

**Northern Sydney**  
**Local Health District**

**Financial Statements**

for the year ended 30 June 2018





## 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 Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under 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 fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

## **Emphasis of Matter – Presentation of Budget Information**

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

## **The Chief Executive's Responsibilities 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the District and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the District or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

S Bond .

Sally Bond  
Director, Financial Audit Service

6 September 2018  
SYDNEY

**Northern Sydney Local Health District  
Certification of the Financial Statements  
for the year ended 30 June 2018**

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 2018 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 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
  - c) Financial Reporting Directions mandated by the Treasurer.
- 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.



Deborah Willcox  
**Chief Executive**  
4 September 2018



Jacquie Ferguson  
**Director Finance and Corporate Services**  
4 September 2018



Northern Sydney Local Health District  
Statement of Financial Position as at 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current Assets</b>						
120,985	118,870	124,179		120,985	118,870	124,179
63,278	61,660	61,959	16	63,278	61,660	61,959
10,840	10,695	10,695	17	10,840	10,695	10,695
195,103	191,225	196,833	18	195,103	191,225	196,833
36,558	----	----	22	36,558	----	----
<b>231,661</b>	<b>191,225</b>	<b>196,833</b>		<b>231,661</b>	<b>191,225</b>	<b>196,833</b>
<b>Non-Current Assets Held for Sale</b>						
<b>Total Current Assets</b>						
<b>Non-Current Assets</b>						
1,007	1,253	1,253		1,007	1,253	1,253
1,977,217	2,024,718	2,011,134	17	1,977,217	2,024,718	2,011,134
66,323	55,522	72,519		66,323	55,522	72,519
16,507	17,963	17,963	19	16,507	17,963	17,963
24	34	34	19	24	34	34
2,060,071	2,098,237	2,101,650		2,060,071	2,098,237	2,101,650
2,744	3,180	1,599	19	2,744	3,180	1,599
8,628	8,110	8,110	19	8,628	8,110	8,110
<b>2,072,450</b>	<b>2,110,780</b>	<b>2,112,612</b>	20	<b>2,072,450</b>	<b>2,110,780</b>	<b>2,112,612</b>
<b>2,304,111</b>	<b>2,302,005</b>	<b>2,309,445</b>	21	<b>2,304,111</b>	<b>2,302,005</b>	<b>2,309,445</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
119,279	122,402	97,952		119,279	122,402	97,952
577	405	405	25	577	405	405
157,909	144,406	137,960	26	157,909	144,406	137,960
7,182	5,570	5,439	27	7,182	5,570	5,439
<b>284,947</b>	<b>272,783</b>	<b>241,756</b>	28	<b>284,947</b>	<b>272,783</b>	<b>241,756</b>
<b>Total Current Liabilities</b>						
<b>Non-Current Liabilities</b>						
723,107	723,522	723,522		723,107	723,522	723,522
1,867	1,867	1,622	26	1,867	1,867	1,622
23,077	24,226	24,226	27	23,077	24,226	24,226
<b>748,051</b>	<b>749,615</b>	<b>749,370</b>	28	<b>748,051</b>	<b>749,615</b>	<b>749,370</b>
<b>1,032,998</b>	<b>1,022,398</b>	<b>991,126</b>		<b>1,032,998</b>	<b>1,022,398</b>	<b>991,126</b>
<b>1,271,113</b>	<b>1,279,607</b>	<b>1,318,319</b>		<b>1,271,113</b>	<b>1,279,607</b>	<b>1,318,319</b>
<b>Total Liabilities</b>						
<b>Net Assets</b>						
<b>EQUITY</b>						
276,995	276,880	276,880		276,995	276,880	276,880
994,118	1,002,727	1,041,439		994,118	1,002,727	1,041,439
<b>1,271,113</b>	<b>1,279,607</b>	<b>1,318,319</b>		<b>1,271,113</b>	<b>1,279,607</b>	<b>1,318,319</b>

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 2018**

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2017</b>		1,041,439	276,880	1,318,319
<b>Total Equity at 1 July 2017</b>		<b>1,041,439</b>	<b>276,880</b>	<b>1,318,319</b>
<b>Net Result for the year</b>		(47,075)	----	(47,075)
<b>Other Comprehensive Income:</b>				
<i>Available for Sale Financial Assets:</i>				
Transfers on Disposal		(115)	115	----
<b>Total Other Comprehensive Income</b>		(115)	115	----
<b>Total Comprehensive Income for the year</b>		(47,190)	115	(47,075)
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	38	(131)	----	(131)
<b>Balance at 30 June 2018</b>		<b>994,118</b>	<b>276,995</b>	<b>1,271,113</b>
<b>Balance at 1 July 2016</b>		1,068,507	150,415	1,218,922
<b>Total Equity at 1 July 2016</b>		<b>1,068,507</b>	<b>150,415</b>	<b>1,218,922</b>
<b>Net Result for the year</b>		(15,464)	----	(15,464)
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	----	269,861	269,861
<i>Available for Sale Financial Assets:</i>				
Transfers on Disposal		143,396	(143,396)	----
<b>Total Other Comprehensive Income</b>		143,396	126,465	269,861
<b>Total Comprehensive Income for the year</b>		127,932	126,465	254,397
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	38	(155,000)	----	(155,000)
<b>Balance at 30 June 2017</b>		<b>1,041,439</b>	<b>276,880</b>	<b>1,318,319</b>

The accompanying notes form part of these financial statements.



Northern Sydney Local Health District  
Statement of Cash Flows for the year ended 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
				(983,849)	(983,280)	(980,532)
(512,975)	(517,145)	(474,293)	Employee Related	(512,975)	(517,145)	(474,293)
(53,209)	(52,465)	(46,507)	Suppliers for Goods and Services	(53,209)	(52,465)	(46,507)
(73,919)	(73,920)	(71,652)	Grants and Subsidies	(73,919)	(73,920)	(71,652)
(983,849)	(983,280)	(980,532)	Finance Costs			
			Other			
<u>(1,623,952)</u>	<u>(1,626,810)</u>	<u>(1,572,984)</u>	<b>Total Payments</b>	<u>(1,623,952)</u>	<u>(1,626,810)</u>	<u>(1,572,984)</u>
<b>Receipts</b>						
1,262,568	1,262,568	1,201,850	NSW Ministry of Health Recurrent Allocations	1,262,568	1,262,568	1,201,850
64,035	63,770	57,412	NSW Ministry of Health Capital Allocations	64,035	63,770	57,412
15,494	15,494	14,415	Reimbursements from the Crown Entity	15,494	15,494	14,415
234,944	240,696	244,242	Sale of Goods and Services	234,944	240,696	244,242
2,452	2,729	2,657	Interest Received	2,452	2,729	2,657
44,150	42,538	44,947	Grants and Other Contributions	44,150	42,538	44,947
59,027	56,983	58,074	Other	59,027	56,983	58,074
<u>1,682,670</u>	<u>1,684,778</u>	<u>1,623,597</u>	<b>Total Receipts</b>	<u>1,682,670</u>	<u>1,684,778</u>	<u>1,623,597</u>
<u><b>58,718</b></u>	<u><b>57,968</b></u>	<u><b>50,613</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>58,718</b></u>	<u><b>57,968</b></u>	<u><b>50,613</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
119	194	194	Proceeds from Sale of Property, Plant & Equipment and Intangibles	119	194	194
1,321	1,321	---	Proceeds from Sale of Financial Assets	1,321	1,321	---
(61,788)	(63,471)	(51,258)	Purchases of Property, Plant & Equipment and Intangibles	(61,788)	(63,471)	(51,258)
(1,321)	(1,321)	---	Purchases of Financial Assets	(1,321)	(1,321)	---
<u>(61,669)</u>	<u>(63,277)</u>	<u>(51,064)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(61,669)</u>	<u>(63,277)</u>	<u>(51,064)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
57	57	---	Proceeds from Borrowings and Advances	57	57	---
(300)	(57)	(236)	Repayment of Borrowings and Advances	(300)	(57)	(236)
<u>(243)</u>	<u>---</u>	<u>(236)</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(243)</u>	<u>---</u>	<u>(236)</u>
(3,194)	(5,309)	(687)	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,194)	(5,309)	(687)
124,179	124,179	124,866	Opening Cash and Cash Equivalents	124,179	124,179	124,866
<u><b>120,985</b></u>	<u><b>118,870</b></u>	<u><b>124,179</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>120,985</b></u>	<u><b>118,870</b></u>	<u><b>124,179</b></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 2018

**1. Statement 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 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).

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 Note 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.

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive on 17 July 2018.

**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 the *Public Finance and Audit Regulation 2015*, and Financial Reporting Directions mandated by the Treasurer. 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(ah).

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

The Secretary of NSW 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 NSW 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 NSW Ministry of Health.

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 NSW Ministry of Health 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' 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.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**c) Comparative Information**

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

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

**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 and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) 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 and ADO are not expected to be settled wholly before 12 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 18.1% are applied to the value of leave payable at 30 June 2018 (30 June 2017 : 17.2%). The NSLHD has assessed the actuarial advice based on the NSLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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 the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the financial year 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.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**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) Grants and Subsidies**

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

**h) 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.

**i) 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).

*Grants and Other Contributions*

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the NSLHD and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer 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.

*Motor Accident Authority Third Party*

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The 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 NSW Ministry of Health in the form of a block grant.

*Investment Revenue*

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

*Debt Forgiveness*

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

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

*Use of Hospital Facilities*

Specialist doctors with rights of private practice are subject to an infrastructure charge including service charges where applicable 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.

*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 NSW Ministry of Health. 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.

**j) 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.

**k) 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.

**l) Acquisition of Property, Plant and Equipment**

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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.

Refer to Note 1(ae) for assets transferred as a result of equity transfer.

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.



Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**m) Capitalisation Thresholds**

Property, plant and equipment and Intangibles costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

**n) 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.

**o) 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*.

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 19 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.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement 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 a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss 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.

**p) 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 Impairment of Assets* 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.

**q) Restoration Costs**

On initial recognition, the present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

**s) 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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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 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 immediate parent.

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

**t) Maintenance**

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

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**u) Leased Assets**

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

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

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

**v) Inventories**

Inventories held for distribution are stated 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. Cost is calculated using the weighted average cost method.

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

**w) Loans and Receivables**

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

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

**x) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The 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.

TCorpIM Funds 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 1987*.

TCorpIM Funds investment 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 TCorpIM Funds investment 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.

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.



Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**y) Impairment of Financial Assets**

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

For certain categories of financial assets, such as trade receivables, the entity first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

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

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

**aa) 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.

**ab) Borrowings**

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

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

**ac) Fair Value Hierarchy**

A number of the 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 39 for further disclosures regarding fair value measurements of non-financial and financial assets.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**ad) Equity Transfers**

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

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

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the 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.

**ae) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

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

**(iii) Separate Reserves**

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

**af) Trust Funds**

The 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.

**ag) Adjusted Budget 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 Performance 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 37.

**ah) Emerging Asset**

The NSLHD's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the NSW 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 (21 years remaining) years using the annuity method and the Government Bond rate of 6% at commencement of the concession period.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

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

**(i) Effective for the first time in 2017-18**

The accounting policies applied in 2017-18 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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows* applies to annual periods beginning on or after 1 January 2017. The standard amends *AASB 107 Statement of Cash Flows* to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to Note 37 of these financial statements.

**(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 the NSLHD have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

*AASB 9 Financial Instruments* applies to annual periods beginning on or after 1 January 2018. *AASB 9 Financial Instruments* 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 Financial Instruments* also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

*AASB 16 Leases* replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, *AASB 16 Leases* will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under *AASB 117 Leases*. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under *AASB 117 Leases*. Lessors will continue to classify all leases using the same classification as in *AASB 117 Leases* and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

*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 Revenue from Contracts with Customers* 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 Income of Not-for-Profit Entities* 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 these financial statements.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
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## 1. Statement of Significant Accounting Policies

*AASB 1059 Service Concession Arrangements* is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on *AASB 13 Fair Value Measurement* principles. They are subsequently accounted for under *AASB 116 Property, Plant & Equipment* or *AASB 138 Intangible Assets*. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying *AASB 9 Financial Instruments* or, the 'grant of right' model under *AASB 1059 Service Concession Arrangements*. *AASB 1059 Service Concession Arrangements* requires retrospective application.

### Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

### Potential Impact on The NSLHD's Financial Report

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

#### Leases

- \* The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as current liability.
- \* Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- \* Depreciation expense will be booked on Right of Use assets, which will be on a straight-line basis.
- \* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

#### Revenue and Income of Not-for-Profit Entities

- \* The deferral of some revenues of The NSLHD.
- \* Impact on the estimates and judgements involved in the unbilled revenue process.
- \* Specific quantitative and qualitative disclosures may be required under *AASB 15 Revenue from Contracts with Customers*.

#### Financial Instruments

- \* The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

#### Service Concession Arrangements

- \* Service Concession assets and liabilities may be brought onto the balance sheet which are currently treated as emerging assets.

### Application Date

The NSLHD plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>2. Employee Related Expenses</b>		
----	----	Salaries and Wages (including annual leave and ADO)	885,164	882,716
----	----	Superannuation - Defined Benefit Plans	6,965	7,809
----	----	Superannuation - Defined Contribution Plans	77,542	76,731
----	----	Long Service Leave	32,392	14,825
----	----	Restructuring Provision	14,331	1,427
----	----	Workers' Compensation Insurance	9,684	10,290
----	----	Fringe Benefits Tax	329	151
-----	-----		<u>1,026,407</u>	<u>993,949</u>
-----	-----			
		<b>3. Personnel Services</b>		
885,164	882,716	Salaries and Wages	----	----
----	(5)	Superannuation - Defined Benefit Plans	----	----
77,542	76,731	Superannuation - Defined Contribution Plans	----	----
3,057	52	Long Service Leave	----	----
14,331	1,427	Redundancies	----	----
9,684	10,290	Workers' Compensation Insurance	----	----
329	151	Fringe Benefits Tax	----	----
<u>990,107</u>	<u>971,362</u>		-----	-----
<u>990,107</u>	<u>971,362</u>		-----	-----

Personnel services of Northern Sydney Local Health District was provided by its controlled entity, Northern Sydney Local Health District Special Purpose Service Entity.

Northern Sydney Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>4. Other Expenses</b>				
79	136	Advertising	79	136
231	219	Auditor's Remuneration - Audit of Financial Statements	231	219
9,876	9,662	Blood and Blood Products	9,876	9,662
557	573	Consultancies	557	573
169	42	Contractors	169	42
46,873	21,925	Domestic Supplies and Services	46,873	21,925
52,627	57,626	Drug Supplies	52,627	57,626
25,292	20,789	Food Supplies	25,292	20,789
10,932	9,622	Fuel, Light and Power	10,932	9,622
9,815	5,697	Patient Transport Costs	9,815	5,697
22,219	19,813	Information Management Expenses	22,219	19,813
1,225	982	Insurance	1,225	982
34,290	32,439	Maintenance (See 4(b) below)	34,290	32,439
83,230	78,002	Medical and Surgical Supplies	83,230	78,002
1,628	1,597	Motor Vehicle Expenses	1,628	1,597
2,484	2,251	Postal and Telephone Costs	2,484	2,251
1,373	1,385	Printing and Stationery	1,373	1,385
1,783	1,728	Rates and Charges	1,783	1,728
1,948	1,972	Rental	1,948	1,972
971	942	Hosted Services Purchased from entities controlled by the immediate parent	971	942
46,638	45,013	Specialised Services (Pathology, Imaging, Radiology, Dental, Dialysis and Allied Health )	46,638	45,013
7,213	7,124	Staff Related Costs	7,213	7,124
5,138	4,775	Travel Related Costs	5,138	4,775
50,694	44,285	Other (See 4(a) below)	50,694	44,285
<b>417,285</b>	<b>368,599</b>		<b>417,285</b>	<b>368,599</b>



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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>4. Other Expenses</b>				
<b>a) Other Includes:</b>				
7,254	7,179	Contract for Patient Services	7,254	7,179
11,419	11,959	Corporate Support Services	11,419	11,959
606	574	Courier and Freight	606	574
31	27	Isolated Patient Travel and Accommodation Assistance Scheme	31	27
864	365	Legal Services	864	365
720	797	Membership/Professional Fees	720	797
1,344	1,418	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,344	1,418
13,667	14,542	Public Private Partnership Contracted Services	13,667	14,542
1,696	1,664	Other Operating Lease Expense - Minimum Lease Payments	1,696	1,664
49	30	Quality Assurance/Accreditation	49	30
491	330	Security Services	491	330
6,864	4,465	Other Miscellaneous	6,864	4,465
5,689	935	Northern Beaches Medical Records Imaging	5,689	935
<b>50,694</b>	<b>44,285</b>		<b>50,694</b>	<b>44,285</b>
<b>b) Reconciliation of Total Maintenance</b>				
12,824	13,413	Maintenance Contracts	12,824	13,413
16,478	15,350	New/Replacement Equipment under \$10,000	16,478	15,350
5,936	4,643	Repairs Maintenance/Non Contract	5,936	4,643
(948)	(967)	Other	(948)	(967)
34,290	32,439	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	34,290	32,439
2,697	3,208	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,697	3,208
<b>36,987</b>	<b>35,647</b>		<b>36,987</b>	<b>35,647</b>

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

The majority of 'Domestic Supplies and Services', (2018: \$40.3M; 2017: \$15.2M) were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Food Supplies' (2018: \$24.8M; 2017: \$20.4M) were paid to Health Administration Corporation, an entity controlled by the immediate parent.

Patient Transport Costs' (2018: \$9.1M; 2017: \$5.05M) were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses', (2018: \$17.2M; 2017: \$13.7M) were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Specialised Service' (2018: \$33.95M; 2017: \$32.3M) expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>5. Depreciation and Amortisation</b>				
50,202	49,425	Depreciation - Buildings	50,202	49,425
12,833	12,949	Depreciation - Plant and Equipment	12,833	12,949
1,168	1,143	Depreciation - Infrastructure Systems	1,168	1,143
10	165	Amortisation - Leasehold Improvements	10	165
876	945	Amortisation - Intangible Assets	876	945
<b>65,089</b>	<b>64,627</b>		<b>65,089</b>	<b>64,627</b>
<b>6. Grants and Subsidies</b>				
4,347	4,264	Non-Government Organisations	4,347	4,264
266	507	Grants to Research Organisations	266	507
980	304	Grants paid to entities controlled by the immediate parent	980	304
2,303	2,615	Other Grants	2,303	2,615
<b>7,896</b>	<b>7,690</b>		<b>7,896</b>	<b>7,690</b>
<b>7. Finance Costs</b>				
73,863	71,589	Public Private Partnership Lease Interest Charges	73,863	71,589
56	63	Interest on Loans	56	63
<b>73,919</b>	<b>71,652</b>		<b>73,919</b>	<b>71,652</b>
<b>8. Payments to Affiliated Health Organisations</b>				
<b>Recurrent Sourced</b>				
21,319	16,917	Greenwich & Neringah Hospitals (HammondCare)	21,319	16,917
18,078	16,599	Royal Rehabilitation Centre Sydney	18,078	16,599
<b>39,397</b>	<b>33,516</b>		<b>39,397</b>	<b>33,516</b>



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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>9. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
382	225	Pharmacy Sales	382	225
10,921	10,722	Sale of Prosthesis	10,921	10,722
1,454	2,249	Other	1,454	2,249
b) Rendering of Services comprise the following:-				
		Patient Fees		
104,178	104,969	- Inpatient Fees	104,178	104,969
180	157	- Nursing Home Fees	180	157
5,191	4,577	- Non Inpatient Fees	5,191	4,577
23,065	27,914	Department of Veterans' Affairs	23,065	27,914
120	101	Staff-Meals and Accommodation	120	101
21,912	23,253	Infrastructure Fees - Monthly Facility Charge	21,912	23,253
7,274	8,552	Infrastructure Fees - Annual Charge	7,274	8,552
155	223	Car Parking	155	223
1,569	2,154	Child Care Fees	1,569	2,154
771	662	Clinical Services (excluding Clinical Drug Trials)	771	662
2,978	2,978	Commercial Activities	2,978	2,978
173	187	Fees for Medical Records	173	187
2	3	Information Retrieval	2	3
18,992	26,498	Highly Specialised Drugs	18,992	26,498
12,993	12,861	Motor Accident Authority Third Party	12,993	12,861
---	(107)	Patient Transport Fees	---	(107)
93	109	Private Use of Motor Vehicles	93	109
934	926	Salary Packaging Fee	934	926
8,822	7,222	Hosted Services Provided to entities controlled by immediate parent	8,822	7,222
3,099	3,253	Services Provided to Non NSW Health Organisations	3,099	3,253
4,051	4,021	Other	4,051	4,021
<b>229,309</b>	<b>243,709</b>		<b>229,309</b>	<b>243,709</b>

'Motor Accident Authority Third Party' revenue was received from State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.

**10. Investment Revenue**

2,452	2,657	Interest	2,452	2,657
159	159	Other	159	159
<b>2,611</b>	<b>2,816</b>		<b>2,611</b>	<b>2,816</b>

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>11. Grants and Other Contributions</b>				
4,060	3,787	Clinical Drug Trials	4,060	3,787
10,980	10,908	Commonwealth Government Grants	10,980	10,908
4,979	6,024	Industry Contributions/Donations	4,979	6,024
8,454	8,177	Cancer Institute Grants	8,454	8,177
252	1,654	Grants & Contributions received from entities controlled by the ultimate parent	252	1,654
1,142	1,185	Grants & Contributions received from entities controlled by the immediate parent	1,142	1,185
3,955	3,407	Research Grants	3,955	3,407
4,196	4,522	Other Grants	4,196	4,522
<b>38,018</b>	<b>39,664</b>		<b>38,018</b>	<b>39,664</b>

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. Grant for current year reduced to \$0.13M (2017: \$1.35M) due to transition of clients to NDIS.

Some of grants that were received from entities controlled by the immediate parent were received from Cancer Institute NSW were assets in kind (2018: \$0.45M; 2017: \$0.68M)

Some of the Research Grants (2018: \$1.65M; 2017: \$1.3M) 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	6,965	7,814
----	----	Long Service Leave	29,335	14,773
<b>----</b>	<b>----</b>		<b>36,300</b>	<b>22,587</b>

**13. Other Income**

Other Income comprises the following:-

33	5	Bad Debts Recovered	33	5
67	52	Commissions	67	52
60	100	Conference and Training Fees	60	100
4	17	Insurance Refunds	4	17
4,674	4,044	Lease and Rental	4,674	4,044
8	19	Sale of Merchandise, Old Wares and Books	8	19
176	1	Sponsorship	176	1
2,216	4,305	Treasury Managed Fund Hindsight Adjustment	2,216	4,305
9	1	Unclaimed Deposits	9	1
6,406	6,310	Other	6,406	6,310
<b>13,653</b>	<b>14,854</b>		<b>13,653</b>	<b>14,854</b>

Northern Sydney Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>14. Gain / (Loss) on Disposal</b>				
14,212	37,733	Property, Plant and Equipment	14,212	37,733
<u>(13,315)</u>	<u>(37,346)</u>	Accumulated Depreciation	<u>(13,315)</u>	<u>(37,346)</u>
897	387	Written Down Value	897	387
<u>119</u>	<u>194</u>	Proceeds from Disposal	<u>119</u>	<u>194</u>
<u>(778)</u>	<u>(193)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(778)</u>	<u>(193)</u>
<u>(778)</u>	<u>(193)</u>	Total Gain/(Loss) on Disposal	<u>(778)</u>	<u>(193)</u>
<b>15. Other Gains / (Losses)</b>				
-----	(587)	Property, Plant and Equipment Asset Revaluation Increment/(Decrement)	-----	(587)
<u>(4,711)</u>	<u>(3,495)</u>	Impairment of Receivables	<u>(4,711)</u>	<u>(3,495)</u>
<u>(4,711)</u>	<u>(4,082)</u>		<u>(4,711)</u>	<u>(4,082)</u>

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>16. Cash and Cash Equivalents</b>				
53,299	57,814	Cash at Bank and On Hand	53,299	57,814
67,686	66,365	Short Term Deposits	67,686	66,365
<u>120,985</u>	<u>124,179</u>		<u>120,985</u>	<u>124,179</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash &amp; cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>120,985</u>	<u>124,179</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>120,985</u>	<u>124,179</u>
<u>120,985</u>	<u>124,179</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>120,985</u>	<u>124,179</u>

Refer to Note 39 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	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>17. Receivables</b>				
<b>Current</b>				
38,395	39,209	Sale of Goods and Services	38,395	39,209
10,197	11,593	Intra Health Receivables	10,197	11,593
8,081	6,852	Goods and Services Tax	8,081	6,852
3,165	1,331	Other Debtors	3,165	1,331
<u>59,838</u>	<u>58,985</u>	<b>Sub Total</b>	<u>59,838</u>	<u>58,985</u>
<u>(4,818)</u>	<u>(3,326)</u>	Less Allowance for Impairment	<u>(4,818)</u>	<u>(3,326)</u>
55,020	55,659	<b>Sub Total</b>	55,020	55,659
8,258	6,300	Prepayments	8,258	6,300
<u><b>63,278</b></u>	<u><b>61,959</b></u>		<u><b>63,278</b></u>	<u><b>61,959</b></u>

'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Central Coast Local Health District (2018:\$3.3M; 2017: \$2.8M).

a) Movement in the Allowance for Impairment

Sale of Goods and Services				
(2,407)	(1,797)	Balance at Commencement of Reporting Period	(2,407)	(1,797)
3,088	2,375	Amounts written off during the year	3,088	2,375
25	24	Amounts recovered during the year	25	24
(4,553)	(3,009)	(Increase)/decrease in Allowance Recognised in the Net Result	(4,553)	(3,009)
<u>(3,847)</u>	<u>(2,407)</u>	Balance at 30 June 2018	<u>(3,847)</u>	<u>(2,407)</u>

b) Movement in the Allowance for Impairment

Other Debtors				
(918)	(2,260)	Balance at Commencement of Reporting Period	(918)	(2,260)
106	1,828	Amounts written off during the year	106	1,828
(159)	(486)	(Increase)/decrease in Allowance Recognised in the Net Result	(159)	(486)
<u>(971)</u>	<u>(918)</u>	Balance at 30 June 2018	<u>(971)</u>	<u>(918)</u>
<u><b>(4,818)</b></u>	<u><b>(3,325)</b></u>		<u><b>(4,818)</b></u>	<u><b>(3,325)</b></u>

Northern Sydney Local Health District  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>17. Receivables</b>		
		<b>Non-Current</b>		
		Prepayments		
1,007	1,253		1,007	1,253
1,007	1,253		1,007	1,253
1,007	1,253		1,007	1,253
		 c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
		Patient Fees - Compensable		
3,197	3,162		3,197	3,162
5,245	5,505	Patient Fees - Ineligible	5,245	5,505
16,333	16,359	Patient Fees - Inpatient & Other	16,333	16,359
24,775	25,026		24,775	25,026
24,775	25,026		24,775	25,026

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

Northern Sydney Local Health District  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
		<b>18. Inventories</b>		
3,068	2,410	Drugs	3,068	2,410
5,556	6,135	Medical and Surgical Supplies	5,556	6,135
59	64	Engineering Supplies	59	64
2,157	2,086	Other Including Goods in Transit	2,157	2,086
<u>10,840</u>	<u>10,695</u>		<u>10,840</u>	<u>10,695</u>

Northern Sydney Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>19. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
2,684,689	2,696,540	Gross Carrying Amount	2,684,689	2,696,540
707,472	685,406	Less: Accumulated Depreciation and Impairment	707,472	685,406
<b>1,977,217</b>	<b>2,011,134</b>	Net Carrying Amount	<b>1,977,217</b>	<b>2,011,134</b>
<b>Plant and Equipment - Fair Value*</b>				
165,849	165,675	Gross Carrying Amount	165,849	165,675
99,526	93,156	Less: Accumulated Depreciation and Impairment	99,526	93,156
<b>66,323</b>	<b>72,519</b>	Net Carrying Amount	<b>66,323</b>	<b>72,519</b>
<b>Infrastructure Systems - Fair Value</b>				
45,737	46,349	Gross Carrying Amount	45,737	46,349
29,230	28,386	Less: Accumulated Depreciation and Impairment	29,230	28,386
<b>16,507</b>	<b>17,963</b>	Net Carrying Amount	<b>16,507</b>	<b>17,963</b>
<b>Leasehold Improvements - Fair Value*</b>				
1,005	1,006	Gross Carrying Amount	1,005	1,006
981	972	Less: Accumulated Depreciation and Impairment	981	972
<b>24</b>	<b>34</b>	Net Carrying Amount	<b>24</b>	<b>34</b>
<b>2,060,071</b>	<b>2,101,650</b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b>2,060,071</b>	<b>2,101,650</b>

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



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**PARENT & CONSOLIDATION**

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

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
<b>2018</b>					
Net carrying amount at start of year	2,011,134	72,519	17,963	34	2,101,650
Additions	46,604	14,015	----	----	60,619
Reclassifications to Intangibles	----	(851)	----	----	(851)
Recognition of Assets Held for Sale	(36,270)	----	(288)	----	(36,558)
Disposals	(221)	(676)	----	----	(897)
Administrative Restructures - Transfers In/(Out)	----	(131)	----	----	(131)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	452	----	----	452
Depreciation Expense	(50,202)	(12,833)	(1,168)	(10)	(64,213)
Reclassifications from Plant and Equipment to Buildings	6,172	(6,172)	----	----	----
<b>Net carrying amount at end of year</b>	<b>1,977,217</b>	<b>66,323</b>	<b>16,507</b>	<b>24</b>	<b>2,060,071</b>
<b>2017</b>					
Net carrying amount at start of year	1,903,922	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	269,861	----	----	----	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	----	----
<b>Net carrying amount at end of year</b>	<b>2,011,134</b>	<b>72,519</b>	<b>17,963</b>	<b>34</b>	<b>2,101,650</b>

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(i)].
- (ii) Indices provided by Liquid Pacific Holdings Pty Ltd were not applied as they were deemed immaterial.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>20. Intangible Assets</b>				
<b>Intangibles</b>				
6,494	4,472	Cost (Gross Carrying Amount)	6,494	4,472
3,750	2,873	Less Accumulated Amortisation and Impairment	3,750	2,873
<u>2,744</u>	<u>1,599</u>	<b>Net Carrying Amount</b>	<u>2,744</u>	<u>1,599</u>
<u>2,744</u>	<u>1,599</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>2,744</u>	<u>1,599</u>

**PARENT & CONSOLIDATION**

**20. Intangible Assets - Reconciliation**

	Total \$000
<b>2018</b>	
Net carrying amount at start of year	1,599
Additions (From Internal Development or Acquired Separately)	1,170
Reclassifications from Plant & Equipment	851
Amortisation (Recognised in Depreciation and Amortisation)	(876)
<b>Net carrying amount at end of year</b>	<b>2,744</b>

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

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>21. Other Assets</b>		
		<b>Non-Current</b>		
8,628	8,110	Emerging Rights to Assets (refer Note 1(ah))	8,628	8,110
<b>8,628</b>	<b>8,110</b>		<b>8,628</b>	<b>8,110</b>
		<b>22. Non-Current Assets Held for Sale</b>		
		<b>Assets Held for Sale</b>		
36,270	-----	Land and Buildings	36,270	-----
288	-----	Infrastructure Systems	288	-----
<b>36,558</b>	<b>-----</b>		<b>36,558</b>	<b>-----</b>

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

The asset held for sale comprises of three groups of assets that meet the criteria to set them aside for subsequent sale. One of the asset group is located at 31 Twin Road North Ryde which PNSW is currently initiating the sale process and exchange of contracts is due by July 18. The other property group is Turrumurra Aged Care Facilities which MOH and PNSW are currently undertaking a valuation process. The third group of asset is Queenscliff community health centre and these assets were declared to MOH and PNSW. Valuers were appointed and site visit completed on 13th June 2018. The asset sale process is part of strategic Asset management initiatives currently being undertaken by NSLHD to fund other value added locally funded projects.

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**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**

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	554,858	1,274,878	1,829,736
- Infrastructure Systems	----	----	16,507	16,507
Other Assets (Note 21) Emerging Assets	----	----	8,628	8,628
Non-Current Assets Held for Sale (Note 22)	----	36,558	----	36,558
	----	<b>591,416</b>	<b>1,300,013</b>	<b>1,891,429</b>

There were no transfers between level 1 and 2 during the period ended 30 June 2018.

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 19.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	503,789	1,360,645	1,864,434
- Infrastructure Systems	----	----	17,963	17,963
Other Assets (Note 21) Emerging Assets	----	----	8,110	8,110
	----	<b>503,789</b>	<b>1,386,718</b>	<b>1,890,507</b>

There were no transfers between level 1 and 2 during the period 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 19.

**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 Holdings Pty Ltd for the 2016/17 financial year. Liquid Pacific Holdings Pty Ltd 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 19 reconciliation.

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

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

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

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

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

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

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

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

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

2018	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	1,360,645	17,963	8,110	1,386,718
Additions	---	---	518	518
Disposals	(221)	---	---	(221)
Depreciation	(49,276)	(1,168)	---	(50,444)
Recognition of Assets Held for Sale	(36,270)	(288)	---	(36,558)
Fair value as at 30 June 2018	<b>1,274,878</b>	<b>16,507</b>	<b>8,628</b>	<b>1,300,013</b>

There were no transfers between Level 1 or 2 during the year ended 30 June 2018.

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 'Changes in revaluation surplus of property, plant and equipment'	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	<b>1,360,645</b>	<b>17,963</b>	<b>8,110</b>	<b>1,386,718</b>

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

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**24. Restricted Assets**

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

<b>Category</b>	<b>Opening Equity 1 July 2017 \$000</b>	<b>Expense 2018 \$000</b>	<b>Revenue 2018 \$000</b>	<b>Closing Equity 30 June 2018 \$000</b>
Facility Improvements	35,447	2,369	2,872	35,949
Holds Funds in Perpetuity	0	17	42	26
Patient Welfare	5,876	2,819	2,568	5,625
Private Practice Disbursements (No.2 Accounts)	35,438	6,057	7,907	37,288
Public Contributions	3,809	1,414	-----	2,395
Research	25,798	5,709	5,804	25,893
Staff Welfare	176	133	63	106
Training and Education incl. Conferences	8,688	3,006	2,335	8,017
Other	850	-----	(850)	-----
	<b>116,081</b>	<b>21,524</b>	<b>20,740</b>	<b>115,298</b>

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

Restricted assets are held for the following purpose and cannot be used for any other purpose.

<b>Category</b>	<b>Purpose</b>
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds Funds in Perpetuity	Donor has explicitly requested be invested permanently and not otherwise expended.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>25. Payables</b>				
<b>Current</b>				
---	---	Accrued Salaries, Wages and On-Costs	23,581	20,633
---	---	Taxation and Payroll Deductions	5,539	5,430
29,120	26,063	Accrued Liability - Purchase of Personnel Services	---	---
43,616	36,019	Creditors	43,616	36,019
Other Creditors				
12,340	6,795	- Payables to entities controlled by the immediate parent	12,340	6,795
18,602	18,429	- PPP Monthly Service Fees	18,602	18,429
15,601	10,646	- Others	15,601	10,646
<b>119,279</b>	<b>97,952</b>		<b>119,279</b>	<b>97,952</b>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable (2018: \$8.6M; 2017: \$3.9M) 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 39.

**26. Borrowings**

<b>Current</b>				
249	243	Other Loans and Deposits	249	243
328	162	Public Private Partnership	328	162
<b>577</b>	<b>405</b>		<b>577</b>	<b>405</b>
<b>Non-Current</b>				
1,772	2,022	Other Loans and Deposits	1,772	2,022
721,335	721,500	Public Private Partnership	721,335	721,500
<b>723,107</b>	<b>723,522</b>		<b>723,107</b>	<b>723,522</b>

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

Final Repayment of PPP loan is scheduled for 2037.

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

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



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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>26. Borrowings</b>				
<b>Finance Leases</b>				
Minimum lease payments in relation to finance leases are payable as follows:				
78,099	75,766	Within one year	78,099	75,766
342,069	330,423	Later than one year and not later than five years	342,069	330,423
<u>1,428,310</u>	<u>1,517,023</u>	Later than five years	<u>1,428,310</u>	<u>1,517,023</u>
1,848,479	1,923,212	<b>Minimum Lease Payments</b>	1,848,479	1,923,212
<u>1,126,816</u>	<u>1,201,550</u>	Less: Future Finance Charges	<u>1,126,816</u>	<u>1,201,550</u>
<u>721,663</u>	<u>721,662</u>	<b>Present Value of Minimum Lease Payments</b>	<u>721,663</u>	<u>721,662</u>
The present value of finance lease payments is as follows:				
328	162	Within one year	328	162
22,876	13,135	Later than one year and not later than five years	22,876	13,135
<u>698,459</u>	<u>708,365</u>	Later than five years	<u>698,459</u>	<u>708,365</u>
<u>721,663</u>	<u>721,662</u>	<b>Present Value of Minimum Lease Payments Classified as:</b>	<u>721,663</u>	<u>721,662</u>
328	162	Current	328	162
<u>721,335</u>	<u>721,500</u>	Non-Current	<u>721,335</u>	<u>721,500</u>
<u>721,663</u>	<u>721,662</u>		<u>721,663</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.

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 late 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 2018.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>27. Provisions</b>				
<b>Current</b>				
----	----	Annual Leave - Short Term Benefit	104,173	100,032
----	----	Annual Leave - Long Term Benefit	15,790	17,508
----	----	Long Service Leave Consequential On-Costs	21,465	18,653
----	----	Provision for Other Employee Benefits*	2,827	1,767
144,255	137,960	Provision for Personnel Services Liability	----	----
13,654	----	Restructuring Provision	13,654	----
<b>157,909</b>	<b>137,960</b>		<b>157,909</b>	<b>137,960</b>
*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.				
<b>Non-Current</b>				
----	----	Long Service Leave Consequential On-Costs	1,867	1,622
1,867	1,622	Provision for Personnel Services Liability	----	----
<b>1,867</b>	<b>1,622</b>		<b>1,867</b>	<b>1,622</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
----	----	Provisions - Current	157,909	137,960
----	----	Provisions - Non-Current	1,867	1,622
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	29,120	26,063
188,896	165,645	Liability - Purchase of Personnel Services	----	----
<b>188,896</b>	<b>165,645</b>		<b>188,896</b>	<b>165,645</b>
<b>28. Other Liabilities</b>				
<b>Current</b>				
7,182	5,439	Income in Advance	7,182	5,439
<b>7,182</b>	<b>5,439</b>		<b>7,182</b>	<b>5,439</b>
<b>Non-Current</b>				
23,077	24,226	Income in Advance	23,077	24,226
<b>23,077</b>	<b>24,226</b>		<b>23,077</b>	<b>24,226</b>

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.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>29. Commitments for Expenditure</b>				
<b>a) Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
83,597	23,071	Within one year	83,597	23,071
112,962	1,121	Later than one year and not later than five years	112,962	1,121
<u>196,559</u>	<u>24,192</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>196,559</u>	<u>24,192</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>b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
865	1,792	Within one year	865	1,792
1,287	1,856	Later than one year and not later than five years	1,287	1,856
97	----	Later than five years	97	----
<u>2,249</u>	<u>3,648</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>2,249</u>	<u>3,648</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 \$198.8M as at 30 June 2018 includes input tax credits of \$18.07M that are expected to be recoverable from the Australian Taxation Office (2017: \$2.53M).

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**30. Trust Funds**

The NSLHD holds trust funds of \$4.6M 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		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	1,034	409	276	1,360	1,254	1,325	461	-----	3,025	3,094
Revenue	1,270	1,178	-----	1,040	45,788	83,088	1,919	-----	48,977	85,306
Expenses	(1,095)	(1,303)	(128)	(945)	(45,720)	(63,127)	(465)	-----	(47,408)	(65,375)
Balance at the end of the financial year	<b>1,209</b>	<b>284</b>	<b>148</b>	<b>1,455</b>	<b>1,322</b>	<b>1,286</b>	<b>1,915</b>	<b>-----</b>	<b>4,594</b>	<b>3,025</b>

Trust Fund categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposit	A sum of money held in trust as a security deposit.
Private Practice Trusts	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

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**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.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>32. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
58,718	50,613	Net Cash Flows from Operating Activities	58,718	50,613
(65,089)	(64,627)	Depreciation and Amortisation	(65,089)	(64,627)
(4,711)	(3,495)	Impairment of Receivables	(4,711)	(3,495)
(594)	2,527	(Increase)/ Decrease Income in Advance	(594)	2,527
(20,194)	(3,661)	(Increase)/ Decrease in Provisions	(20,194)	(3,661)
6,002	3,359	Increase / (Decrease) in Prepayments and Other Assets	6,002	3,359
(21,398)	(77)	(Increase)/ Decrease in Payables from Operating Activities	(21,398)	(77)
-----	(587)	Revaluation of Property, Plant and Equipment recognised in 'Other gains/(losses)'	-----	(587)
(778)	(193)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(778)	(193)
970	677	Assets donated or brought to account for the first time	970	677
<b>(47,074)</b>	<b>(15,464)</b>	<b>Net Result</b>	<b>(47,074)</b>	<b>(15,464)</b>
<b>33. Non-Cash Financing and Investing Activities</b>				
970	677	Assets Received by Donation	970	677
<b>970</b>	<b>677</b>		<b>970</b>	<b>677</b>

**PARENT & CONSOLIDATION**

**34. Changes in Liabilities arising from Financing Activities**

	2017	Cash Flow	Non-cash Changes Other	2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	723,927	(243)	-----	723,684

**35. 2017/18 Voluntary Services**

Volunteers performed a variety of activities that contributed to hospitals and other health services in NSLHD. These activities include:

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

It is considered impracticable to quantify the monetary value of these voluntary services for disclosure purposes.

**36. Unclaimed Monies**

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.

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.

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**37. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was lower than adjusted budget by \$8M, primarily due to:

Revenue and impairment of receivables being \$2M and \$3M unfavourable respectively due to declining revenue and changes in Health Fund policies.

In addition, expense was \$3M unfavourable which is largely attributable to employee related expenses, visiting medical officers and other expenses as a result of higher than expected acute and emergency activity.

**Assets and Liabilities**

Actual Consolidated Total Assets were favourable by \$2M due to capitalisation of Intangible Assets (OMIS, CT Scanner and eMED Software).

Actual Consolidated Total Liabilities were unfavourable by \$11M to the budget. The variance is mainly due to Creditors \$8M and Other Creditors (net of Accrued Salaries, IntraHealth and PPP accruals) \$3M.

**Cash Flows**

Actual Operating Cashflows were \$0.8M favourable to budget. The variance to the budget is related to additional employee related expenditure incurred due to higher than planned activity.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2017 are as follows:

	<b>\$000</b>
<b>Initial Allocation, 1 July 2017</b>	1,189,461
Award Increases	56,199
Voluntary Redundancy Reimbursement	665
Adjustment for Additional Activity	958
Winter Activity	4,913
Nurse and Midwifery Initiatives 2017-18	784
Integrated Care Initiatives	600
Prior Year 2016 17 Revenue Washups DVA-MVA RAS TACP	2,195
Hospital In Home Services	1,028
NSW Mental Health Reform Tranche 2 funding	696
VMO Fee for Service	617
Others	4,452
<b>Balance as per Statement of Comprehensive Income</b>	<b>1,262,568</b>

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**38. Increase/(Decrease) in Net Assets from Equity Transfers**

**Equity transfers effected in the 2017/18 year were:**

Administrative restructure based on NSW Cabinet, which is the ultimate parent, decision to transfer assets to Health Administration Corporation, an entity controlled by the immediate parent, on 9 July 2017 as part of RNS PPP Soft Facility Management agreement.

**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:**

	2018	2017
	\$000	\$000
<b>Assets</b>		
Plant and Equipment	(131)	
Land and Buildings		(155,000)
<p>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.</p>		
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>(131)</b>	<b>(155,000)</b>



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**39. 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 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**

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Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018	2017
		\$000	\$000
Cash and Cash Equivalents (note 16)	N/A	120,985	124,179
Receivables (note 17)*	Loans and receivables (at amortised cost)	46,939	48,807
		<u>167,924</u>	<u>172,986</u>
<b>Financial Liabilities</b>			
Borrowings (note 26)	Financial liabilities measured at amortised cost	723,684	723,927
Payables (note 25)**	Financial liabilities measured at amortised cost	113,740	92,522
		<u>837,424</u>	<u>816,449</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*). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

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**39. 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 2017/18 compared to 2.35% in the previous year 2016/17.

The TCorpIM Funds Investment 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 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.

	2018 \$000	2017 \$000
Neither past due nor impaired	40,782	40,895
Past due but not impaired <sup>1,2</sup>		
< 3 months overdue	3,260	4,989
3 - 6 months overdue	2,898	2,923
> 6 months overdue	-----	-----
Impaired <sup>1,2</sup>		
< 3 months overdue	-----	-----
3 - 6 months overdue	-----	-----
> 6 months overdue	4,818	3,326
<b>Total</b> <sup>1,2</sup>	<b>51,757</b>	<b>52,133</b>

**Notes**

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 *Financial Instruments Disclosures*. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

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**39. Financial Instruments**

**Authority Deposits**

The NSLHD has placed funds on deposit with TCorpIM Funds Investment facilities, 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 TCorpIM is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 1.75% (2017: 2.40%), while over the year the weighted average interest rate was 1.99% (2017: 2.37%) on a weighted average balance during the year of \$67.1M (2017: \$65.7M). 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 NSW 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.

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**39. 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*

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2018</b>								
Payables:								
- Creditors <sup>2</sup>		113,740	----	----	113,740	113,740	----	----
Borrowings:								
- Loans and Deposits	2.57%	2,236	2,236	----	----	300	1,180	757
- Public Private Partnership	10.24%	1,848,479	----	1,848,479	----	78,099	342,069	1,428,310
		<u>1,964,455</u>	<u>2,236</u>	<u>1,848,479</u>	<u>113,740</u>	<u>192,139</u>	<u>343,248</u>	<u>1,429,068</u>
<b>2017</b>								
Payables:								
- Creditors <sup>2</sup>		92,522	----	----	92,522	92,522	----	----
Borrowings:								
- Loans and Deposits	2.57%	2,536	2,536	----	----	300	1,198	1,038
- Public Private Partnership	9.92%	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>

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.

2 Excludes statutory payables and unearned revenue (i.e. not within scope of *AASB7 Financial Instruments Disclosures*). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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**39. Financial Instruments**

**(d) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The 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 TCorpIM Funds 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 2017. 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
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	120,985	(1,210)	(1,210)	1,210	1,210
Receivables	46,939	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	113,740	----	----	----	----
Borrowings	723,684	7,237	7,237	(7,237)	(7,237)
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	124,179	(1,242)	(1,242)	1,242	1,242
Receivables	48,807	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	92,522	----	----	----	----
Borrowings	723,927	7,239	7,239	(7,239)	(7,239)

\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 *Financial Instruments Disclosures*). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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*Other price risk - TCorpIM Funds investment facilities*

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds 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 TCorpIM Funds:

Facility	Investment Sectors	Investment Horizon	2018 \$000	2017 \$000
Cash fund	Cash and money market instruments	Up to 1.5 years	67,686	66,365

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.

TCorpIM, 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, TCorpIM has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorpIM has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds Investment facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds investment 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.

TCorpIM Funds investment 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). TCorpIM Funds 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 TCorpIM Funds) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds Investment Statement).

Impact on net result	Change in unit price	2018	2017
		\$000	\$000
TCorpIM - Cash fund	+/- 1%	677	664

**(e) Fair Value Measurement**

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

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds investment facilities, which are measured at fair value.

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2018 Total \$'000
TCorpIM Funds	-----	67,686	-----	67,686
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2017 Total \$'000
TCorpIM Funds	-----	66,365	-----	66,365

(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 2018.

As discussed, the value of the TCorpIM Funds investment 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 TCorpIM Funds investment facilities are valued using 'redemption' pricing.

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**40. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	811	210
Post-employment benefits	51	13
	<b>862</b>	<b>223</b>

During the financial year, Northern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$419K (2017: \$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.

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

There were no transactions with key management personnel and their close family members (2017: \$Nil).

**Transactions with ultimate parent**

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

**41. 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**