materially impact the financial statements.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>2. Employee Related</b>				
----	----	Salaries and Wages (including annual leave)	1,089,976	1,034,215
----	----	Superannuation - Defined Benefit Plans	12,321	12,676
----	----	Superannuation - Defined Contribution Plans	93,614	89,267
----	----	Long Service Leave	21,163	62,323
----	----	Redundancies	938	1,345
----	----	Workers' Compensation Insurance	9,593	11,653
----	----	Fringe Benefits Tax	104	110
-----	-----		<u>1,227,709</u>	<u>1,211,589</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	675	566
------	------	------------------------------------------------------------	-----	-----

<b>3. Personnel Services</b>				
1,089,976	1,034,215	Salaries and Wages	----	----
93,614	89,267	Superannuation - Defined Contribution Plans	----	----
(347)	3,562	Long Service Leave	----	----
938	1,345	Redundancies	----	----
9,593	11,653	Workers' Compensation Insurance	----	----
104	110	Fringe Benefits Tax	----	----
<u>1,193,878</u>	<u>1,140,152</u>		<u>-----</u>	<u>-----</u>

Personnel services of Hunter New England Local Health District was provided by its controlled entity, Hunter New England Local Health District Special Purpose Service Entity.

The amounts below are capitalised and do not form part of the above total personnel services:

675	566	Personnel Services Expenses Capitalised - Land and Buildings	----	----
-----	-----	--------------------------------------------------------------	------	------

<b>4. Other Operating Expenses</b>				
273	179	Advertising	273	179
205	180	Auditor's Remuneration - Audit of Financial Statements	205	180
7,895	9,496	Blood and Blood Products	7,895	9,496
83	927	Consultancies	83	927
19,859	20,182	Domestic Supplies and Services	19,859	20,182
55,232	54,006	Drug Supplies	55,232	54,006
94,028	91,889	Food Supplies	94,028	91,889
13,316	12,026	Fuel, Light and Power	13,316	12,026
28,639	24,004	Hospital Ambulance Transport Costs	28,639	24,004
16,959	17,275	Information Management Expenses	16,959	17,275
2,700	2,639	Insurance	2,700	2,639
72,393	58,287	Maintenance (See 4(b) below)	72,393	58,287

Hunter New England Local Health District  
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94,015	90,496	Medical and Surgical Supplies	94,015	90,496
4,199	4,808	Motor Vehicle Expenses	4,199	4,808
6,738	6,365	Postal and Telephone Costs	6,738	6,365
4,526	4,697	Printing and Stationery	4,526	4,697
2,304	2,647	Rates and Charges	2,304	2,647
7,111	6,825	Rental	7,111	6,825
75,688	74,337	Special Service Departments (Dental, Radiology, Pathology, Allied Health)	75,688	74,337
9,115	9,835	Staff Related Costs	9,115	9,835
11,472	11,413	Travel Related Costs	11,472	11,413
35,954	37,699	Other (See 4(a) below)	35,954	37,699
<u>562,704</u>	<u>540,212</u>		<u>562,704</u>	<u>540,212</u>

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>4. Other Operating Expenses</b>				
<b>a) Other Includes:</b>				
16,500	13,215	Corporate Support Services	16,500	13,215
1,443	1,388	Courier and Freight	1,443	1,388
4,095	5,017	Isolated Patient Travel and Accommodation Assistance Scheme	4,095	5,017
491	190	Legal Services	491	190
701	928	Membership/Professional Fees	701	928
560	1,659	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	560	1,659
4,720	5,795	Public Private Partnership Contracted Services	4,720	5,795
687	807	Other Operating Lease Expense - Minimum Lease Payments	687	807
321	487	Quality Assurance/Accreditation	321	487
856	906	Security Services	856	906
5,580	7,307	Other Miscellaneous	5,580	7,307
<b>35,954</b>	<b>37,699</b>		<b>35,954</b>	<b>37,699</b>
<b>b) Reconciliation of Total Maintenance</b>				
14,504	16,356	Maintenance Contracts	14,504	16,356
39,257	27,666	New/Replacement Equipment under \$10,000	39,257	27,666
18,617	14,239	Repairs Maintenance/Non Contract	18,617	14,239
15	26	Other	15	26
72,393	58,287	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	72,393	58,287
9,762	9,633	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	9,762	9,633
<b>82,155</b>	<b>67,920</b>		<b>82,155</b>	<b>67,920</b>

Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

Hospital Ambulance Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Domestic Supplies and Services', 'Food Supplies' and 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Special Service Departments' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>5. Depreciation and Amortisation</b>				
56,772	56,429	Depreciation - Buildings	56,772	56,429
20,964	19,575	Depreciation - Plant and Equipment	20,964	19,575
4,030	4,137	Depreciation - Infrastructure Systems	4,030	4,137
237	398	Amortisation - Leasehold Improvements	237	398
<u>82,003</u>	<u>80,539</u>		<u>82,003</u>	<u>80,539</u>
<b>6. Grants and Subsidies</b>				
5,761	5,435	Non-Government Organisations	5,761	5,435
831	727	Grants to Research Organisations	831	727
----	959	Grants paid to entities controlled by the immediate parent	----	959
9	10	Other Grants	9	10
<u>6,601</u>	<u>7,131</u>		<u>6,601</u>	<u>7,131</u>
<b>7. Finance Costs</b>				
8,868	9,897	Public Private Partnership Lease Interest Charges	8,868	9,897
18	23	Interest on Loans	18	23
2	----	Other Interest Charges	2	----
<u>8,888</u>	<u>9,920</u>		<u>8,888</u>	<u>9,920</u>
<b>8. Payments to Affiliated Health Organisations</b>				
(a) Recurrent Sourced				
129,810	123,687	<b>Calvary Mater Newcastle</b>	129,810	123,687
<u>129,810</u>	<u>123,687</u>		<u>129,810</u>	<u>123,687</u>
(b) Capital Sourced				
5,966	6,712	<b>Calvary Mater Newcastle</b>	5,966	6,712
<u>5,966</u>	<u>6,712</u>		<u>5,966</u>	<u>6,712</u>
<u>135,776</u>	<u>130,399</u>		<u>135,776</u>	<u>130,399</u>

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>9. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:				
224	285	Pharmacy Sales	224	285
7,776	7,689	Sale of Prosthesis	7,776	7,689
436	621	Other	436	621
b) Rendering of Services comprise the following:				
		Patient Fees		
95,398	95,492	- Inpatient Fees	95,398	95,492
2,647	2,503	- Nursing Home Fees	2,647	2,503
5,790	6,404	- Non Inpatient Fees	5,790	6,404
26,098	23,433	Department of Veterans' Affairs	26,098	23,433
261	307	Staff-Meals and Accommodation	261	307
25,472	25,675	Infrastructure Fees - Monthly Facility Charge	25,472	25,675
4,853	5,225	Infrastructure Fees - Annual Charge	4,853	5,225
5,849	6,084	Car Parking	5,849	6,084
1,243	1,179	Child Care Fees	1,243	1,179
9,818	8,624	Clinical Services (excluding Clinical Drug Trials)	9,818	8,624
4,936	4,619	Commercial Activities	4,936	4,619
403	428	Fees for Medical Records	403	428
4	7	Information Retrieval	4	7
21,722	20,088	Highly Specialised Drugs	21,722	20,088
19,660	21,929	State Insurance Regulatory Authority	19,660	21,929
415	507	Private Use of Motor Vehicles	415	507
642	649	Salary Packaging Fee	642	649
----	186	Hosted Services Provided to entities controlled by immediate parent	----	186
6,118	5,788	Services Provided to Non NSW Health Organisations	6,118	5,788
167	106	Shared Corporate Services	167	106
4,948	4,708	Multi Purpose Service Centre Fees	4,948	4,708
12,119	11,310	Other	12,119	11,310
<b>256,999</b>	<b>253,846</b>		<b>256,999</b>	<b>253,846</b>

The majority of 'Shared Corporate Services' revenue was earned from entities controlled by the immediate parent.

<b>10. Investment Revenue</b>				
1,914	1,997	Interest	1,914	1,997
----	21	Other	----	21
<b>1,914</b>	<b>2,018</b>		<b>1,914</b>	<b>2,018</b>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>11. Grants and Contributions</b>				
1,016	883	Clinical Drug Trials	1,016	883
20,481	21,403	Commonwealth Government Grants	20,481	21,403
3,532	2,649	Industry Contributions/Donations	3,532	2,649
9,542	9,099	Cancer Institute NSW Grants	9,542	9,099
20,976	3,222	Grants received from entities controlled by the ultimate parent	20,976	3,222
1,944	4,418	Grants received from entities controlled by the immediate parent	1,944	4,418
2,144	1,438	Research Grants	2,144	1,438
5,200	4,387	Other Grants	5,200	4,387
<b>64,835</b>	<b>47,499</b>		<b>64,835</b>	<b>47,499</b>
<p>The Cancer Institute NSW is an entity controlled by the immediate parent.</p> <p>The majority of grants that were received from entities controlled by the ultimate parent were received from the Crown Finance Entity.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from Health Education and Training Institute and Health Administration Corporation.</p>				
<b>12. Acceptance by the Crown Entity of Employee Benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	12,321	12,677
----	----	Long Service Leave	21,510	58,760
<b>----</b>	<b>----</b>		<b>33,831</b>	<b>71,437</b>
<b>13. Other Revenue</b>				
Other Revenue comprises the following:-				
1,413	2,053	Commissions	1,413	2,053
819	665	Conference and Training Fees	819	665
742	2,040	Insurance Refunds	742	2,040
2,065	2,050	Lease and Rental*	2,065	2,050
66	83	Sale of Merchandise, Old Wares and Books	66	83
31	60	Sponsorship	31	60
7,580	16,435	Treasury Managed Fund Hindsight Adjustment	7,580	16,435
----	2	Unclaimed Deposits	----	2
2,402	3,130	Other	2,402	3,130
<b>15,118</b>	<b>26,518</b>		<b>15,118</b>	<b>26,518</b>

\*Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.



Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>14. Gain / (Loss) on Disposal</b>				
33,794	17,547	Property, Plant and Equipment	33,794	17,547
<u>(27,347)</u>	<u>(12,617)</u>	Accumulated Depreciation	<u>(27,347)</u>	<u>(12,617)</u>
<b>6,447</b>	<b>4,930</b>	<b>Written Down Value</b>	<b>6,447</b>	<b>4,930</b>
5,156	3,254	Proceeds from Disposal	5,156	3,254
<hr/>				
<b><u>(1,291)</u></b>	<b><u>(1,676)</u></b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b><u>(1,291)</u></b>	<b><u>(1,676)</u></b>
<hr/>				
<b><u>(1,291)</u></b>	<b><u>(1,676)</u></b>	<b>Total Gain/(Loss) on Disposal</b>	<b><u>(1,291)</u></b>	<b><u>(1,676)</u></b>
<hr/>				
<b>15. Other Gains / (Losses)</b>				
(1,204)	(960)	Impairment of Receivables	(1,204)	(960)
<hr/>				
<b><u>(1,204)</u></b>	<b><u>(960)</u></b>		<b><u>(1,204)</u></b>	<b><u>(960)</u></b>

Hunter New England Local Health District  
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**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	813	9,465	6,596	16,874
Contributions recognised in previous years which were not expended in the current reporting period	10,161	30,470	14,326	54,957
Total amount of unexpended contributions as at reporting date	10,974	39,935	20,922	71,831

Comment on restricted assets appears in Note 22

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>17. Cash and Cash Equivalents</b>				
33,252	44,357	Cash at Bank and On Hand	33,252	44,357
59,120	54,550	Short Term Deposits	59,120	54,550
<u>92,372</u>	<u>98,907</u>		<u>92,372</u>	<u>98,907</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 &amp; 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>				
92,372	98,907	Cash and Cash Equivalents (per Statement of Financial Position)	92,372	98,907
<u>92,372</u>	<u>98,907</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>92,372</u>	<u>98,907</u>

*Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>18. Receivables</b>		
		<b>Current</b>		
26,864	28,482	Sale of Goods and Services	26,864	28,482
12,593	7,407	Intra Health Receivables	12,593	7,407
16,569	14,058	Goods and Services Tax	16,569	14,058
3,547	13,457	Other Debtors	3,547	13,457
<u>59,573</u>	<u>63,404</u>	<b>Sub Total</b>	<u>59,573</u>	<u>63,404</u>
(1,614)	(1,613)	Less Allowance for Impairment	(1,614)	(1,613)
57,959	61,791	<b>Sub Total</b>	57,959	61,791
8,821	3,222	Prepayments	8,821	3,222
<u>66,780</u>	<u>65,013</u>		<u>66,780</u>	<u>65,013</u>
<p>Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(1,516)	(1,728)	Balance at Commencement of Reporting Period	(1,516)	(1,728)
1,243	1,172	Amounts written off during the period	1,243	1,172
(1,180)	(960)	(Increase)/decrease in Allowance Recognised in the Net Result	(1,180)	(960)
<u>(1,453)</u>	<u>(1,516)</u>	Balance at 30 June	<u>(1,453)</u>	<u>(1,516)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(97)	(117)	Balance at Commencement of Reporting Period	(97)	(117)
(40)	20	Amounts written off during the period	(40)	20
(24)	----	(Increase)/decrease in Allowance Recognised in the Net Result	(24)	----
<u>(161)</u>	<u>(97)</u>	Balance at 30 June	<u>(161)</u>	<u>(97)</u>
<u>(1,614)</u>	<u>(1,613)</u>		<u>(1,614)</u>	<u>(1,613)</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:				
2,052	1,678	Patient Fees - Compensable	2,052	1,678
1,236	1,882	Patient Fees - Ineligible	1,236	1,882
16,573	17,873	Patient Fees - Inpatient & Other	16,573	17,873
<u>19,861</u>	<u>21,433</u>		<u>19,861</u>	<u>21,433</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>19. Inventories</b>		
2,494	2,398	Drugs	2,494	2,398
<u>2,494</u>	<u>2,398</u>		<u>2,494</u>	<u>2,398</u>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>20. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
2,548,133	2,488,604	Gross Carrying Amount	2,548,133	2,488,604
1,314,097	1,260,220	Less: Accumulated Depreciation and Impairment	1,314,097	1,260,220
<u>1,234,036</u>	<u>1,228,384</u>	Net Carrying Amount	<u>1,234,036</u>	<u>1,228,384</u>
<b>Plant and Equipment - Fair Value*</b>				
262,652	248,144	Gross Carrying Amount	262,652	248,144
129,284	133,972	Less: Accumulated Depreciation and Impairment	129,284	133,972
<u>133,368</u>	<u>114,172</u>	Net Carrying Amount	<u>133,368</u>	<u>114,172</u>
<b>Infrastructure Systems - Fair Value</b>				
161,771	156,436	Gross Carrying Amount	161,771	156,436
81,976	78,048	Less: Accumulated Depreciation and Impairment	81,976	78,048
<u>79,795</u>	<u>78,388</u>	Net Carrying Amount	<u>79,795</u>	<u>78,388</u>
<b>Leasehold Improvements - Fair Value*</b>				
5,419	6,092	Gross Carrying Amount	5,419	6,092
3,064	2,827	Less: Accumulated Depreciation and Impairment	3,064	2,827
<u>2,355</u>	<u>3,265</u>	Net Carrying Amount	<u>2,355</u>	<u>3,265</u>
<u>1,449,554</u>	<u>1,424,209</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>1,449,554</u>	<u>1,424,209</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.

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**PARENT & CONSOLIDATION**

**20. Property, Plant and Equipment - Reconciliation**

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
<b>2017</b>						
Net carrying amount at start of year	130,146	1,098,238	114,172	78,388	3,265	1,424,209
Additions	----	68,404	44,455	----	(673)	112,186
Disposals	(170)	(423)	(5,854)	----	----	(6,447)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	307	----	----	307
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	1,200	----	102	----	1,302
Depreciation Expense	----	(56,772)	(20,964)	(4,030)	(237)	(82,003)
Reclassifications	----	(6,587)	1,252	5,335	----	----
Net carrying amount at end of year	<b>129,976</b>	<b>1,104,060</b>	<b>133,368</b>	<b>79,795</b>	<b>2,355</b>	<b>1,449,554</b>

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the HNELHD [see note 1(k)].
- (ii) Indices provided by Aon Risk Services Australia Limited were not applied as they were deemed immaterial.
- (iii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(n).

The following table details the indices applied to Land, Buildings and Infrastructure Systems as determined by Aon Risk Services Australia Limited :

Year	Land	Buildings	Infrastructure Systems
2016/17	N/A	N/A	N/A
2015/16	N/A	N/A	N/A

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**PARENT & CONSOLIDATION**

**21. 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**

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,605	1,089,043	1,098,648
- Infrastructure Systems	----	----	79,795	79,795
	-----	-----	-----	-----
	-----	<b>9,605</b>	<b>1,168,838</b>	<b>1,178,443</b>

There were no transfers between level 1 and 2 during the year ended 30 June 2017.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,780	1,145,636	1,155,416
- Infrastructure Systems	----	----	78,388	78,388
	-----	-----	-----	-----
	-----	<b>9,780</b>	<b>1,224,024</b>	<b>1,233,804</b>

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

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 20.

**b) Valuation Techniques, Inputs and Processes**

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 20 reconciliation.

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



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**PARENT & CONSOLIDATION**

**21. Fair Value Measurement of Non-Financial Assets**

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

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

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

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

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

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**PARENT & CONSOLIDATION**

**21. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

2017	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	1,145,636	78,388	----	1,224,024
Additions	----	5,335	----	5,335
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	1,196	102	----	1,298
Disposals	(518)	----	----	(518)
Depreciation	(56,075)	(4,030)	----	(60,105)
Prior Year Adjustment	(1,196)	----	----	(1,196)
Fair value as at 30 June 2017	<u>1,089,043</u>	<u>79,795</u>	<u>----</u>	<u>1,168,838</u>

There were no transfers between Level 1 or 2 during the periods

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

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

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>22. Restricted Assets</b>				
<p>The HNELHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
<b>Category</b>				
10,997	12,037	Specific Purposes	10,997	12,037
16	15	Perpetually Invested Funds	16	15
17,093	17,415	Research Grants	17,093	17,415
22,853	22,482	Private Practice Funds	22,853	22,482
20,872	18,646	General Donations	20,872	18,646
<u>71,831</u>	<u>70,595</u>		<u>71,831</u>	<u>70,595</u>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>23. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	29,642	21,861
----	----	Taxation and Payroll Deductions	7,238	6,819
36,880	28,680	Accrued Liability - Purchase of Personnel Services	----	----
70,500	46,318	Creditors	70,500	46,318
		Other Creditors		
463	140	- Capital Works	463	140
15,504	14,632	- Payables to entities controlled by the immediate parent	15,504	14,632
49,673	42,133	- Other	49,673	42,133
<u>173,020</u>	<u>131,903</u>		<u>173,020</u>	<u>131,903</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'other creditors - capital works' relate to balances payable to Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

		<b>24. Borrowings</b>		
		<b>Current</b>		
730	128	Other Loans and Deposits	730	128
13,843	12,050	Public Private Partnership	13,843	12,050
<u>14,573</u>	<u>12,178</u>		<u>14,573</u>	<u>12,178</u>
		<b>Non-Current</b>		
6,649	343	Other Loans and Deposits	6,649	343
78,621	92,463	Public Private Partnership	78,621	92,463
<u>85,270</u>	<u>92,806</u>		<u>85,270</u>	<u>92,806</u>

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

Final Repayment of loan is scheduled for June 2027 for other loans and deposits.

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

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury, which is controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>25. Provisions</b>				
<b>Current</b>				
----	----	Annual Leave - Short Term Benefit	120,890	114,749
----	----	Annual Leave - Long Term Benefit	38,767	40,489
----	----	Long Service Leave Consequential On-Costs	26,863	27,182
186,520	182,420	Provision for Personnel Services Liability	----	----
3,276	----	Other	3,276	----
<u>189,796</u>	<u>182,420</u>		<u>189,796</u>	<u>182,420</u>
<b>Non-Current</b>				
----	----	Long Service Leave Consequential On-Costs	2,336	2,364
2,336	2,364	Provision for Personnel Services Liability	----	----
737	905	Other	737	905
<u>3,073</u>	<u>3,269</u>		<u>3,073</u>	<u>3,269</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
----	----	Provisions - Current	186,520	182,420
----	----	Provisions - Non-Current	2,336	2,364
----	----	Accrued Salaries, Wages and On-Costs (Note 23)	36,880	28,680
229,012	213,464	Liability - Purchase of Personnel Services	----	----
<u>229,012</u>	<u>213,464</u>		<u>225,736</u>	<u>213,464</u>
<b>26. Other Liabilities</b>				
<b>Current</b>				
264	355	Income in Advance	264	355
<u>264</u>	<u>355</u>		<u>264</u>	<u>355</u>
<b>Non-Current</b>				
270	285	Income in Advance	270	285
<u>270</u>	<u>285</u>		<u>270</u>	<u>285</u>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>27. Commitments for Expenditure</b>				
<b>a) Capital Commitments</b>				
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:				
52,173	21,682	Not later than one year	52,173	21,682
5,515	3,317	Later than one year and not later than five years	5,515	3,317
----	----	Later than five years	----	----
<u>57,688</u>	<u>24,999</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>57,688</u>	<u>24,999</u>
The majority of the above commitments for the current year include capital expenditure commitments relating to Health Administration Corporation, an entity controlled by the immediate parent.				
<b>b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
2,907	3,983	Not later than one year	2,907	3,983
10,605	11,089	Later than one year and not later than five years	10,605	11,089
14,853	17,597	Later than five years	14,853	17,597
<u>28,365</u>	<u>32,669</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>28,365</u>	<u>32,669</u>

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

**c) Contingent Asset Related to Commitments for Expenditure**

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$86.1 million as at 30 June 2017 includes input tax credits of \$7.8M that are expected to be recoverable from the Australian Taxation Office (2016 \$5.2M).

Hunter New England Local Health District  
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**PARENT**

**CONSOLIDATION**

**2017**  
**\$000**

**2016**  
**\$000**

**2017**  
**\$000**

**2016**  
**\$000**

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

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

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

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

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

An estimate of the commitments is as follows:

**(i) Minimum lease payment commitments in relation to finance leases are payable as follows:**

22,017	21,836	Not later than one year	22,017	21,836
38,854	52,689	Later than one year and not later than five years	38,854	52,689
109,216	117,398	Later than five years	109,216	117,398
<b>170,087</b>	<b>191,923</b>	<b>Minimum Lease Payments</b>	<b>170,087</b>	<b>191,923</b>
(77,623)	(87,410)	Less: Future Finance Charges	(77,623)	(87,410)
<b>92,464</b>	<b>104,513</b>	<b>Present Value of Minimum Lease Payments</b>	<b>92,464</b>	<b>104,513</b>

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

13,843	12,050	Not later than one year	13,843	12,050
13,699	25,372	Later than one year and not later than five years	13,699	25,372
64,922	67,091	Later than five years	64,922	67,091
<b>92,464</b>	<b>104,513</b>	<b>Present Value of Minimum Lease Payments</b>	<b>92,464</b>	<b>104,513</b>

Hunter New England Local Health District  
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**PARENT & CONSOLIDATION**

**28. Trust Funds**

The HNELHD holds trust funds of \$5.9 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	1,925	902	228	250	2,420	2,428	4,573	3,580
Revenue	1,726	1,439	41	10	40,599	41,831	42,366	43,280
Expenses	(704)	(416)	(36)	(32)	(40,337)	(41,839)	(41,077)	(42,287)
Balance at the end of the financial year	<b>2,947</b>	<b>1,925</b>	<b>233</b>	<b>228</b>	<b>2,682</b>	<b>2,420</b>	<b>5,862</b>	<b>4,573</b>



Hunter New England Local Health District  
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**PARENT AND CONSOLIDATED**

**29. Contingent Liabilities and Assets**

**a) Calvary Mater Hospital Public Private Partnership (PPP)**

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

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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**30. Interests in associates**

Set out below are the associates of HNELHD as at 30 June 2017 which, in the opinion of management, are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

Name of entity	Place of business and country of incorporation	Class of shares	Ownership interest held by HNELHD		Nature of relationship	Measurement method	Carrying Amount	
			2017	2016			2017	2016
			%	%			\$000	\$000
Hunter Medical Research Institute	Australia	Not applicable	25	25	Associate	Equity method	-	-

Hunter Medical Research Institute is a company limited by guarantee, whose constitution prohibits the distribution of funds to its members. Accordingly the carrying amount has been equity accounted at nil value and as such no financial information has been disclosed. Hunter Medical Research Institute has a 30 June reporting period.

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>31. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
105,639	86,924	Net Cash Flows from Operating Activities	105,639	86,924
(82,003)	(80,539)	Depreciation and Amortisation	(82,003)	(80,539)
(1,204)	(960)	Allowance for Impairment	(1,204)	(960)
106	351	(Increase)/ Decrease Income in Advance	106	351
(7,181)	(4,212)	(Increase)/ Decrease in Provisions	(7,181)	(4,212)
3,012	16,345	Increase / (Decrease) in Prepayments and Other Assets	3,012	16,345
(41,063)	(4,204)	(Increase)/ Decrease in Payables from Operating Activities	(41,063)	(4,204)
(1,291)	(1,676)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(1,291)	(1,676)
306	----	Assets donated or brought to account for the first time	306	----
<b>(23,679)</b>	<b>12,029</b>	<b>Net Result</b>	<b>(23,679)</b>	<b>12,029</b>

**32. 2016/17 Voluntary Services**

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

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

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

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

Hunter New England Local Health District  
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**34. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was higher than adjusted budget by \$6 million, primarily due to:

Expenses (excluding losses) \$8.7M favourable

Employee related expenses, including VMO's, is Hunter New England Local Health District's largest category of expenditure and was \$8M over budget. The main focus continues to be reducing premium labour costs such as overtime and locum costs. Offsetting this was Other Operating costs and RMR that were \$16.4M favourable to budget, which reflects a continued improvement around procurement. Budget categories will be realigned in 17/18 to address this issue.

Income \$1.9M unfavourable

Primarily due to Sale of goods and services \$4.6M unfavourable due mainly to reduce High Cost Drug income and lower Facility Fees. Patient Fees income was \$3.4 unfavourable reflecting impact of Health Fund policy changes, and Other revenue \$6.3M favourable mainly due to Insurance refunds.

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

**Assets and Liabilities**

Current assets are above budget by \$52.6M

Cash of \$48.2M (due mainly to budget adjustment to reduce full year subsidy value \$45.0M) and receivables of \$4.4M above budget from operating activities and timing of payments and receipts while remaining predominately within terms.

Non Current Assets are above budget by \$5.2M

Primarily due to plant and equipment purchases.

Current Liabilities are \$42.0M above budget

Primarily due to creditors above budget by \$38.5M from timing of payments while remaining within terms and provisions \$5.1M above budget.

Non Current Liabilities are \$8.5M above budget

Primarily due to timing differences of borrowing repayments \$8.6M.

Total equity is \$7.2M above budget

Primarily due to the operating surplus for the year being \$5.9M above budget.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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**34. Adjusted Budget Review - Parent and Consolidated**

**Cash Flows**

Net increase in cash was \$48.2M above budget, primarily arising from the budget adjustment to reduce the full year subsidy value.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01/07/2016 are as follows:

	<b>\$000</b>
Initial Allocation, including escalation, excluding award increases	1,604,273
Escalations and Growth Funding	78,448
Special Projects	
Dental	3,000
Mental Health	2,911
Other special projects	2,007
NSW RGTP & GPPTP	1,450
Integrated Care	1,275
Other special projects	2,686
Other	
Finalisation of 2016-17 Recurrent Subsidy	(44,963)
Locally Funded Initiative Projects Cash Adjustment	10,798
Nursing and Midwifery enhancements	4,965
IPTAAS	2,801
NSW Pathology Adjustment	(1,064)
Revenue washup DVA, SIRA, TACP, RAS	(949)
Bed Replacement Program	803
Other Misc	1,974
	1,670,415
Balance as per Statement of Comprehensive Income	1,670,415

Hunter New England Local Health District  
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**35. Financial Instruments**

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

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

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

**(a) Financial Instrument Categories**

**PARENT AND CONSOLIDATION**

<b>Financial Assets Class:</b>	<b>Category</b>	<b>Carrying Amount 2017 \$000</b>	<b>Carrying Amount 2016 \$000</b>
Cash and Cash Equivalents (note 17)	N/A	92,372	98,907
Receivables (note 18)*	Loans and receivables (at amortised cost)	41,390	47,733
		133,762	146,640
<b>Financial Liabilities:</b>	<b>Category</b>	<b>Carrying Amount 2017</b>	<b>Carrying Amount 2016</b>
Borrowings (note 24)		99,843	104,984
Payables (note 23)**	Financial liabilities measured at amortised cost	165,782	125,084
		265,625	230,068

Notes

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

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

Hunter New England Local Health District  
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### 35. Financial Instruments

#### (b) Credit Risk

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

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

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

#### Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.57% in 2016/17 compared to 2.82% in the previous year.

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

#### Receivables - trade debtors

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

The HNELHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$36.7M ; 2016: \$43.08M) and not more than 3 months past due (2017: \$3.3M ; 2016: \$2.45M) are not considered impaired.

In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the HNELHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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

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**35. Financial Instruments**

	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<b>2017</b>			
<3 months overdue	3,303	3,286	17
3 months - 6 months overdue	863	581	282
> 6 months overdue	2,141	826	1,315
<b>2016</b>			
<3 months overdue	2,451	2,451	----
3 months - 6 months overdue	1,088	718	370
> 6 months overdue	2,723	1,480	1,243

**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 Financial Instruments Disclosures 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.

**(c) Liquidity Risk**

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

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

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

The HNELHD has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNELHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

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

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

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



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**35. Financial Instruments**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000
<b>2017</b>							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		29,642	----	29,642	29,642	----	----
- Creditors		136,140	----	136,140	136,140	----	----
Borrowings:							
- Loans and Deposits	3.94%	8,545	8,545	----	964	3,491	4,090
- Public Private Partnership	8.36%	170,087	170,087	----	22,017	38,854	109,215
		<u>344,414</u>	<u>178,632</u>	<u>165,782</u>	<u>188,763</u>	<u>42,345</u>	<u>113,305</u>
<b>2016</b>							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		21,861	----	21,861	21,861	----	----
- Creditors		103,223	----	103,223	103,223	----	----
Borrowings:							
- Loans and Deposits	4.06%	509	509	----	145	364	----
- Public Private Partnership	8.36%	191,923	191,923	----	21,836	52,689	117,398
		<u>317,516</u>	<u>192,432</u>	<u>125,084</u>	<u>147,065</u>	<u>53,053</u>	<u>117,398</u>

Notes:

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

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**35. Financial Instruments**

**(d) Market Risk**

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the HNELHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2016. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

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

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	92,372	(924)	(924)	924	924
Receivables	41,390	----	----	----	----
<b>Financial Liabilities</b>					
Payables	165,782	----	----	----	----
Borrowings	99,843	998	998	(998)	(998)
<b>2016</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	98,907	(989)	(989)	989	989
Receivables	47,733	----	----	----	----
<b>Financial Liabilities</b>					
Payables	125,084	----	----	----	----
Borrowings	104,984	1,050	1,050	(1,050)	(1,050)

Hunter New England Local Health District  
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**(e) Fair Value Measurement**

**(i) Fair value compared to carrying amount**

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

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

Therefore the fair value of the financial instruments do not differ from the carrying amount.

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**36. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	<b>2017</b>
	<b>\$000</b>
Short-term employee benefits	397
Post-employment benefits	30
Other long-term benefits	0
Termination benefits	0
	<u>427</u>

During the financial year, Hunter New England Local Health District obtained key management personnel services from the immediate parent and incurred \$0.377M as advised by the Ministry for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

**Transactions with key management personnel and their close family members**

There were no other transactions with key management personnel and their close family members.

There were no transactions with key management personnel and their close family members and the ultimate parent during the financial year.

**37. Events After the Reporting Period**

No matters have arisen subsequent to reporting date that would require these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**