

Northern Sydney Local Health District

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Northern Sydney 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, and the service group statements 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(f). 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. 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 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.

S Bond .

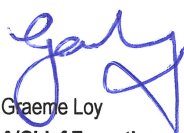
Sally Bond
Director, Financial Audit Services

5 September 2017
SYDNEY

**Northern Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2017**

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

- 1) The financial statements of the Northern Sydney 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 Northern Sydney Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Graeme Loy
A/Chief Executive
4 September 2017



Chris Thomson
A/Director Finance and Corporate Services
4 September 2017

Northern Sydney 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 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
Expenses excluding losses						
Operating Expenses						
-----	-----	-----				
971,362	961,456	906,091	2	993,949	984,148	956,398
54,048	53,094	52,813	3	-----	-----	-----
368,599	377,321	392,616	4	368,599	377,321	392,616
64,627	65,029	63,858	1(m), 5	64,627	65,029	63,858
7,690	6,446	8,692	6	7,690	6,446	8,692
71,652	71,604	71,100	1(g), 7	71,652	71,604	71,100
33,516	33,041	32,460	8	33,516	33,041	32,460
1,571,494	1,567,991	1,527,630		1,594,081	1,590,683	1,577,937
Revenue						
1,201,850	1,201,904	1,155,978	1(h)	1,201,850	1,201,904	1,155,978
57,412	57,331	61,374	1(h)	57,412	57,331	61,374
-----	-----	-----	1(e)(ii), 12	22,587	22,692	50,307
243,709	239,269	230,566	1(h), 9	243,709	239,269	230,566
2,816	2,889	3,096	1(h), 10	2,816	2,889	3,096
39,664	36,640	42,950	1(h), 11	39,664	36,640	42,950
14,854	14,800	21,677	13	14,854	14,800	21,677
1,560,305	1,552,833	1,515,641		1,582,892	1,575,525	1,565,948
(193)	(5)	(284)	14	(193)	(5)	(284)
(4,082)	(2,082)	(1,742)	15	(4,082)	(2,082)	(1,742)
(15,464)	(17,245)	(14,015)	32	(15,464)	(17,245)	(14,015)
Other Comprehensive Income						
Items that will not be reclassified to net result						
Net Increase/(Decrease) in Property, Plant &						
269,861	-----	-----	20	269,861	-----	-----
269,861	-----	-----		269,861	-----	-----
254,397	(17,245)	(14,015)		254,397	(17,245)	(14,015)

The accompanying notes form part of these financial statements.

Northern Sydney 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 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000	
ASSETS							
Current Assets							
124,179	121,972	124,866	17	124,179	121,972	124,866	
61,959	63,731	63,431	18	61,959	63,731	63,431	
10,695	9,546	9,546	19	10,695	9,546	9,546	
196,833	195,249	197,843		196,833	195,249	197,843	
Non-Current Assets							
1,253	1,332	1,332	18	1,253	1,332	1,332	
Property, Plant and Equipment							
2,011,134	1,757,725	1,903,922	20	2,011,134	1,757,725	1,903,922	
72,519	56,591	75,931	20	72,519	56,591	75,931	
17,963	19,457	19,457	20	17,963	19,457	19,457	
34	199	199	20	34	199	199	
2,101,650	1,833,972	1,999,509		2,101,650	1,833,972	1,999,509	
1,599	3,324	2,544	21	1,599	3,324	2,544	
8,110	7,623	7,623	22	8,110	7,623	7,623	
2,112,612	1,846,251	2,011,008		2,112,612	1,846,251	2,011,008	
2,309,445	2,041,500	2,208,851		2,309,445	2,041,500	2,208,851	
LIABILITIES							
Current Liabilities							
97,952	99,549	97,652	25	97,952	99,549	97,652	
405	291	291	26	405	291	291	
137,960	136,576	134,304	27	137,960	136,576	134,304	
5,439	6,950	6,818	28	5,439	6,950	6,818	
241,756	243,366	239,065		241,756	243,366	239,065	
Non-Current Liabilities							
723,522	723,871	723,872	26	723,522	723,871	723,872	
1,622	1,622	1,618	27	1,622	1,622	1,618	
24,226	25,374	25,374	28	24,226	25,374	25,374	
749,370	750,867	750,864		749,370	750,867	750,864	
991,126	994,233	989,929		991,126	994,233	989,929	
1,318,319	1,047,267	1,218,922		1,318,319	1,047,267	1,218,922	
EQUITY							
276,880	151,002	150,415		276,880	151,002	150,415	
1,041,439	896,265	1,068,507		1,041,439	896,265	1,068,507	
1,318,319	1,047,267	1,218,922		1,318,319	1,047,267	1,218,922	

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2016		1,068,507	150,415	1,218,922
Total Equity at 1 July 2016		1,068,507	150,415	1,218,922
Net Result for the year		(15,464)	----	(15,464)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	269,861	269,861
Transfers on Disposal		143,396	(143,396)	----
Total Other Comprehensive Income		143,396	126,465	269,861
Total Comprehensive Income for the year		127,932	126,465	254,397
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	(155,000)	----	(155,000)
Balance at 30 June 2017		1,041,439	276,880	1,318,319
Balance at 1 July 2015		1,082,522	150,415	1,232,937
Total Equity at 1 July 2015		1,082,522	150,415	1,232,937
Net Result for the year		(14,015)	----	(14,015)
Total Comprehensive Income for the year		(14,015)	----	(14,015)
Balance at 30 June 2016		1,068,507	150,415	1,218,922

The accompanying notes form part of these financial statements.

Northern Sydney 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
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(980,532)	(973,064)	(917,757)
(46,507)	(44,787)	(46,413)	Grants and Subsidies	(46,507)	(44,787)	(46,413)
(71,652)	(71,604)	(71,101)	Finance Costs	(71,652)	(71,604)	(71,101)
(1,454,825)	(1,451,981)	(1,422,670)	Other	(474,293)	(478,917)	(504,913)
<u>(1,572,984)</u>	<u>(1,568,372)</u>	<u>(1,540,184)</u>	Total Payments	<u>(1,572,984)</u>	<u>(1,568,372)</u>	<u>(1,540,184)</u>
Receipts						
1,201,850	1,201,904	1,155,978	NSW Ministry of Health Recurrent Allocations	1,201,850	1,201,904	1,155,978
57,412	57,331	61,374	NSW Ministry of Health Capital Allocations	57,412	57,331	61,374
14,415	14,415	15,746	Reimbursements from the Crown Entity	14,415	14,415	15,746
244,242	246,470	236,786	Sale of Goods and Services	244,242	246,470	236,786
2,657	2,729	2,920	Interest Received	2,657	2,729	2,920
44,947	41,923	49,670	Grants and Contributions	44,947	41,923	49,670
58,074	54,820	57,106	Other	58,074	54,820	57,106
<u>1,623,597</u>	<u>1,619,592</u>	<u>1,579,580</u>	Total Receipts	<u>1,623,597</u>	<u>1,619,592</u>	<u>1,579,580</u>
<u>50,613</u>	<u>51,220</u>	<u>39,396</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>50,613</u>	<u>51,220</u>	<u>39,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
194	89	89	Proceeds from Sale of Property, Plant & Equipment and Intangibles	194	89	89
----	----	64,828	Proceeds from Sale of Investments	----	----	64,828
(51,258)	(54,203)	(49,930)	Purchases of Property, Plant & Equipment and Intangibles	(51,258)	(54,203)	(49,930)
----	----	(64,828)	Purchases of Investments	----	----	(64,828)
<u>(51,064)</u>	<u>(54,114)</u>	<u>(49,841)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(51,064)</u>	<u>(54,114)</u>	<u>(49,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
----	----	2,500	Proceeds from Borrowings and Advances	----	----	2,500
(236)	----	(115)	Repayment of Borrowings and Advances	(236)	----	(115)
<u>(236)</u>	<u>----</u>	<u>2,385</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(236)</u>	<u>----</u>	<u>2,385</u>
(687)	(2,894)	(8,060)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(687)	(2,894)	(8,060)
124,866	124,866	132,926	Opening Cash and Cash Equivalents	124,866	124,866	132,926
<u>124,179</u>	<u>121,972</u>	<u>124,866</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>124,179</u>	<u>121,972</u>	<u>124,866</u>

The accompanying notes form part of these financial statements.

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

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

* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.

* The Northern Sydney Local Health District Special Purpose Service Entity which was established as a Division of the NSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the NSLHD 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.

NSLHD 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 A/Chief Executive on 4 September 2017.

b) Basis of Preparation

The NSLHD'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(af).

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

The Secretary of Health, the Chair of the Northern Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the NSLHD'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 NSLHD 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 NSLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The NSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the NSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

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

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

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

c) Comparative Information

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

Northern Sydney 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

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 NSLHD has assessed the actuarial advice based on the NSLHD'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 NSLHD'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 NSLHD 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 NSLHD as shown in Note 27.

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

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the 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 NSLHD 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 NSLHD'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.

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.

Northern Sydney 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

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 NSLHD 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 NSLHD 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 NSLHD 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.

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 NSLHD 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 NSLHD use in the advancement of the NSLHD or individuals within it.

Refer to Note 9(b) for further details.

Use of Outside Facilities

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

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

Grants and Contributions

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

Northern Sydney 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

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the NSLHD 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 Greenwich & Neringah Hospitals (HammondCare) and Royal Rehabilitation Centre, Sydney 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 NSLHD 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 NSLHD 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 NSLHD are deemed to be controlled by the NSLHD and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

Northern Sydney 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 NSLHD. 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%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Linen	25.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%

"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(q).

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 23 for further information regarding fair value.

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

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

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

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

1. Summary of Significant Accounting Policies

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

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

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

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

o) Impairment of Property, Plant and Equipment

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

p) Restoration Costs

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

q) 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 NSLHD does not have any property that meets the definition of Investment Property.

r) Intangible Assets

The NSLHD recognises intangible assets only if it is probable that future economic benefits will flow to the NSLHD 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 NSLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the NSLHD 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.

Northern Sydney 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

s) 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.

t) 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.

u) 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.

v) 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.

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

* The NSLHD 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 NSLHD's key management personnel.

The risk management strategy of the NSLHD 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 NSLHD 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.

Northern Sydney 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

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 NSLHD 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.

x) Impairment of Financial Assets

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

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

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

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

y) 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 NSLHD transfers the financial asset:

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

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

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

z) Payables

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

aa) 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.

ab) Fair Value Hierarchy

A number of the NSLHD'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 NSLHD 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 NSLHD 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 23 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

Northern Sydney 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

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

ad) 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 NSLHD'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.

ae) Trust Funds

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

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

af) 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 NSLHD'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 NSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the NSLHD 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 36.

ag) Emerging Asset

The NSLHD's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the NSLHD 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 28 (22 years remaining) years using the annuity method and the Government Bond rate of 6% at commencement of the concession period.

1. Summary of Significant Accounting Policies

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

(i) Effective for the first time in 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.

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless 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.

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.

Northern Sydney 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
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	882,716	818,089
----	----	Superannuation - Defined Benefit Plans	7,809	8,225
----	----	Superannuation - Defined Contribution Plans	76,731	73,313
----	----	Long Service Leave	14,825	44,617
----	----	Redundancies	1,427	1,302
----	----	Workers' Compensation Insurance	10,290	10,504
----	----	Fringe Benefits Tax	151	348
-----	-----		-----	-----
<u>-----</u>	<u>-----</u>		<u>993,949</u>	<u>956,398</u>
3. Personnel Services				
882,716	818,089	Salaries and Wages	----	----
(5)	----	Superannuation - Defined Benefit Plans	----	----
76,731	73,313	Superannuation - Defined Contribution Plans	----	----
52	2,535	Long Service Leave	----	----
1,427	1,302	Redundancies	----	----
10,290	10,504	Workers' Compensation Insurance	----	----
151	348	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<u>971,362</u>	<u>906,091</u>		<u>-----</u>	<u>-----</u>
<p>Personnel services of Northern Sydney Local Health District was provided by its controlled entity, Northern Sydney Local Health District Special Purpose Service Entity.</p>				

Northern Sydney 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
4. Other Operating Expenses				
136	209	Advertising	136	209
219	218	Auditor's Remuneration - Audit of Financial Statements	219	218
9,662	8,918	Blood and Blood Products	9,662	8,918
573	330	Consultancies	573	330
42	----	Contractors	42	----
21,925	15,156	Domestic Supplies and Services	21,925	15,156
57,626	49,988	Drug Supplies	57,626	49,988
20,789	15,175	Food Supplies	20,789	15,175
9,622	9,343	Fuel, Light and Power	9,622	9,343
5,697	5,317	Hospital Ambulance Transport Costs	5,697	5,317
19,813	18,745	Information Management Expenses	19,813	18,745
982	930	Insurance	982	930
32,439	45,186	Maintenance (See 4(b) below)	32,439	45,186
78,002	76,078	Medical and Surgical Supplies	78,002	76,078
1,597	1,904	Motor Vehicle Expenses	1,597	1,904
2,251	2,676	Postal and Telephone Costs	2,251	2,676
1,385	1,501	Printing and Stationery	1,385	1,501
1,728	1,912	Rates and Charges	1,728	1,912
1,972	1,953	Rental	1,972	1,953
942	1,258	Hosted Services Purchased from entities controlled by the immediate parent	942	1,258
45,013	42,477	Special Service Departments (Pathology, Imaging, Radiology, Dental, Dialysis, Allied Health)	45,013	42,477
7,124	6,752	Staff Related Costs	7,124	6,752
4,775	4,977	Travel Related Costs	4,775	4,977
44,285	81,613	Other (See 4(a) below)	44,285	81,613
368,599	392,616		368,599	392,616

Northern Sydney 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
4. Other Operating Expenses				
a) Other Includes:				
7,179	7,044	Contract for Patient Services	7,179	7,044
11,959	11,338	Corporate Support Services	11,959	11,338
574	607	Courier and Freight	574	607
28	18	Isolated Patient Travel and Accommodation Assistance Scheme	28	18
365	805	Legal Services	365	805
797	597	Membership/Professional Fees	797	597
1,418	1,513	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,418	1,513
14,542	44,812	Public Private Partnership Contracted Services	14,542	44,812
1,664	913	Other Operating Lease Expense - Minimum Lease Payments	1,664	913
30	55	Quality Assurance/Accreditation	30	55
330	596	Security Services	330	596
5,399	13,315	Other Miscellaneous	5,399	13,315
44,285	81,613		44,285	81,613
b) Reconciliation of Total Maintenance				
13,413	11,754	Maintenance Contracts	13,413	11,754
15,350	28,067	New/Replacement Equipment under \$10,000	15,350	28,067
4,643	6,298	Repairs Maintenance/Non Contract	4,643	6,298
(967)	(933)	Other	(967)	(933)
32,439	45,186	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	32,439	45,186
3,208	3,431	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	3,208	3,431
35,647	48,617		35,647	48,617

Auditor's Remuneration¹ was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

The majority of 'Hospital Ambulance Transport Costs', 'Information Management Expenses', 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', 'Special Service Departments', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

Northern Sydney 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
5. Depreciation and Amortisation				
49,425	48,545	Depreciation - Buildings	49,425	48,545
12,949	13,170	Depreciation - Plant and Equipment	12,949	13,170
1,143	1,114	Depreciation - Infrastructure Systems	1,143	1,114
165	101	Amortisation - Leasehold Improvements	165	101
945	928	Amortisation - Intangible Assets	945	928
<u>64,627</u>	<u>63,858</u>		<u>64,627</u>	<u>63,858</u>
6. Grants and Subsidies				
4,264	4,326	Non-Government Organisations	4,264	4,326
507	477	Grants to Research Organisations	507	477
304	504	Grants paid to entities controlled by the immediate parent	304	504
2,615	3,385	Other Grants	2,615	3,385
<u>7,690</u>	<u>8,692</u>		<u>7,690</u>	<u>8,692</u>
7. Finance Costs				
71,589	71,083	Public Private Partnership Lease Interest Charges	71,589	71,083
63	18	Interest on Loans	63	18
----	(1)	Other Interest Charges	----	(1)
<u>71,652</u>	<u>71,100</u>		<u>71,652</u>	<u>71,100</u>
8. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
16,917	17,053	Greenwich & Neringah Hospitals (HammondCare)	16,917	17,053
16,599	15,407	Royal Rehabilitation Centre Sydney	16,599	15,407
<u>33,516</u>	<u>32,460</u>		<u>33,516</u>	<u>32,460</u>

Northern Sydney 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
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
225	359	Pharmacy Sales	225	359
10,722	11,954	Sale of Prosthesis	10,722	11,954
2,249	2,346	Other	2,249	2,346
b) Rendering of Services comprise the following:-				
		Patient Fees		
104,969	99,759	- Inpatient Fees	104,969	99,759
157	97	- Nursing Home Fees	157	97
4,577	4,583	- Non Inpatient Fees	4,577	4,583
27,914	28,698	Department of Veterans' Affairs	27,914	28,698
101	78	Staff-Meals and Accommodation	101	78
23,253	20,128	Infrastructure Fees - Monthly Facility Charge	23,253	20,128
8,552	5,829	Infrastructure Fees - Annual Charge	8,552	5,829
223	316	Car Parking	223	316
2,154	2,371	Child Care Fees	2,154	2,371
662	1,481	Clinical Services (excluding Clinical Drug Trials)	662	1,481
2,978	2,872	Commercial Activities	2,978	2,872
187	178	Fees for Medical Records	187	178
3	3	Information Retrieval	3	3
26,498	18,703	Highly Specialised Drugs	26,498	18,703
12,861	14,131	Motor Accident Authority Third Party	12,861	14,131
(107)	73	Patient Transport Fees	(107)	73
109	139	Private Use of Motor Vehicles	109	139
926	910	Salary Packaging Fee	926	910
7,222	9,380	Hosted Services Provided to entities controlled by immediate parent	7,222	9,380
3,253	3,167	Services Provided to Non NSW Health Organisations	3,253	3,167
4,021	3,011	Other	4,021	3,011
243,709	230,566		243,709	230,566
10. Investment Revenue				
2,657	2,920	Interest	2,657	2,920
159	176	Other	159	176
2,816	3,096		2,816	3,096

Northern Sydney 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
11. Grants and Contributions				
3,787	3,168	Clinical Drug Trials	3,787	3,168
10,908	10,574	Commonwealth Government Grants	10,908	10,574
6,024	7,835	Industry Contributions/Donations	6,024	7,835
8,177	8,689	Cancer Institute Grants	8,177	8,689
1,654	2,540	Grants received from entities controlled by the ultimate parent	1,654	2,540
1,185	1,488	Grants received from entities controlled by the immediate parent	1,185	1,488
3,407	4,340	Research Grants	3,407	4,340
4,522	4,316	Other Grants	4,522	4,316
39,664	42,950		39,664	42,950

The Cancer Institute is an entity controlled by the immediate parent.

The majority of grants that were received from entities controlled by the ultimate parent were received from Department of Family and Community Services.

The majority of grants that were received from entities controlled by the immediate parent were received from Health Administration Corporation.

Some of the Research Grants were received from entities controlled by the ultimate parent.

12. Acceptance by the Crown Entity of Employee Benefits

The following liabilities and expenses have been assumed by the Crown Entity:

----	----	Superannuation-defined benefit	7,814	8,225
----	----	Long Service Leave	14,773	42,082
----	----		22,587	50,307

13. Other Revenue

Other Revenue comprises the following:-

5	6	Bad Debts Recovered	5	6
52	70	Commissions	52	70
100	101	Conference and Training Fees	100	101
----	56	Discounts received	----	56
17	109	Insurance Refunds	17	109
4,044	3,978	Lease and Rental	4,044	3,978
19	25	Sale of Merchandise, Old Wares and Books	19	25
1	1	Sponsorship	1	1
4,305	10,577	Treasury Managed Fund Hindsight Adjustment	4,305	10,577
1	----	Unclaimed Deposits	1	----
6,310	6,754	Other*	6,310	6,754
14,854	21,677		14,854	21,677

* The majority of the Other revenue were received from entities controlled by the immediate parent.

Northern Sydney Local Health District
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for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
14. Gain / (Loss) on Disposal				
37,733	5,456	Property, Plant and Equipment	37,733	5,456
<u>(37,346)</u>	<u>(5,083)</u>	Accumulated Depreciation	<u>(37,346)</u>	<u>(5,083)</u>
387	373	Written Down Value	387	373
194	89	Proceeds from Disposal	194	89
<u>(193)</u>	<u>(284)</u>	Gain/(Loss) on Disposal of	<u>(193)</u>	<u>(284)</u>
		Property, Plant and Equipment		
<u>(193)</u>	<u>(284)</u>	Total Gain/(Loss) on Disposal	<u>(193)</u>	<u>(284)</u>
15. Other Gains / (Losses)				
(587)	----	Property, Plant and Equipment	(587)	----
<u>(3,495)</u>	<u>(1,742)</u>	Asset Revaluation Increment/(Decrement)	<u>(3,495)</u>	<u>(1,742)</u>
		Impairment of Receivables		
<u>(4,082)</u>	<u>(1,742)</u>		<u>(4,082)</u>	<u>(1,742)</u>

Northern Sydney Local Health District
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for the year ended 30 June 2017

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	5,271	----	4,389	9,660
Contributions recognised in previous years which were not expended in the current reporting period	29,953	41,608	34,860	106,421
Total amount of unexpended contributions as at reporting date	35,224	41,608	39,249	116,081

Comment on restricted assets appears in Note 24

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
17. Cash and Cash Equivalents				
57,814	60,038	Cash at Bank and On Hand	57,814	60,038
66,365	64,828	Short Term Deposits	66,365	64,828
<u>124,179</u>	<u>124,866</u>		<u>124,179</u>	<u>124,866</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
124,179	124,866	Cash and Cash Equivalents (per Statement of Financial Position)	124,179	124,866
<u>124,179</u>	<u>124,866</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>124,179</u>	<u>124,866</u>

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

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
18. Receivables				
Current				
39,209	33,442	Sale of Goods and Services	39,209	33,442
11,593	10,177	Intra Health Receivables	11,593	10,177
6,852	8,073	Goods and Services Tax	6,852	8,073
1,331	10,519	Other Debtors	1,331	10,519
<u>58,985</u>	<u>62,211</u>	Sub Total	<u>58,985</u>	<u>62,211</u>
<u>(3,326)</u>	<u>(4,057)</u>	Less Allowance for Impairment	<u>(3,326)</u>	<u>(4,057)</u>
55,659	58,154	Sub Total	55,659	58,154
6,300	5,277	Prepayments	6,300	5,277
<u>61,959</u>	<u>63,431</u>		<u>61,959</u>	<u>63,431</u>
<p>'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The total amount at reporting date includes \$2.8m receivable from Health Administration Corporation.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(1,797)	(2,750)	Balance at Commencement of Reporting Period	(1,797)	(2,750)
2,375	2,348	Amounts written off during the period	2,375	2,348
24	206	Amounts recovered during the period	24	206
<u>(3,009)</u>	<u>(1,601)</u>	(Increase)/decrease in Allowance Recognised in the Net Result	<u>(3,009)</u>	<u>(1,601)</u>
<u>(2,407)</u>	<u>(1,797)</u>	Balance at 30 June	<u>(2,407)</u>	<u>(1,797)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(2,260)	(2,152)	Balance at Commencement of Reporting Period	(2,260)	(2,152)
1,828	33	Amounts written off during the period	1,828	33
<u>(486)</u>	<u>(141)</u>	(Increase)/decrease in Allowance Recognised in the Net Result	<u>(486)</u>	<u>(141)</u>
<u>(918)</u>	<u>(2,260)</u>	Balance at 30 June	<u>(918)</u>	<u>(2,260)</u>
<u>(3,325)</u>	<u>(4,057)</u>		<u>(3,325)</u>	<u>(4,057)</u>
Non-Current				
1,253	1,332	Prepayments	1,253	1,332
<u>1,253</u>	<u>1,332</u>		<u>1,253</u>	<u>1,332</u>

Northern Sydney 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
		18. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
3,162	2,283	Patient Fees - Compensable	3,162	2,283
5,505	3,705	Patient Fees - Ineligible	5,505	3,705
16,359	13,311	Patient Fees - Inpatient & Other	16,359	13,311
25,026	19,299		25,026	19,299
25,026	19,299		25,026	19,299

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

Northern Sydney 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
19. Inventories				
2,410	2,285	Drugs	2,410	2,285
6,135	5,460	Medical and Surgical Supplies	6,135	5,460
64	58	Engineering Supplies	64	58
2,086	1,743	Other Including Goods in Transit	2,086	1,743
<u>10,695</u>	<u>9,546</u>		<u>10,695</u>	<u>9,546</u>

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,696,540	2,502,632	Gross Carrying Amount	2,696,540	2,502,632
685,406	598,710	Less: Accumulated Depreciation and Impairment	685,406	598,710
<u>2,011,134</u>	<u>1,903,922</u>	Net Carrying Amount	<u>2,011,134</u>	<u>1,903,922</u>
Plant and Equipment - Fair Value*				
165,675	160,452	Gross Carrying Amount	165,675	160,452
93,156	84,521	Less: Accumulated Depreciation and Impairment	93,156	84,521
<u>72,519</u>	<u>75,931</u>	Net Carrying Amount	<u>72,519</u>	<u>75,931</u>
Infrastructure Systems - Fair Value				
46,349	43,754	Gross Carrying Amount	46,349	43,754
28,386	24,297	Less: Accumulated Depreciation and Impairment	28,386	24,297
<u>17,963</u>	<u>19,457</u>	Net Carrying Amount	<u>17,963</u>	<u>19,457</u>
Leasehold Improvements - Fair Value*				
1,006	1,006	Gross Carrying Amount	1,006	1,006
972	807	Less: Accumulated Depreciation and Impairment	972	807
<u>34</u>	<u>199</u>	Net Carrying Amount	<u>34</u>	<u>199</u>
<u>2,101,650</u>	<u>1,999,509</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>2,101,650</u>	<u>1,999,509</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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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
2017						
Net carrying amount at start of year	433,272	1,470,650	75,931	19,457	199	1,999,509
Additions	----	42,113	9,146	----	----	51,259
Disposals	----	(101)	(286)	----	----	(387)
Administrative Restructures - Transfers In/(Out)	(155,000)	----	----	----	----	(155,000)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	677	----	----	677
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	221,488	48,373	----	----	----	269,861
Impairment Losses (Recognised in "Other Gains/Losses)	----	----	----	(587)	----	(587)
Depreciation Expense	----	(49,425)	(12,949)	(1,143)	(165)	(63,682)
Reclassifications from Buildings to Infrastructure	----	(236)	----	236	----	----
Net carrying amount at end of year	499,760	1,511,374	72,519	17,963	34	2,101,650

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	433,272	1,482,714	76,782	20,571	300	2,013,639
Additions	----	36,481	12,503	----	----	48,984
Reclassifications to Intangibles	----	----	(300)	----	----	(300)
Disposals	----	----	(373)	----	----	(373)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	489	----	----	489
Depreciation Expense	----	(48,545)	(13,170)	(1,114)	(101)	(62,930)
Net carrying amount at end of year	433,272	1,470,650	75,931	19,457	199	1,999,509

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the NSLHD [see note 1(k)].
- (ii) Indices provided by Liquid Pacific were not applied as as they were deemed immaterial.

Northern Sydney 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
21. Intangible Assets				
		Intangibles		
4,472	4,473	Cost (Gross Carrying Amount)	4,472	4,473
2,873	1,929	Less Accumulated Amortisation and Impairment	2,873	1,929
<u>1,599</u>	<u>2,544</u>	Net Carrying Amount	<u>1,599</u>	<u>2,544</u>
<u>1,599</u>	<u>2,544</u>	Total Intangible Assets at Net Carrying Amount	<u>1,599</u>	<u>2,544</u>

PARENT & CONSOLIDATION

21. Intangible Assets - Reconciliation

	Intangibles \$000	Total \$000
2017		
Net carrying amount at start of year	2,544	2,544
Amortisation (Recognised in Depreciation and Amortisation)	(945)	(945)
Net carrying amount at end of year	1,599	1,599

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	3,172	3,172
Reclassifications from Plant & Equipment	300	300
Amortisation (Recognised in Depreciation and Amortisation)	(928)	(928)
Net carrying amount at end of year	2,544	2,544

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		22. Other Assets		
		Non-Current		
8,110	7,623	Emerging Rights to Assets (refer Note 1(ag))	8,110	7,623
8,110	7,623		8,110	7,623
8,110	7,623		8,110	7,623

Northern Sydney Local Health District
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PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	503,788	1,360,645	1,864,434
- Infrastructure Systems	----	----	17,963	17,963
Other Assets (Note 22) Emerging Assets	----	----	8,110	8,110
	-----	503,788	1,386,718	1,890,507

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

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.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	770,526	1,027,984	1,798,510
- Infrastructure Systems	----	----	19,457	19,457
Other Assets (Note 22) Emerging Assets	----	----	7,623	7,623
	-----	770,526	1,055,064	1,825,590

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.

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the NSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Liquid Pacific for the 2016/17 financial year. Liquid Pacific is an independent entity and is not an associated entity of the NSLHD.

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:

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.

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.

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PARENT & CONSOLIDATION

23. 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	1,027,749	19,457	7,623	1,054,829
Additions	----	----	487	487
Revaluation increments/decrements recognised in net result – included in the line item 'Other gains/ (losses)'	----	(587)	----	(587)
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	48,373	----	----	48,373
Transfers from Level 2	329,711	----	----	329,711
Disposals	(101)	----	----	(101)
Depreciation	(44,851)	(1,143)	----	(45,994)
Reclassification from Buildings to Infrastructure	(236)	236	----	----
Fair value as at 30 June 2017	<u>1,360,645</u>	<u>17,963</u>	<u>8,110</u>	<u>1,386,718</u>

There were no transfers between Level 1 or 2 during the year ended 30 June 2017.

2016	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	1,067,761	20,571	7,166	1,095,498
Additions	----	----	457	457
Depreciation	(40,012)	(1,114)	----	(41,126)
Fair value as at 30 June 2016	<u>1,027,749</u>	<u>19,457</u>	<u>7,623</u>	<u>1,054,829</u>

There were no transfers between Level 1 or 2 during the year ended 30 June 2016.

Northern Sydney Local Health District
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CONSOLIDATION

2017
\$000

2016
\$000

2017
\$000

2016
\$000

24. Restricted Assets

The NSLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

Category

57,274	52,708	Specific Purposes	57,274	52,708
23,282	22,593	Research Grants	23,282	22,593
35,525	31,120	Private Practice Funds	35,525	31,120
<u>116,081</u>	<u>106,421</u>		<u>116,081</u>	<u>106,421</u>

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	20,633	18,291
----	----	Taxation and Payroll Deductions	5,430	4,822
26,063	23,113	Accrued Liability - Purchase of Personnel Services	----	----
36,019	35,630	Creditors	36,019	35,630
----	1	Interest	----	1
		Other Creditors		
6,795	10,062	- Payables to entities controlled by the immediate parent	6,795	10,062
18,429	19,515	- PPP Monthly Service Fees	18,429	19,515
10,646	9,331	- Other	10,646	9,331
97,952	97,652		97,952	97,652

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.

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

		26. Borrowings		
		Current		
243	236	Other Loans and Deposits	243	236
162	55	Public Private Partnership	162	55
405	291		405	291
		Non-Current		
2,022	2,265	Other Loans and Deposits	2,022	2,265
721,500	721,607	Public Private Partnership	721,500	721,607
723,522	723,872		723,522	723,872

'Other Loans and Deposits' represent monies to be repaid to the NSW Treasury, which is controlled by the ultimate parent.

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 2037

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

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
26. Borrowings				
a) Finance Leases				
Minimum lease payments in relation to finance leases are payable as follows:				
75,766	76,519	Not later than one year	75,766	76,519
330,423	326,495	Later than one year and not later than five years	330,423	326,495
1,517,023	1,607,887	Later than five years	1,517,023	1,607,887
<u>1,923,212</u>	<u>2,010,901</u>	Minimum Lease Payments	<u>1,923,212</u>	<u>2,010,901</u>
<u>1,201,550</u>	<u>1,289,239</u>	Less: Future Finance Charges	<u>1,201,550</u>	<u>1,289,239</u>
<u>721,662</u>	<u>721,662</u>	Present Value of Minimum Lease Payments	<u>721,662</u>	<u>721,662</u>
The present value of finance lease payments is as follows:				
162	55	Not later than one year	162	55
13,135	6,352	Later than one year and not later than five years	13,135	6,352
708,366	715,255	Later than five years	708,366	715,255
<u>721,662</u>	<u>721,662</u>	Present Value of Minimum Lease Payments Classified as:	<u>721,662</u>	<u>721,662</u>
162	55	Current (Note 26)	162	55
<u>721,500</u>	<u>721,607</u>	Non-Current (Note 26)	<u>721,500</u>	<u>721,607</u>
<u>721,662</u>	<u>721,662</u>		<u>721,662</u>	<u>721,662</u>

Royal North Shore Hospital Campus redevelopment Public Private Partnership (PPP) Contract awarded in October 2008. Project construction completed and commissioned in October 2014. PPP Contract will expire in 2037.

Northern Sydney 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
27. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	100,032	94,954
----	----	Annual Leave - Long Term Benefit	17,508	20,744
----	----	Long Service Leave Consequential On-Costs	18,653	18,606
136,193	134,304	Provision for Personnel Services Liability	----	----
1,767	----	Other	1,767	----
<u>137,960</u>	<u>134,304</u>		<u>137,960</u>	<u>134,304</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	1,622	1,618
1,622	1,618	Provision for Personnel Services Liability	----	----
<u>1,622</u>	<u>1,618</u>		<u>1,622</u>	<u>1,618</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	136,193	134,304
----	----	Provisions - Non-Current	1,622	1,618
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	26,063	23,113
163,878	159,035	Liability - Purchase of Personnel Services	----	----
<u>163,878</u>	<u>159,035</u>		<u>163,878</u>	<u>159,035</u>
28. Other Liabilities				
Current				
5,439	6,818	Income in Advance	5,439	6,818
<u>5,439</u>	<u>6,818</u>		<u>5,439</u>	<u>6,818</u>
Non-Current				
24,226	25,374	Income in Advance	24,226	25,374
<u>24,226</u>	<u>25,374</u>		<u>24,226</u>	<u>25,374</u>

Current Income in Advance reflects clinical trial and project funding. Non Current balance represents rent received in advance for the use of building and car park facilities for the thirty years ending 2047.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
29. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
23,071	39,028	Not later than one year	23,071	39,028
1,121	8,328	Later than one year and not later than five years	1,121	8,328
<u>24,192</u>	<u>47,356</u>	Total Capital Expenditure Commitments (Including GST)	<u>24,192</u>	<u>47,356</u>

The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.

b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,792	1,496	Not later than one year	1,792	1,496
1,856	1,683	Later than one year and not later than five years	1,856	1,683
<u>3,648</u>	<u>3,179</u>	Total Operating Lease Commitments (Including GST)	<u>3,648</u>	<u>3,179</u>

The operating lease commitments above are for motor vehicles and property leases.

- c) **Contingent Asset Related to Commitments for Expenditure**
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$28 Million as at 30 June 2017 includes input tax credits of \$2.5 Million that are expected to be recoverable from the Australian Taxation Office (2016 \$3.9 Million).
- d) On 11 December 2014, Healthscope signed a contract with Health Administration Corporation (HAC) and Northern Sydney Local Health District to design, build, operate and maintain the new Northern Beaches Hospital. In 2018, the hospital will open to provide care to both public and private patients. No commitments related to this project are recognised as at 30 June 2017.

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

30. Trust Funds

The NSLHD holds trust funds of \$3.0 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 NSLHD 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	409	628	1,360	1,237	1,325	1,278	3,094	3,143
Revenue	1,178	1,522	1,040	1,392	83,088	75,810	85,306	78,724
Expenses	(1,303)	(1,741)	(945)	(1,269)	(83,127)	(75,763)	(85,375)	(78,773)
Balance at the end of the financial year	284	409	1,455	1,360	1,286	1,325	3,025	3,094

PARENT AND CONSOLIDATED

31. Joint Arrangements

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

Northern Sydney 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
32. Reconciliation of Cash Flows from Operating Activities to Net Result				
50,613	39,396	Net Cash Flows from Operating Activities	50,613	39,396
(64,627)	(63,858)	Depreciation and Amortisation	(64,627)	(63,858)
(3,495)	(1,742)	Allowance for Impairment	(3,495)	(1,742)
2,527	(14)	(Increase)/ Decrease Income in Advance	2,527	(14)
(3,661)	(2,476)	(Increase)/ Decrease in Provisions	(3,661)	(2,476)
3,359	9,753	Increase / (Decrease) in Prepayments and Other Assets	3,359	9,753
(77)	5,210	(Increase)/ Decrease in Payables from Operating Activities	(77)	5,210
(587)	----	Revaluation of Property, Plant and Equipment recognised in "Other gains/(losses)"	(587)	----
(193)	(284)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(193)	(284)
677	----	Assets donated or brought to account for the first time	677	----
<u>(15,464)</u>	<u>(14,015)</u>	Net Result	<u>(15,464)</u>	<u>(14,015)</u>
33. Non-Cash Financing and Investing Activities				
677	----	Assets Received by Donation	677	----
<u>677</u>	<u>----</u>		<u>677</u>	<u>----</u>
34. 2016/17 Voluntary Services				
<p>It is considered impracticable to quantify the monetary value of voluntary services provided to the NSLHD. Services provided include:</p> <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies/Hospital Auxiliaries - Patient Support Groups - Community Organisations - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help & Patient Activities 				
35. Unclaimed Monies				
<p>Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the <i>Industrial Relations Act, 1996</i>.</p> <p>All money and personal effects of patients which are left in the custody of the NSLHD 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 NSLHD.</p> <p>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.</p>				

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

36. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$2 Million, primarily due to:

Revenue being favourable by \$7 Million which was largely attributable to higher than expected Grants & Contributions and Sale of Goods and Services.

Expenditure being unfavourable by \$5 Million, largely attributable to employee related expenses as a result of higher than expected acute and emergency department activity across the District.

Assets and Liabilities

Actual Consolidated Total Assets are \$268 Million favourable to budget due to Asset Revaluation.

Actual Consolidated Total Liabilities were \$3 Million favourable to budget. The main variance to budget related to the decrease in Payables of \$2 Million and Other (Income in Advance) \$1 Million.

Cash Flows

Actual Operating Cash Flows were \$0.5 Million unfavourable to budget. The variance to the budget is related to additional employee related expenditure incurred due to higher than expected activity.

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:

	\$000
Initial Allocation, 01 July 2016	1,143,202
Award Increases	46,884
Supplementation reduction PPP Interest	(342)
Supplementation reduction PPP Insurance	(73)
PPP SPV Expenses	(440)
Reduction in 16/17 Initial Budget PPP	(1,738)
Voluntary Redundancy Reimbursement	1,376
Adjustment for Additional Activity	8,220
Nurse and Midwifery Initiatives 2016-17	743
Organ and Tissue Donation Funding	537
Musculoskeletal Initiative	561
Aged Care Assessment Funding Allocation	584
Direct Funding of NSW Health Pathology Teaching_Training_Research Staff Costs	(949)
Prior Year 2015 16 Revenue Washups DVA-MVA RAS TACP	(1,354)
Others	4,693
Balance as per Statement of Comprehensive Income	1,201,904

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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37. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2015/16 year were:

Nil

Equity transfers effected in the 2016/17 year were:

As part of a NSW Government decision to undertake a relocation project, a decision was made to transfer two sites from Northern Sydney Local Health District to the Ministry of Health, which is the immediate parent.

Assets and Liabilities transferred are as follows:

	2017	2016
	\$000	\$000
Land and Buildings	(155,000)	-----

The value of the sites was adjusted to \$155,000,000, which was the fair value of the assets immediately prior to the transfer to the Ministry of Health. The revaluation increment was adjusted to the asset revaluation surplus.

Increase/(Decrease) in Net Assets From Equity Transfers

(155,000)	-----
------------------	--------------

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

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

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

The A/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 NSLHD, 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

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	124,179	124,866
Receivables (note 18)*	Loans and receivables (at amortised cost)	48,807	50,081
		<u>172,986</u>	<u>174,947</u>
Financial Liabilities			
Borrowings (note 26)	Financial liabilities measured at amortised cost	723,927	724,163
Payables (note 25)**		92,522	92,830
		<u>816,449</u>	<u>816,993</u>

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures).

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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38. 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 NSLHD. 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 NSLHD, including cash, receivables and authority deposits. No collateral is held by the NSLHD. The NSLHD has not granted any financial guarantees.

Credit risk associated with the NSLHD'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 2.35% in 2016/17 compared to 2.6% 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 NSLHD 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 NSLHD 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: \$40.9 Million ; 2016: \$36.8 Million) and not more than 3 months past due (2017: \$5 Million ; 2016: \$4.3 Million) 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 NSLHD'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.

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

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2017			
<3 months overdue	4,989	4,989	----
3 months - 6 months overdue	2,923	2,923	----
> 6 months overdue	3,326	----	3,326
2016			
<3 months overdue	4,324	4,324	----
3 months - 6 months overdue	1,626	1,626	----
> 6 months overdue	4,057	----	4,057

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 AASB7 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.

Authority Deposits

The NSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.4% (2016: 2.1%), while over the year the weighted average interest rate was 2.37% (2016: 2.47%) on a weighted average balance during the year of \$65.7 Million (2016: \$63.6 Million). None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the NSLHD will be unable to meet its payment obligations when they fall due. The NSLHD 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 NSLHD 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 NSLHD 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 NSLHD 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.

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

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2017							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	20,633	----	----	20,633	20,633	----	----
- Creditors	71,889	----	----	71,889	71,889	----	----
Borrowings:							
- Loans and Deposits	2,536	2,536	----	----	300	1,198	1,038
- Public Private Partnership	1,923,212	----	1,923,212	----	75,766	330,423	1,517,023
	<u>2,018,270</u>	<u>2,536</u>	<u>1,923,212</u>	<u>92,522</u>	<u>168,588</u>	<u>331,621</u>	<u>1,518,061</u>
2016							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	18,291	----	----	18,291	18,291	----	----
- Creditors	74,539	----	----	74,539	74,539	----	----
Borrowings:							
- Loans and Deposits	2,836	2,836	----	----	300	1,198	1,338
- Public Private Partnership	2,010,901	----	2,010,901	----	76,519	326,495	1,607,887
	<u>2,106,567</u>	<u>2,836</u>	<u>2,010,901</u>	<u>92,830</u>	<u>169,649</u>	<u>327,693</u>	<u>1,609,225</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 NSLHD 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.

Northern Sydney Local Health District
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38. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The NSLHD's exposures to market risk are primarily through interest rate risk on the NSLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The NSLHD 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 NSLHD 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 NSLHD's interest bearing liabilities.

However, the NSLHD 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 NSLHD 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 NSLHD'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
2017					
Financial Assets					
Cash and Cash Equivalents	124,179	(1,242)	(1,242)	1,242	1,242
Receivables	48,807	----	----	----	----
Financial Liabilities					
Payables*	92,522	----	----	----	----
Borrowings	723,927	7,239	7,239	(7,239)	(7,239)
2016					
Financial Assets					
Cash and Cash Equivalents	124,866	(1,249)	(1,249)	1,249	1,249
Receivables	50,081	----	----	----	----
Financial Liabilities					
Payables	92,830	----	----	----	----
Borrowings	724,163	7,242	7,242	(7,242)	(7,242)

Northern Sydney Local Health District
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38. Financial Instruments

Other price risk - TCorp Hour-Glass Investment facilities

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

Facility	Investment Sectors	Investment Horizon	2017 \$000	2016 \$000
Cash facility	Cash and money market instruments	Up to 1.5 years	66,365	64,828

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

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

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

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

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

Impact on net result	Change in unit price	2017 \$000	2016 \$000
Hour-Glass Investment - Cash facility	+/- 1%	664	604

(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.

Northern Sydney Local Health District
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38. Financial Instruments

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2017 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	66,365	-----	66,365

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	64,828	-----	64,828

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

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

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

Northern Sydney Local Health District
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39. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	210
Post-employment benefits	13
Other long-term benefits	-
Termination benefits	-
	<u>223</u>

During the financial year, Northern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$487k 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.

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

There were no transactions with the ultimate parent during the financial year.

40. Events After the Reporting Period

There are no events after the reporting period that require amendment to the financial statements.

END OF AUDITED FINANCIAL STATEMENTS