

Hunter New England Local Health District

Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Hunter New England Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 2019, 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. 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.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

3 September 2019
SYDNEY

**Hunter New England Local Health District
Certification of the Financial Statements
for the year ended 30 June 2019**

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

- 1) The financial statements of the Hunter New England Local Health District for the year ended 30 June 2019 have been prepared in accordance with:
 - a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983 (the Act)* , the *Public Finance and Audit Regulation 2015* ; and
 - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Hunter New England Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Michael DiRienzo
Chief Executive
30 August 2019

Hunter New England Local Health District
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
Continuing Operations						
Expenses excluding losses						
-	-	-				
1,327,823	1,331,218	1,254,532				
106,469	105,851	107,088				
606,138	616,040	575,281				
94,165	94,166	85,589				
6,358	6,150	6,266				
6,721	6,711	7,865				
143,155	143,155	136,682				
2,290,829	2,303,291	2,173,303		2,386,018	2,399,489	2,228,318
Revenue						
1,887,356	1,887,356	1,802,946				
68,106	67,293	54,136				
-	-	-				
272,406	279,150	259,607				
2,532	2,565	1,927				
65,947	61,478	81,927				
10,466	9,577	11,262				
2,306,813	2,307,419	2,211,805		2,402,002	2,403,617	2,266,820
15,984	4,128	38,502		15,984	4,128	38,502
(4,351)	(785)	(1,804)				
(519)	(825)	-				
-	-	(1,698)				
11,114	2,518	35,000		11,114	2,518	35,000
11,114	2,518	35,000		11,114	2,518	35,000
Other Comprehensive Income						
<i>Items that will not be reclassified to Net Result in subsequent periods</i>						
868,592	-	-				
868,592	-	-		868,592	-	-
879,706	2,518	35,000		879,706	2,518	35,000

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Financial Position as at 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
103,395	88,078	98,739		103,395	88,078	98,739
63,472	60,334	63,153	16	63,472	60,334	63,153
2,597	2,792	2,792	17	2,597	2,792	2,792
169,464	151,204	164,684	18	169,464	151,204	164,684
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
2,156,258	1,266,951	1,260,853	19	2,156,258	1,266,951	1,260,853
140,162	135,174	141,865		140,162	135,174	141,865
46,655	75,961	75,961		46,655	75,961	75,961
2,276	2,534	2,535		2,276	2,534	2,535
2,345,351	1,480,620	1,481,214		2,345,351	1,480,620	1,481,214
1,088	1,727	1,727	20	1,088	1,727	1,727
2,346,439	1,482,347	1,482,941		2,346,439	1,482,347	1,482,941
2,515,903	1,633,551	1,647,625		2,515,903	1,633,551	1,647,625
Total Assets						
LIABILITIES						
Current Liabilities						
157,273	160,912	174,494	23	157,273	160,912	174,494
2,223	2,152	8,988	24	2,223	2,152	8,988
219,203	209,502	203,823	25	219,203	209,502	203,823
238	381	381	26	238	381	381
378,937	372,947	387,686		378,937	372,947	387,686
Total Current Liabilities						
Non-Current Liabilities						
74,058	74,058	76,282	24	74,058	74,058	76,282
3,911	3,838	3,468	25	3,911	3,838	3,468
240	255	255	26	240	255	255
78,209	78,151	80,005		78,209	78,151	80,005
457,146	451,098	467,691		457,146	451,098	467,691
2,058,757	1,182,453	1,179,934		2,058,757	1,182,453	1,179,934
Total Liabilities						
Net Assets						
EQUITY						
999,431	132,641	132,641		999,431	132,641	132,641
1,059,326	1,049,812	1,047,293		1,059,326	1,049,812	1,047,293
2,058,757	1,182,453	1,179,934		2,058,757	1,182,453	1,179,934
Total Equity						

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Changes in Equity for the year ended 30 June 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2018		1,047,293	132,641	1,179,934
Changes in Accounting Policy	1a)(i)	(370)	-	(370)
Restated balance at 1 July 2018		1,046,923	132,641	1,179,564
Net Result for the Year		11,114	-	11,114
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	-	868,592	868,592
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,802	(1,802)	-
Total Other Comprehensive Income		1,802	866,790	868,592
Total Comprehensive Income for the Year		12,916	866,790	879,706
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	37	(513)	-	(513)
Balance at 30 June 2019		1,059,326	999,431	2,058,757
Balance at 1 July 2017		1,011,356	133,578	1,144,934
Restated balance at 1 July 2017		1,011,356	133,578	1,144,934
Net Result for the Year		35,000	-	35,000
Other Comprehensive Income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		937	(937)	-
Total Other Comprehensive Income		937	(937)	-
Total Comprehensive Income for the Year		35,937	(937)	35,000
Balance at 30 June 2018		1,047,293	132,641	1,179,934

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Cash Flows for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-	-	-				
(795,381)	(814,110)	(755,067)		(1,337,210)	(1,345,132)	(1,268,010)
(166,271)	(166,062)	(159,128)		(795,381)	(814,110)	(755,067)
(6,722)	(6,711)	(7,865)		(166,271)	(166,062)	(159,128)
(1,337,210)	(1,345,132)	(1,268,010)		(6,722)	(6,711)	(7,865)
(2,305,584)	(2,332,015)	(2,190,070)		(2,305,584)	(2,332,015)	(2,190,070)
Receipts						
1,887,356	1,887,356	1,802,947		1,887,356	1,887,356	1,802,947
68,106	67,293	54,136		68,106	67,293	54,136
27,226	27,226	27,082		27,226	27,226	27,082
269,451	284,815	268,593		269,451	284,815	268,593
2,520	2,565	1,927		2,520	2,565	1,927
70,875	66,560	84,337		70,875	66,560	84,337
88,578	88,685	88,747		88,578	88,685	88,747
2,414,112	2,424,500	2,327,769		2,414,112	2,424,500	2,327,769
108,528	92,485	137,699		108,528	92,485	137,699
NET CASH FLOWS FROM OPERATING ACTIVITIES						
			31			
CASH FLOWS FROM INVESTING ACTIVITIES						
6,438	1,172	4,339		6,438	1,172	4,339
(101,322)	(95,259)	(121,100)		(101,322)	(95,259)	(121,100)
(94,884)	(94,087)	(116,761)		(94,884)	(94,087)	(116,761)
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
(8,988)	(9,059)	(14,571)		(8,988)	(9,059)	(14,571)
(8,988)	(9,059)	(14,571)		(8,988)	(9,059)	(14,571)
NET CASH FLOWS FROM FINANCING ACTIVITIES						
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
4,656	(10,661)	6,367		4,656	(10,661)	6,367
98,739	98,739	92,372	16	98,739	98,739	92,372
103,395	88,078	98,739	16	103,395	88,078	98,739
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

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

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

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

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 30 August 2019.

b) Basis of Preparation

The HNELHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

The Secretary of NSW Health, the Chair of the Hunter New England Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the HNELHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNELHD fails to meet Service Agreement performance standards, the 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 HNELHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * The HNELHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the HNELHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities 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, which is the HNELHD's presentation and functional

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

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, they are 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 18.2% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 18.1%). The HNELHD has assessed the actuarial advice based on the HNELHD'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 HNELHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

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

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

Long service leave is measured at 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 the long-term 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 are recognised when the HNELHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

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

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) Payments to Affiliated Health Organisations

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

i) Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

j) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the HNELHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

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 HNELHD 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 HNELHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

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

Investment Revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

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

Refer to Note 9 (b) for further details.

Use of Outside Facilities

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

NSW Ministry of Health Allocations

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

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

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

Other Income

Other income includes lease income from operating leases where the HNELHD is the lessor. Income is recognised on a straight-line basis over the lease term.

k) Accounting for the Goods & Services Tax (GST)

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

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

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

l) Interstate Patient Flows

Interstate patient flows are funded through the NSW State Pool Account, 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.

m) 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.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of the HNELHD and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to the HNELHD. The costs are then accordingly reflected in the HNELHD financial statements. The HNELHD acquires most assets in this manner.

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

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

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

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

n) 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

o) Depreciation of Property, Plant and Equipment

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

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

Artwork	5.0%
Buildings	2.5%
Leasehold Improvements	10.0%
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.

p) 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 21 for further information regarding fair value.

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

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

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

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

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same 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, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

q) 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.

r) Restoration Costs

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.

s) Non-Current Assets Held for Sale

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

Non-current assets 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.

t) Intangible Assets

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

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

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

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 HNELHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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

u) 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.

v) 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.

As a lessee:

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.

As a lessor:

The HNELHD, as the lessor, classifies its leases as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the lease.

Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

w) 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.

x) Receivables

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

The HNELHD holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the HNELHD's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the HNELHD's net investment outstanding in respect of the leases.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

y) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

The HNELHD recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the HNELHD expects to receive, discounted at the original effective interest rate.

Receivables

For trade receivables, the HNELHD applies a simplified approach in calculating ECLs. The HNELHD recognises a loss allowance based on lifetime ECLs at each reporting date. The HNELHD has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the HNELHD will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables, the HNELHD first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables 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 (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- * the HNELHD has transferred substantially all the risks and rewards of the asset; or
- * the HNELHD has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When the HNELHD has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the HNELHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the HNELHD continuing involvement in the asset. In that case, the HNELHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

aa) Payables

These amounts represent liabilities for goods and services provided to the HNELHD and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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

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

ab) Borrowings

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1z) for derecognition policy.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

ac) Fair Value Hierarchy

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

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

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

Refer to Note 21 and Note 38 for further disclosures regarding fair value measurements of non-financial and financial assets.

ad) Equity Transfers

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

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

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

ae) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

af) Trust Funds

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

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

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 36.

ah) Emerging Asset

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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 2018-19

The accounting policies applied in 2018-19 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The HNELHD has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The HNELHD applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018 \$'000
Assets		
Receivables	17	(370)
Total Adjustment on equity		(370)
Accumulated funds		370

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), the HNELHD's management has assessed which business models apply to the financial assets by the HNELHD and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to the HNELHD.

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

	Notes	Accumulated funds \$'000	Total change in equity \$'000
Closing balance 30 June 2018 - AASB 139		1,047,293	1,047,293
Recognition of AASB 9 expected credit losses	17	(370)	(370)
Total impact		(370)	(370)
Opening balance 1 July 2018 - AASB 9		1,046,923	1,046,923

The HNELHD continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the HNELHD's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- Investments in TCorpIM Funds are managed on a fair value basis and hence were designated at fair value through profit or loss (FVPL) under AASB 139 as at 30 June 2018. Under AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.

- The HNELHD has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the HNELHD's financial liabilities.

In summary, upon the adoption of AASB 9, the HNELHD had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		Difference \$'000
	AASB 139	AASB 9	Original \$'000	New \$'000	
AASB 139 measurement category					
Receivables	L&R	Amortised cost	63,153	62,783	(370)
Term deposits	L&R	Amortised cost	-	-	-
Other receivables	L&R	Amortised cost	-	-	-
TCorpIM funds	FVPL	FVPL	-	-	-

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

b) Impairment

The adoption of AASB 9 has changed the HNELHD's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the HNELHD to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

	Allowance for impairment under AASB 139 as at 30 June 2018	Re-measurement	ECL under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(1,763)	(370)	(2,133)

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

AASB 16 Leases replaces all existing lease 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 new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also 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 a 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.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess 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.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

- * implementation of an IT solution for lease management and accounting
- * comprehensive review and capture of lease information
- * review of accounting policies and processes surrounding leases and revenue.

Potential Impact on the HNELHD's Financial Report

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summarises work undertaken by the HNELHD so far and the known and expected impacts:

Leases

The HNELHD has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

- * The total assets and liabilities on the Statement of Financial Position will increase by approximately \$19.4 million on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- * Interest expenses will increase by approximately \$452 thousand in the 2019-2020 financial year 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 leases life. This effect may be partially mitigated due to the number of leases held by the HNELHD 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. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$2.6 million.
- * Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$2.6 million in the 2019-2020 financial year.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- * The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

HNELHD in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

- * Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences are expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
- * Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress. The HNELHD expects the following impacts from the preliminary work performed so far:

- * No significant impact expected on the HNELHD.

Application Date

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		2. Employee Related Expenses		
-	-	Salaries and Wages (including Annual Leave and ADO)	1,202,484	1,139,598
-	-	Superannuation - Defined Benefit Plans	10,152	10,999
-	-	Superannuation - Defined Contribution Plans	105,729	99,173
-	-	Long Service Leave	91,086	48,684
-	-	Redundancies	332	628
-	-	Workers' Compensation Insurance	13,185	10,361
-	-	Fringe Benefits Tax	44	104
<u>-</u>	<u>-</u>		<u>1,423,012</u>	<u>1,309,547</u>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-	Employee Related Expenses Capitalised - Land and Buildings	530	562
<u>-</u>	<u>-</u>		<u>530</u>	<u>562</u>
		3. Personnel Services		
1,202,484	1,139,598	Salaries and Wages (including Annual Leave and ADO)	-	-
105,729	99,173	Superannuation - Defined Contribution Plans	-	-
6,049	4,668	Long Service Leave	-	-
332	628	Redundancies	-	-
13,185	10,361	Workers' Compensation Insurance	-	-
44	104	Fringe Benefits Tax	-	-
<u>1,327,823</u>	<u>1,254,532</u>		<u>-</u>	<u>-</u>
		Personnel services of Hunter New England Local Health District were provided by its controlled entity, Hunter New England Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
530	562	Personnel Services Expenses Capitalised - Land and Buildings	-	-
<u>530</u>	<u>562</u>		<u>-</u>	<u>-</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
379	269	Advertising	379	269
207	218	Auditor's Remuneration - Audit of Financial Statements	207	218
10,156	9,903	Blood and Blood Products	10,156	9,903
276	82	Consultancies	276	82
3	-	Contractors	3	-
80,701	78,105	Domestic Supplies and Services	80,701	78,105
63,615	53,849	Drug Supplies	63,615	53,849
41,713	39,538	Food Supplies	41,713	39,538
17,046	14,588	Fuel, Light and Power	17,046	14,588
35,982	32,562	Patient Transport Costs	35,982	32,562
24,660	19,293	Information Management Expenses	24,660	19,293
2,527	2,597	Insurance	2,527	2,597
3	-	Interstate Patient Outflows	3	-
51,605	55,360	Maintenance (See Note 4(b))	51,605	55,360
105,930	99,588	Medical and Surgical Supplies	105,930	99,588
3,948	3,653	Motor Vehicle Expenses	3,948	3,653
6,090	6,798	Postal and Telephone Costs	6,090	6,798
4,721	4,855	Printing and Stationery	4,721	4,855
2,825	2,647	Rates and Charges	2,825	2,647
6,412	6,424	Rental	6,412	6,424
81,400	81,258	Specialised Services (Dental, Radiology, Pathology, Allied Health)	81,400	81,258
10,433	8,719	Staff Related Costs	10,433	8,719
14,697	12,712	Travel Related Costs	14,697	12,712
40,809	42,263	Other (See Note 4(a))	40,809	42,263
606,138	575,281		606,138	575,281

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
4	-	Aircraft Expenses (Ambulance)	4	-
15,071	16,277	Corporate Support Services	15,071	16,277
1,314	1,685	Courier and Freight	1,314	1,685
6,319	5,117	Isolated Patient Travel and Accommodation Assistance Scheme	6,319	5,117
127	204	Legal Services	127	204
906	862	Membership/Professional Fees	906	862
4	116	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	4	116
5,712	6,106	Public Private Partnership Contracted Services	5,712	6,106
330	447	Other Operating Lease Expense - Minimum Lease Payments	330	447
440	412	Quality Assurance/Accreditation	440	412
800	914	Security Services	800	914
9,782	10,123	Other Miscellaneous	9,782	10,123
40,809	42,263		40,809	42,263
		b) Reconciliation of Total Maintenance		
12,957	14,127	Maintenance Contracts	12,957	14,127
17,655	26,778	New/Replacement Equipment under \$10,000	17,655	26,778
20,990	14,447	Repairs Maintenance/Non Contract	20,990	14,447
3	8	Other	3	8
51,605	55,360	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	51,605	55,360
9,458	9,481	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	9,458	9,481
61,063	64,841		61,063	64,841

In 2018/19 and 2017/18 'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

In 2018/19 and 2017/18 the majority of 'Patient Transport Costs' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

In 2018/19 and 2017/18 the majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

In 2018/19 and 2017/18 the majority of 'Domestic Supplies and Services', 'Food Supplies' and 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

In 2018/19 and 2017/18 the majority of 'Specialised Services' were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

In 2018/19 and 2017/18 some 'Rental' and 'Staff Related Costs' were paid to entities controlled by the immediate parent.

In 2018/19 and 2017/18 some 'Legal Services' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

In 2018/19 and 2017/18 some 'Other Miscellaneous' were paid to entities controlled by the immediate parent.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		5. Depreciation and Amortisation		
65,313	57,545	Depreciation - Buildings	65,313	57,545
24,935	23,518	Depreciation - Plant and Equipment	24,935	23,518
3,060	3,834	Depreciation - Infrastructure Systems	3,060	3,834
218	348	Amortisation - Leasehold Improvements	218	348
639	344	Amortisation - Intangible Assets	639	344
94,165	85,589		94,165	85,589
		6. Grants and Subsidies		
5,202	5,385	Non-Government Organisations	5,202	5,385
558	706	Grants to Research Organisations	558	706
82	50	Grants Paid to Entities Controlled by the Immediate Parent	82	50
516	125	Other Grants	516	125
6,358	6,266		6,358	6,266
		7. Finance Costs		
6,521	7,631	Public Private Partnership Lease Interest Charges	6,521	7,631
189	234	Interest on Loans	189	234
11	-	Other Interest Charges	11	-
6,721	7,865		6,721	7,865
		8. Payments to Affiliated Health Organisations		
		a) Recurrent Sourced		
140,695	134,432	Calvary Mater Newcastle	140,695	134,432
140,695	134,432		140,695	134,432
		b) Capital Sourced		
2,460	2,250	Calvary Mater Newcastle	2,460	2,250
2,460	2,250		2,460	2,250
143,155	136,682		143,155	136,682

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		9. Sale of Goods and Services		
		a) Sale of Goods comprise the following:-		
232	247	Pharmacy Sales	232	247
6,407	7,750	Sale of Prosthesis	6,407	7,750
332	441	Other	332	441
		b) Rendering of Services comprise the following:-		
		Patient Fees:		
102,226	100,534	- Inpatient Fees	102,226	100,534
2,345	2,215	- Nursing Home Fees	2,345	2,215
6,606	6,323	- Non Inpatient Fees	6,606	6,323
21,388	24,262	Department of Veterans' Affairs	21,388	24,262
317	228	Staff Meals and Accommodation	317	228
26,602	24,689	Infrastructure Fees - Monthly Facility Charge	26,602	24,689
6,016	5,749	Infrastructure Fees - Annual Charge	6,016	5,749
5,581	5,319	Car Parking	5,581	5,319
1,409	1,307	Child Care Fees	1,409	1,307
10,660	9,062	Clinical Services (excluding Clinical Drug Trials)	10,660	9,062
5,364	4,757	Commercial Activities	5,364	4,757
376	388	Fees for Medical Records	376	388
8	5	Information Retrieval	8	5
29,920	19,006	Highly Specialised Drugs	29,920	19,006
1	-	Linen Service Revenues - Non Health Services	1	-
16	17	Meals on Wheels	16	17
20,258	21,863	Motor Accident Authority Third Party	20,258	21,863
293	324	Private Use of Motor Vehicles	293	324
1,530	695	Salary Packaging Fee	1,530	695
60	-	Hosted Services Provided to Entities Controlled by Immediate Parent	60	-
5,198	5,821	Services Provided to Non NSW Health Organisations	5,198	5,821
287	336	Shared Corporate Services	287	336
4,829	4,991	Multi Purpose Service Centre Fees	4,829	4,991
14,145	13,278	Other	14,145	13,278
272,406	259,607		272,406	259,607

In 2018/19 and 2017/18 the majority of 'Shared Corporate Services' revenue was earned from entities controlled by the immediate parent.

In 2018/19 and 2017/18 the majority of 'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		10. Investment Revenue		
2,520	1,927	Interest	2,520	1,927
12	-	Other	12	-
2,532	1,927		2,532	1,927

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		11. Grants and Other Contributions		
1,210	1,332	Clinical Drug Trials	1,210	1,332
21,556	18,121	Commonwealth Government Grants	21,556	18,121
3,765	3,331	Industry Contributions / Donations	3,765	3,331
10,109	10,371	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	10,109	10,371
16,696	33,071	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	16,696	33,071
1,876	5,208	Grants & Contributions Received from Entities Controlled by the Immediate Parent	1,876	5,208
1,895	877	Research Grants	1,895	877
8,840	9,616	Other Grants	8,840	9,616
65,947	81,927		65,947	81,927

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

In 2018/19 and 2017/18 the majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from Crown Finance Entity.

In 2018/19 and 2017/18 the majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from Health Administration Corporation.

12. Acceptance by the Crown Entity of Employee Benefits

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

-	-	Superannuation - Defined Benefit Plans	10,152	10,999
-	-	Long Service Leave Provision	85,037	44,016
-	-		95,189	55,015

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		13. Other Income		
		Other Income comprises the following:-		
1	4	Bad Debts Recovered	1	4
1,755	1,492	Commissions	1,755	1,492
398	484	Conference and Training Fees	398	484
712	257	Insurance Refunds	712	257
2,174	2,302	Lease and Rental	2,174	2,302
50	80	Sale of Merchandise, Old Wares and Books	50	80
51	36	Sponsorship	51	36
679	3,359	Treasury Managed Fund Hindsight Adjustment	679	3,359
12	-	Unclaimed Deposits	12	-
4,634	3,248	Other	4,634	3,248
10,466	11,262		10,466	11,262
		14. Gains / (Losses) on Disposal		
30,083	24,169	Property, Plant and Equipment	30,083	24,169
(19,294)	(18,026)	Less: Accumulated Depreciation	(19,294)	(18,026)
10,789	6,143	Written Down Value	10,789	6,143
6,438	4,339	Less: Proceeds from Disposal	6,438	4,339
(4,351)	(1,804)	Gain / (Loss) on Disposal of Property, Plant and Equipment	(4,351)	(1,804)
(4,351)	(1,804)	Total Gains / (Losses) on Disposal	(4,351)	(1,804)
		15. Other Gains / (Losses)		
-	(1,698)	Impairment of Receivables	-	(1,698)
-	(1,698)		-	(1,698)

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		16. Cash and Cash Equivalents		
103,395	19,019	Cash at Bank and On Hand	103,395	19,019
-	79,720	Short Term Deposits	-	79,720
103,395	98,739		103,395	98,739
<p>For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities 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 and 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>				
103,395	98,739	Cash and Cash Equivalents (per Statement of Financial Position)	103,395	98,739
103,395	98,739	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	103,395	98,739

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
17. Receivables				
Current				
32,286	26,730	Sale of Goods and Services	32,286	26,730
7,212	4,568	Intra Health Receivables	7,212	4,568
13,817	16,372	Goods and Services Tax	13,817	16,372
5,201	4,981	Other Debtors	5,201	4,981
58,516	52,651	Sub Total	58,516	52,651
(2,135)	-	Less: Allowance for Expected Credit Losses *	(2,135)	-
-	(1,763)	Less: Allowance for Impairment **	-	(1,763)
56,381	50,888	Sub Total	56,381	50,888
7,091	12,265	Prepayments	7,091	12,265
63,472	63,153		63,472	63,153

In 2018/19 Intra Health Receivables includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation.

In 2017/2018 Intra Health Receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation, Cancer Institute, Central Coast Local Health District and Mid North Coast Local Health District.

a) * Movement in the Allowance for Expected Credit Losses

Sale of Goods and Services				
(1,633)	-	Balance as at 30 June 2018 under AASB 139	(1,633)	-
(370)	-	Amounts restated through opening Accumulated Funds	(370)	-
(2,003)	-	Balance at 1 July 2018 under AASB 9	(2,003)	-
418	-	Amounts Written Off During the Year	418	-
(435)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(435)	-
(2,020)	-	Balance at 30 June 2019	(2,020)	-
Other Debtors				
(130)	-	Balance as at 30 June 2018 under AASB 139	(130)	-
-	-	Amounts restated through opening Accumulated Funds	-	-
(130)	-	Balance at 1 July 2018 under AASB 9	(130)	-
99	-	Amounts Written Off During the Year	99	-
(84)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(84)	-
(115)	-	Balance at 30 June 2019	(115)	-
(2,135)	-		(2,135)	-

b) ** Movement in the Allowance for Impairment

Sale of Goods and Services				
-	(1,453)	Balance at 1 July 2017	-	(1,453)
-	(180)	Amounts Written Off During the Year	-	(180)
-	(1,633)	Balance at 30 June 2018	-	(1,633)
Other Debtors				
-	(162)	Balance at 1 July 2017	-	(162)
-	31	Amounts Written Off During the Year	-	31
-	(130)	Balance at 30 June 2018	-	(130)
-	(1,763)		-	(1,763)

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		17. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		Current and Non-Current include:		
2,372	2,835	Patient Fees - Compensable	2,372	2,835
1,518	1,112	Patient Fees - Ineligible	1,518	1,112
20,270	15,866	Patient Fees - Inpatient & Other	20,270	15,866
<u>24,160</u>	<u>19,813</u>		<u>24,160</u>	<u>19,813</u>

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		18. Inventories		
		Drug Supplies		
2,597	2,792		2,597	2,792
<u>2,597</u>	<u>2,792</u>		<u>2,597</u>	<u>2,792</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
19. Property, Plant and Equipment				
Land and Buildings - Fair Value				
3,037,556	2,629,415	Gross Carrying Amount	3,037,556	2,629,415
881,298	1,368,562	Less: Accumulated Depreciation and Impairment	881,298	1,368,562
2,156,258	1,260,853	Net Carrying Amount	2,156,258	1,260,853
Plant and Equipment - Fair Value*				
289,610	279,683	Gross Carrying Amount	289,610	279,683
149,448	137,818	Less: Accumulated Depreciation and Impairment	149,448	137,818
140,162	141,865	Net Carrying Amount	140,162	141,865
Infrastructure Systems - Fair Value				
93,085	161,772	Gross Carrying Amount	93,085	161,772
46,430	85,811	Less: Accumulated Depreciation and Impairment	46,430	85,811
46,655	75,961	Net Carrying Amount	46,655	75,961
Leasehold Improvements - Fair Value*				
5,906	5,947	Gross Carrying Amount	5,906	5,947
3,630	3,412	Less: Accumulated Depreciation and Impairment	3,630	3,412
2,276	2,535	Net Carrying Amount	2,276	2,535
2,345,351	1,481,214	Total Property, Plant and Equipment at Net Carrying Amount	2,345,351	1,481,214

* 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND 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
2019					
Net Carrying Amount at Beginning of Year	1,260,853	141,865	75,961	2,535	1,481,214
Additions	76,022	23,099	355	(41)	99,435
Disposals	(3,310)	(7,479)	-	-	(10,789)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	425	-	-	425
Net Revaluation Increment Less Revaluation Decrements	874,504	-	(5,912)	-	868,592
Depreciation Expense	(65,313)	(24,935)	(3,060)	(218)	(93,526)
Reclassifications	13,502	7,187	(20,689)	-	-
Net Carrying Amount at End of Year	2,156,258	140,162	46,655	2,276	2,345,351

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	1,234,036	133,368	79,795	2,355	1,449,554
Additions	85,634	34,367	-	528	120,529
Reclassifications to Intangibles	-	(1,500)	-	-	(1,500)
Disposals	(720)	(5,423)	-	-	(6,143)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	4,019	-	-	4,019
Depreciation Expense	(57,545)	(23,518)	(3,834)	(348)	(85,245)
Reclassifications	(552)	552	-	-	-
Net Carrying Amount at End of Year	1,260,853	141,865	75,961	2,535	1,481,214

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

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the HNELHD [see Note 1(m)].

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		20. Intangible Assets		
		<i>Intangibles</i>		
2,071	2,071	Cost (Gross Carrying Amount)	2,071	2,071
983	344	Less: Accumulated Amortisation and Impairment	983	344
<u>1,088</u>	<u>1,727</u>	Net Carrying Amount	<u>1,088</u>	<u>1,727</u>
		Total Intangible Assets at Net Carrying Amount		
<u>1,088</u>	<u>1,727</u>		<u>1,088</u>	<u>1,727</u>

PARENT AND CONSOLIDATION

20. Intangible Assets - Reconciliation

	Total \$000
2019	
Net Carrying Amount at Beginning of Year	1,727
Amortisation (Recognised in Depreciation and Amortisation)	(639)
Net Carrying Amount at End of Year	1,088
Total	
	\$000
2018	
Net Carrying Amount at Beginning of Year	-
Additions	571
Reclassifications from Plant & Equipment	1,500
Amortisation (Recognised in Depreciation and Amortisation)	(344)
Net Carrying Amount at End of Year	1,727

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2019	Level 1	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000	\$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	7,760	1,988,149	1,995,909
- Infrastructure Systems	-	-	44,747	44,747
	-	7,760	2,032,896	2,040,656

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

2018	Level 1	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000	\$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	9,435	1,032,994	1,042,429
- Infrastructure Systems	-	-	75,961	75,961
	-	9,435	1,108,955	1,118,390

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

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the HNELHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Solutions for the 2018/19 financial year. Opteon Solutions is an independent entity and is not an associated entity of the HNELHD.

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

For land, the valuation by the valuer 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.

Hunter New England Local Health District
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PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2018	1,032,994	75,961	-	1,108,955
Additions	122,695	82	-	122,777
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 19)	870,209	(5,912)	-	864,297
Transfers from Level 2	4,653	-	-	4,653
Transfers to Level 2	(1,425)	-	-	(1,425)
Disposals	(2,851)	-	-	(2,851)
Depreciation expense	(60,454)	(3,057)	-	(63,511)
Reclassification between Asset Classes	22,327	(22,327)	-	-
Fair Value as at 30 June 2019	1,988,148	44,747	-	2,032,895

There were no transfers between Level 1 during the year ended 30 June 2019.

2018	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2017	1,089,043	79,795	-	1,168,838
Disposals	(720)	-	-	(720)
Depreciation expense	(55,329)	(3,834)	-	(59,163)
Fair Value as at 30 June 2018	1,032,994	75,961	-	1,108,955

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

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PARENT AND CONSOLIDATION

22. Restricted Assets

The HNELHD'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. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

Category	Opening Equity 1 July 2018 \$000	Expense 2019 \$000	Revenue 2019 \$000	Closing Equity 30 June 2019 \$000
Community Welfare	1,872	2,856	3,944	2,960
Facility Improvements	29,885	9,413	6,769	27,241
Holds Funds in Perpetuity	59	-	2	61
Patient Welfare	16,037	5,040	5,865	16,862
Private Practice Disbursements (No.2 Accounts)	24,822	5,375	6,789	26,236
Public Contributions	1,408	15	318	1,711
Research	11,005	4,949	5,758	11,814
Staff Welfare	537	250	380	667
Training and Education Including Conferences	7,650	873	1,563	8,340
Other	(43)	-	-	(43)
	93,232	28,771	31,388	95,849

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

Category	Purpose
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 funds 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 use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenity
Training and Education Including Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

Hunter New England Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
23. Payables				
Current				
-	-	Accrued Salaries, Wages and On-Costs	33,531	29,717
-	-	Taxation and Payroll Deductions	8,384	7,647
41,915	37,364	Accrued Liability - Purchase of Personnel Services	-	-
51,569	70,919	Creditors	51,569	70,919
Other Creditors				
29	1,916	- Capital Works	29	1,916
21,955	17,823	- Payables to Entities Controlled by the Immediate Parent	21,955	17,823
41,805	46,472	- Other	41,805	46,472
157,273	174,494		157,273	174,494

In 2018/2019 and 2017/18 'Creditors' include some amounts owing to entities controlled by the ultimate parent.

In 2018/2019 and 2017/2018 the majority of 'Payables to Entities Controlled by the Immediate Parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

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

24. Borrowings				
Current				
725	774	Other Loans and Deposits	725	774
1,498	8,214	Public Private Partnership	1,498	8,214
2,223	8,988		2,223	8,988
Non-Current				
5,149	5,875	Other Loans and Deposits	5,149	5,875
68,909	70,407	Public Private Partnership	68,909	70,407
74,058	76,282		74,058	76,282

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

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

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

Payments made to Novacare for the redevelopment of the Mater Hospital is based on a financing arrangement involving CPI-linked finance and fixed finance. An interest rate adjustment will be made as appropriate for the CPI-linked interest component over the project term.

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and 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 38.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		25. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	132,194	127,055
-	-	Annual Leave - Long Term Benefit	46,170	42,199
-	-	Long Service Leave Consequential On-Costs	36,723	31,158
-	-	Provision for Other Employee Benefits	4,116	3,411
219,203	203,823	Provision for Personnel Services Liability	-	-
219,203	203,823		219,203	203,823
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	3,193	2,709
3,193	2,709	Provision for Personnel Services Liability	-	-
718	759	Other	718	759
3,911	3,468		3,911	3,468
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	219,203	203,823
-	-	Provisions - Non-Current	3,193	2,709
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 23)	41,915	37,364
264,311	243,896	Liability - Purchase of Personnel Services	-	-
264,311	243,896		264,311	243,896
		Movements in provisions (other than employee benefits)		
		Movements in 'Other' provisions during the financial year, are set below:		
759	(737)	Carrying Amount at 1 July	759	(737)
-	-	- Unwinding / Change in the Discount Rate	-	-
(41)	1,496	- Additional Provisions Recognised	(41)	1,496
718	759	Carrying Amount at 30 June	718	759
		26. Other Liabilities		
		Other Current Liabilities		
238	381	Unearned Revenue	238	381
238	381		238	381
		Other Non-Current Liabilities		
240	255	Unearned Revenue	240	255
240	255		240	255

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
27. Commitments				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
69,807	29,847	Within one year	69,807	29,847
5,990	1,320	Later than one year and not later than five years	5,990	1,320
<u>75,797</u>	<u>31,167</u>	Total (Including GST)	<u>75,797</u>	<u>31,167</u>
In 2018/2019 and 2017/2018 the majority of 'Capital Commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
<i>Entity as Lessee</i>				
Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:				
3,098	2,889	Within one year	3,098	2,889
11,749	10,801	Later than one year and not later than five years	11,749	10,801
9,080	12,016	Later than five years	9,080	12,016
<u>23,927</u>	<u>25,706</u>	Total (Including GST)	<u>23,927</u>	<u>25,706</u>
The 'Operating Lease Commitments' above are for motor vehicles, information technology, equipment including personal computers, medical equipment, other equipment, and property leases.				
In 2018/2019 and 2017/2018 the majority 'Operating Lease Commitments' contracted but not provided for related to leases with the Health Administration Corporation, an entity controlled by the immediate parent				
c) Input Tax Receivable Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$99.72 million as at 30 June 2019 includes input tax credits of \$9.07M that are expected to be recoverable from the Australian Taxation Office (2018 \$5.17M).				

Hunter New England Local Health District
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PARENT		CONSOLIDATION	
2019	2018	2019	2018
\$000	\$000	\$000	\$000

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

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

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

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

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

An estimate of the commitments is as follows:

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

7,788	14,900	Not later than one year	7,788	14,900
33,150	32,341	Later than one year and not later than five years	33,150	32,341
92,231	100,828	Later than five years	92,231	100,828
133,169	148,069	Minimum Lease Payments	133,169	148,069
(62,762)	(69,448)	Less: Future Finance Charges	(62,762)	(69,448)
70,407	78,621	Present Value of Minimum Lease Payments	70,407	78,621

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

1,498	8,214	Not later than one year	1,498	8,214
9,526	8,042	Later than one year and not later than five years	9,526	8,042
59,383	62,365	Later than five years	59,383	62,365
70,407	78,621	Present Value of Minimum Lease Payments	70,407	78,621

Hunter New England Local Health District
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28. Trust Funds

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

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at the beginning of the financial year	1,535	2,947	2,127	233	2,615	2,682	5	-	6,282	5,862
Add : Receipts	21	41	567	2,094	44,184	42,703	937	32	45,709	44,870
Less : Expenditure	(391)	(1,453)	(839)	(200)	(44,014)	(42,770)	(897)	(27)	(46,141)	(44,450)
Balance at the end of the financial year	1,165	1,535	1,855	2,127	2,785	2,615	45	5	5,850	6,282

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 Deposits	A sum of money held in trust as a security deposit.
Private Practice Trust Funds	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.
Unclassified	Further information required before the funds can be categorised into an appropriate trust.

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29. Contingent Liabilities and Assets

HNELHD has no contingent liabilities (2018: nil) or contingent assets (2018: nil) as at 30 June 2019

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30. Interests in associates

Set out below are the associates of HNELHD as at 30 June 2019 which, in the opinion of management, are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

Name of entity	Place of business and country of incorporation	Class of shares	Ownership interest held by HNELHD		Nature of relationship	Measurement method	Carrying Amount	
			2019	2018			2019	2018
			%	%			\$000	\$000
Hunter Medical Research Institute	Australia	Not applicable	25	25	Associate	Equity method	-	-

Hunter Medical Research Institute is a company limited by guarantee, whose constitution prohibits the distribution of funds to its members. Accordingly the carrying amount has been equity accounted at nil value and as such no financial information has been disclosed. Hunter Medical Research Institute has a 31 December reporting period.

Hunter New England Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
108,528	137,699	Net Cash Used on Operating Activities	108,528	137,699
(94,165)	(85,589)	Depreciation and Amortisation Expense	(94,165)	(85,589)
(519)	(1,698)	Allowance for impairment	(519)	(1,698)
158	(102)	(Increase) / Decrease in Unearned Revenue	158	(102)
(15,308)	(14,421)	Decrease / (Increase) in Provisions	(15,308)	(14,421)
727	(921)	Increase / (Decrease) in Prepayments and Other Assets	727	(921)
15,619	(2,183)	Decrease / (Increase) in Payables	15,619	(2,183)
(4,351)	(1,804)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(4,351)	(1,804)
425	4,019	Assets Donated or Brought to Account / Emerging Assets Recognised	425	4,019
11,114	35,000	Net Result	11,114	35,000
32. Non-Cash Financing and Investing Activities				
425	4,019	Assets Donated or Brought to Account	425	4,019
425	4,019		425	4,019

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33. Changes in Liabilities Arising from Financing Activities

	2018	Cash Flow	Non-Cash	2019
	\$000	\$000	Changes Other	\$000
	\$000	\$000	\$000	\$000
Borrowings and Advances	85,270	(8,988)	(1)	76,281

34. 2018/19 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the HNELHD. Services received free, or for nominal consideration include:

- | | |
|---|---|
| <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies / Hospital Auxiliaries - Patient Support Groups - Community Organisations | <ul style="list-style-type: none"> - Patient and Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help and Patient Activities |
|---|---|

35. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the HNELHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the HNELHD.

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

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36. Adjusted Budget Review

Net Result

The actual Net Result was higher than adjusted budget by \$9 million, primarily due to:

Expenses \$13.5M favourable.

Significant factors were Workers Compensation Insurance premium favourability of \$3.1M with net Other Operating and Maintenance costs combined \$9.9M favourable reflecting improvement around procurement.

Income \$1.4M unfavourable.

Primarily due to unfavourability in Patient Fee revenue, (including Department of Veterans' Affairs and Motor Accident Authority Third Party), of \$2.6M and Other User Charges of \$3.7M partially offset by favourability of \$4.5M in Grant Income.

Gain/(Loss) on disposal and Other Gains/(Losses) \$3.6M unfavourable mainly as a result of building activities.

Assets and Liabilities

Current assets are above budget by \$18.3M.

Cash is \$15.3M above budget. Receivables \$3.1M above budget from operating activities and timing of payments and receipts whilst remaining predominately within terms.

Non Current Assets are \$864.0M above budget.

Primarily due to a comprehensive revaluation of land, buildings and infrastructure undertaken as at 31 December 2018.

Current Liabilities are \$6.0M above budget.

Primarily due to employee provisions being \$9.7M above budget being partially offset by payables being \$3.6M below budget whilst remaining predominately within terms.

Non Current Liabilities were within \$0.1M.

Total equity is \$876.3M above budget primarily due to the comprehensive revaluation and other matters mentioned above.

Cash Flows

Net increase in cash was \$15.3M above budget.

Net Cash flows from Operating Activities were \$16.0M above budget with lower than budgeted receipts \$10.4M more than offset by payments being \$26.4M below budget.

Net Cash flows from Investing Activities were \$0.8M above budget with both Proceeds from Sales of Property, Plant & Equipment and Purchases of Property, Plant & Equipment and Intangibles being above budget.

Net Cash flows from Financing Activities was within \$0.1M of budget.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01/07/2018 are as follows:

	\$000
Initial Allocation, including escalation, excluding award increases	1,754,817
Escalations and Growth Funding	77,646
Special Project funding adjustments	3,539
PPP funding	(6,459)
Adj for movement in trade creditors	22,127
Cladding remediation works	6,206
Their Futures Matter funding	6,200
IPTAAS	4,161
Dental	3,500
HCD	2,748
TMF Budget adj	2,112
NSW Rural Generalist Medical and GP Procedural Training Program	1,280
NEPT Fixed Wing Adj	1,271
Nurse Midwife Strategy Reserve	1,207
Revenue Realignment	701
Translational Research Grants Round 3	1,193
RURAL DOCTORS-Obstetric and Anaesthetic Incentive	1,046
High Cost Patient Pool - High Cost Blood	978
Budget Transfer for NDIS - Aids and Equipment Program	(1,615)
Other Misc	4,698
Balance as per Statement of Comprehensive Income	1,887,356

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

Equity transfers effected in the 2018/19 year were:

- a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in a decrease in net assets of \$513 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected in the 2017/18 year were:

Nil

	2019	2018
	\$000	\$000
Equity transfers effected comprised:		
a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	(513)	-
	(513)	-

Assets and Liabilities transferred are as follows:

	2019	2018
	\$000	\$000
Assets		
a) Nil	-	-
Liabilities		
a) Annual Leave Provision	(513)	-
Increase / (Decrease) in Net Assets From Equity Transfers	(513)	-

Hunter New England Local Health District
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38. Financial Instruments

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

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

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

a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

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Class	Category	Carrying Amount 2019 \$000
Cash and Cash Equivalents (Note 16)	N/A	103,395
Receivables (Note 17) ¹	Amortised cost	42,564
Total Financial Assets		145,959
Financial Liabilities		
Borrowings (Note 24)	Financial liabilities measured at amortised cost	76,281
Payables (Note 23) ²	Financial liabilities measured at amortised cost	148,889
Total Financial Liabilities		225,170

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

ii. As at 30 June 2018 under AASB 139 (comparative period)

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Class	Category	Carrying Amount 2018 \$000
Cash and Cash Equivalents (Note 16)	N/A	98,739
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	34,516
Total Financial Assets		133,255
Financial Liabilities		
Borrowings (Note 24)	Financial liabilities measured at amortised cost	85,270
Payables (Note 23) ²	Financial liabilities measured at amortised cost	166,847
Total Financial Liabilities		252,117

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

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38. Financial Instruments

b) Financial Risk

i. Credit Risk

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

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

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

The HNELHD considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the HNELHD may also consider a financial asset to be in default when internal or external information indicates that the HNELHD is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the HNELHD.

Cash and Cash Equivalents

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 0.00% (Restricted funds bank balance: 2.52%) in 2018/19 compared to 0.00% (Restricted funds bank balance: 2.43%) in the previous year.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The HNELHD applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The HNELHD has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019						
Expected credit loss rate	0.77%	3.00%	10.42%	30.06%	62.17%	6.26%
Estimated total gross carrying amount at default	26,636	1,931	864	336	2,519	32,286
Expected credit loss	205	58	90	101	1,566	2,020
1 July 2018						
Expected credit loss rate	0.88%	1.66%	7.46%	29.06%	62.82%	7.49%
Estimated total gross carrying amount at default	19,976	2,835	1,010	361	2,548	26,730
Expected credit loss	175	47	75	105	1,601	2,003

The HNELHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

Other Financial Assets - Authority Deposits

The HNELHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The HNELHD didn't recognise a provision for expected credit losses on its other financial assets in 2019.

Hunter New England Local Health District
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38. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

Receivables - Trade Debtors

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

The HNELHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

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

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

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018
	\$000
Neither past due nor impaired	28,359
Past due but not impaired ^{1,2}	
< 3 months overdue	4,666
3 - 6 months overdue	608
> 6 months overdue	883
Impaired ^{1,2}	
< 3 months overdue	16
3 - 6 months overdue	164
> 6 months overdue	1,583
Total ^{1,2}	36,279

Notes

1 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.

ii. Liquidity Risk

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

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

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

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

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.

Hunter New England Local Health District
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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000
2019							
Payables:							
- Creditors ²		148,889	-	148,889	148,889	-	-
Borrowings:							
- Loans and Deposits	2.94%	6,618	6,618	-	891	3,273	2,454
- Public Private Partnership	8.36%	133,169	133,169	-	7,788	33,150	92,231
		288,676	139,787	148,889	157,568	36,423	94,685
2018							
Payables:							
- Creditors ²		166,847	-	166,847	166,847	-	-
Borrowings:							
- Loans and Deposits	2.95%	7,582	7,582	-	964	3,345	3,273
- Public Private Partnership	8.36%	148,069	148,069	-	14,900	32,341	100,828
		322,498	155,651	166,847	182,711	35,686	104,101

Notes:

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

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

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38. Financial Instruments

iii. Market Risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the HNELHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the HNELHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The HNELHD does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia 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.

However, the HNELHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
	Carrying Amount \$000	Net Result \$000	Equity \$000	Net Result \$000	Equity \$000
2019					
Financial Assets					
Cash and Cash Equivalents	103,395	(1,034)	(1,034)	1,034	1,034
Receivables	42,564	-	-	-	-
Financial Liabilities					
Payables ¹	148,889	-	-	-	-
Borrowings	76,281	763	763	(763)	(763)
2018					
Financial Assets					
Cash and Cash Equivalents	98,739	(987)	(987)	987	987
Receivables	34,516	-	-	-	-
Financial Liabilities					
Payables ¹	166,847	-	-	-	-
Borrowings	85,270	853	853	(853)	(853)

¹ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

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38. Financial Instruments

c) Fair Value Measurement

i. Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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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39. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	542	521
Post-Employment Benefits	22	22
	<u>564</u>	<u>543</u>

During the financial year, Hunter New England Local Health District obtained key management personnel services from the immediate parent and incurred \$493000 (2018: \$499000) 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 (2018: \$Nil).

Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2018: \$Nil).

40. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS