

Northern Sydney
Local Health District

Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Northern Sydney Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 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(ah). 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:

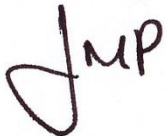
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 black ink, appearing to read 'JMP', with a large, stylized loop on the left side.

Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

9 September 2019
SYDNEY

**Northern Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2019**

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

- 1) The financial statements of the Northern Sydney Local Health District for the year ended 30 June 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*;
 - 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 Northern Sydney Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Deb Willcox
Chief Executive
5 September 2019



Jacquie Ferguson
Director Finance and Corporate Services
5 September 2019

Northern Sydney 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						
-	-	-				
961,866	950,501	990,107	2	1,021,374	1,010,853	1,026,407
51,567	49,667	58,087	3	-	-	-
517,586	509,466	417,285	4	517,586	509,466	417,285
83,303	83,351	65,089	1(o), 5	83,303	83,351	65,089
6,469	5,819	7,896	6	6,469	5,819	7,896
74,835	74,842	73,919	1(i), 7	74,835	74,842	73,919
35,052	36,406	39,397	8	35,052	36,406	39,397
1,730,678	1,710,052	1,651,780		1,790,186	1,770,404	1,688,080
Revenue						
1,348,083	1,330,285	1,262,568	1(j)	1,348,083	1,330,285	1,262,568
508,899	505,534	64,035	1(j)	508,899	505,534	64,035
-	-	-				
222,963	235,655	229,309	1(e)(ii), 12	59,508	60,352	36,300
2,935	287	2,611	1(j), 9	222,963	235,655	229,309
37,952	27,267	38,018	1(j), 10	2,935	287	2,611
17,301	16,221	13,653	1(j), 11	37,952	27,267	38,018
2,138,133	2,115,249	1,610,194	13	2,197,641	2,175,601	1,646,494
407,455	405,197	(41,586)		407,455	405,197	(41,586)
Operating Result						
375	-	(778)	14	375	-	(778)
(4,662)	(1,364)	-	17	(4,662)	(1,364)	-
-	-	(4,711)	15	-	-	(4,711)
403,168	403,833	(47,075)	31	403,168	403,833	(47,075)
403,168	403,833	(47,075)		403,168	403,833	(47,075)

The accompanying notes form part of these financial statements.

Northern Sydney 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							
118,102	112,356	120,985		118,102	112,356	120,985	
61,463	60,069	63,278	16	61,463	60,069	63,278	
9,263	10,840	10,840	17	9,263	10,840	10,840	
188,828	183,265	195,103	18	188,828	183,265	195,103	
49,672	36,558	36,558		49,672	36,558	36,558	
238,500	219,823	231,661	22	238,500	219,823	231,661	
Non-Current Assets							
1,187	1,007	1,007		1,187	1,007	1,007	
2,423,732	2,413,618	1,977,217	17	2,423,732	2,413,618	1,977,217	
102,500	49,973	66,323	19	102,500	49,973	66,323	
37,466	16,507	16,507		37,466	16,507	16,507	
216	25	24		216	25	24	
2,563,914	2,480,123	2,060,071		2,563,914	2,480,123	2,060,071	
2,881	3,387	2,744	20	2,881	3,387	2,744	
9,179	8,628	8,628	21	9,179	8,628	8,628	
2,577,161	2,493,145	2,072,450		2,577,161	2,493,145	2,072,450	
2,815,661	2,712,968	2,304,111		2,815,661	2,712,968	2,304,111	
LIABILITIES							
Current Liabilities							
134,490	121,174	119,279		134,490	121,174	119,279	
487	577	577	25	487	577	577	
151,059	160,663	157,909	26	151,059	160,663	157,909	
16,745	7,316	7,182	27	16,745	7,316	7,182	
302,781	289,730	284,947	28	302,781	289,730	284,947	
Non-Current Liabilities							
722,620	723,107	723,107		722,620	723,107	723,107	
2,106	2,106	1,867	26	2,106	2,106	1,867	
114,589	23,077	23,077	27	114,589	23,077	23,077	
839,315	748,290	748,051	28	839,315	748,290	748,051	
1,142,096	1,038,020	1,032,998		1,142,096	1,038,020	1,032,998	
1,673,565	1,674,948	1,271,113		1,673,565	1,674,948	1,271,113	
EQUITY							
274,125	276,994	276,995		274,125	276,994	276,995	
1,399,440	1,397,954	994,118		1,399,440	1,397,954	994,118	
1,673,565	1,674,948	1,271,113		1,673,565	1,674,948	1,271,113	

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2018		994,118	276,995	1,271,113
Changes in Accounting Policy	1aj)(i)	654	-	654
Restated Restated balance at 1 July 2018		<u>994,772</u>	<u>276,995</u>	<u>1,271,767</u>
Net Result for the Year		403,168	-	403,168
Other Comprehensive Income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		2,870	(2,870)	-
Total Other Comprehensive Income		<u>2,870</u>	<u>(2,870)</u>	<u>-</u>
Total Comprehensive Income for the Year		<u>406,038</u>	<u>(2,870)</u>	<u>403,168</u>
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	37	(1,370)	-	(1,370)
Balance at 30 June 2019		<u>1,399,440</u>	<u>274,125</u>	<u>1,673,565</u>
Balance at 1 July 2017		1,041,439	276,880	1,318,319
Net Result for the Year		(47,075)	-	(47,075)
Other Comprehensive Income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(115)	115	-
Total Other Comprehensive Income		<u>(115)</u>	<u>115</u>	<u>-</u>
Total Comprehensive Income for the Year		<u>(47,190)</u>	<u>115</u>	<u>(47,075)</u>
Increase / (Decrease) in Net Assets From Equity Transfers	37	(131)	-	(131)
Balance at 30 June 2018		<u>994,118</u>	<u>276,995</u>	<u>1,271,113</u>

The accompanying notes form part of these financial statements.

Northern Sydney 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						
-	-	-		(996,642)	(972,958)	(983,849)
(612,695)	(618,850)	(512,975)		(612,695)	(618,850)	(512,975)
(46,530)	(47,233)	(53,209)		(46,530)	(47,233)	(53,209)
(74,835)	(74,842)	(73,919)		(74,835)	(74,842)	(73,919)
(996,642)	(972,958)	(983,849)		-	-	-
(1,730,702)	(1,713,883)	(1,623,952)		(1,730,702)	(1,713,883)	(1,623,952)
Receipts						
1,348,083	1,330,285	1,262,568		1,348,083	1,330,285	1,262,568
508,899	505,534	64,035		508,899	505,534	64,035
26,328	26,328	15,494		26,328	26,328	15,494
234,169	244,475	234,944		234,169	244,475	234,944
2,776	130	2,452		2,776	130	2,452
43,142	32,955	44,150		43,142	32,955	44,150
64,257	69,041	59,027		64,257	69,041	59,027
2,227,654	2,208,748	1,682,670		2,227,654	2,208,748	1,682,670
496,952	494,865	58,718		496,952	494,865	58,718
CASH FLOWS FROM INVESTING ACTIVITIES						
3,309	119	119		3,309	119	119
-	-	1,321		-	-	1,321
(502,567)	(503,613)	(61,788)		(502,567)	(503,613)	(61,788)
-	-	(1,321)		-	-	(1,321)
(499,258)	(503,494)	(61,669)		(499,258)	(503,494)	(61,669)
CASH FLOWS FROM FINANCING ACTIVITIES						
-	-	57		-	-	57
(577)	-	(300)		(577)	-	(300)
(577)	-	(243)		(577)	-	(243)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
(2,883)	(8,629)	(3,194)		(2,883)	(8,629)	(3,194)
120,985	120,985	124,179		120,985	120,985	124,179
118,102	112,356	120,985		118,102	112,356	120,985

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Northern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the NSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the NSLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 5 September 2019.

b) Basis of Preparation

The NSLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (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 NSLHD have been prepared on a going concern basis.

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

Other circumstances why the going concern assumption is appropriate include:

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

Property, plant and equipment, assets 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 NSLHD's presentation and functional currency.

c) Comparative Information

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

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

d) Statement of Compliance

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

e) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs

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

Northern Sydney 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

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 18.1% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 18.1%). The NSLHD has assessed the actuarial advice based on the NSLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

ii) Long Service Leave and Superannuation

The NSLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the NSLHD as shown in Note 27.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using 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 NSLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

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

g) 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. Borrowing 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.

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 NSLHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

Northern Sydney 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

Rendering of Services

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

Grants and Other Contributions

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

Patient Fees

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

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

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

Department of Veterans' Affairs

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

Investment Revenue

Interest revenue is 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).

Forgiveness of Liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

Use of Hospital Facilities

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

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

Refer to Note 9 (b) for further details.

Use of Outside Facilities

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

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

NSW Ministry of Health Allocations

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

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

General operating expenses/revenues of Greenwich & Neringah Hospitals (HammondCare) and Royal Rehabilitation Centre, Sydney have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The NSLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

Northern Sydney 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

Other Income

Other income includes lease income from operating leases where the NSLHD 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 NSLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

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 NSLHD 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 NSLHD. The costs are then accordingly reflected in The NSLHD financial statements. The NSLHD 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(ae) 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 NSLHD are deemed to be controlled by the NSLHD 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.

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 NSLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

Buildings	2.5%
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.

Northern Sydney 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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 19 and Note 23 for further information regarding fair value.

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

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

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

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

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

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

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

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

Northern Sydney Local Health District
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1. Statement of Significant Accounting Policies

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 NSLHD, 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.

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 NSLHD 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 NSLHD'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 NSLHD'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.

y) Financial Assets at Fair Value

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.

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

Classification and measurement under AASB 9 (from 1 July 2018)

The NSLHD's financial assets at fair value are classified, at fair value through profit or loss. The classification was based on the purpose of acquiring such assets.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains / (losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

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

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

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

TCorpIM Funds investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to the NSLHD's key management personnel.

The risk management strategy of the NSLHD has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act 1987.

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

The movement in the fair value of the TCorpIM Funds investment incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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

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

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

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

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

z) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

The NSLHD 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 NSLHD expects to receive, discounted at the original effective interest rate.

Receivables

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

Other Financial Assets

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, the NSLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Northern Sydney Local Health District
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1. Statement of Significant Accounting Policies

The NSLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence the NSLHD measures the loss allowance for term deposits at an amount equal to 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The NSLHD uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

For lease receivables, the NSLHD applies the simplified approach permitted by AASB 9, where the loss allowance is based on lifetime ECLs.

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 NSLHD 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 NSLHD 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.

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

When the NSLHD 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 NSLHD 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 NSLHD continuing involvement in the asset. In that case, the NSLHD 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.

ab) Payables

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

ac) 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 1(aa) for derecognition policy.

ad) Fair Value Hierarchy

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

- * Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.

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1. Statement of Significant Accounting Policies

- * Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- * Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer to Note 23 and Note 38 for further disclosures regarding fair value measurements of non-financial and financial assets.

ae) Equity Transfers

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

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

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

af) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

ag) Trust Funds

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

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

ah) Adjusted Budget Amounts

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

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

ai) Emerging Asset

The NSLHD's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the NSLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 28 (20 years remaining) years using the annuity method and the Government Bond rate of 6% at commencement of the concession period.

aj) 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 NSLHD 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 NSLHD 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 and other components of equity.

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

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	654
Total Adjustment on equity		654
Accumulated funds		(654)

a) *Classification and measurement of financial instruments*

On 1 July 2018 (the date of initial application of AASB 9), the NSLHD's management has assessed which business models apply to the financial assets by the NSLHD 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 NSLHD.

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		994,118	994,118
Recognition of AASB 9 expected credit losses	17	654	654
Total impact		654	654
Opening balance 1 July 2018 - AASB 9		994,772	994,772

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

b) *Impairment*

The adoption of AASB 9 has changed the NSLHD'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 NSLHD 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 \$'000	Re-measurement \$'000	ECL under AASB 9 as at 1 July 2018 \$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(4,818)	654	(4,164)

(ii) **Issued but not yet effective**

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

Northern Sydney Local Health District
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1. Statement of Significant Accounting Policies

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.

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.

Northern Sydney 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

Potential Impact on the NSLHD'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 summaries work undertaken by the NSLHD so far and the known and expected impacts:

Leases

The NSLHD 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 \$4.32M 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 \$0.12M 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 NSLHD 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 \$1.83M.
- * Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$1.89M 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

NSLHD 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 is 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 NSLHD expects the following impacts from the preliminary work performed so far:

- * Service Concession assets and liabilities may be brought onto the Statement of Financial Position which are currently treated as emerging assets. A detailed assessment has not been completed to determine the actual impacts.

Application Date

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		2. Employee Related Expenses		
-	-	Salaries and Wages (including Annual Leave and ADO)	881,068	885,164
-	-	Superannuation - Defined Benefit Plans	6,128	6,965
-	-	Superannuation - Defined Contribution Plans	76,611	77,542
-	-	Long Service Leave	56,372	32,392
-	-	Redundancies	(7,911)	14,331
-	-	Workers' Compensation Insurance	9,231	9,684
-	-	Fringe Benefits Tax	(125)	329
-	-		<u>1,021,374</u>	<u>1,026,407</u>
		3. Personnel Services		
881,068	885,164	Salaries and Wages (including Annual Leave and ADO)	-	-
76,611	77,542	Superannuation - Defined Contribution Plans	-	-
2,992	3,057	Long Service Leave	-	-
(7,911)	14,331	Redundancies	-	-
9,231	9,684	Workers' Compensation Insurance	-	-
(125)	329	Fringe Benefits Tax	-	-
<u>961,866</u>	<u>990,107</u>		<u>-</u>	<u>-</u>

Northern Sydney 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				
168	79	Advertising	168	79
225	231	Auditor's Remuneration - Audit of Financial Statements	225	231
9,822	9,876	Blood and Blood Products	9,822	9,876
2,160	557	Consultancies	2,160	557
187	169	Contractors	187	169
47,089	46,873	Domestic Supplies and Services	47,089	46,873
49,768	52,627	Drug Supplies	49,768	52,627
23,002	25,292	Food Supplies	23,002	25,292
12,629	10,932	Fuel, Light and Power	12,629	10,932
9,973	9,815	Patient Transport Costs	9,973	9,815
30,274	22,219	Information Management Expenses	30,274	22,219
1,303	1,225	Insurance	1,303	1,225
37,218	34,290	Maintenance (See Note 4(b))	37,218	34,290
77,266	83,230	Medical and Surgical Supplies	77,266	83,230
2,048	1,628	Motor Vehicle Expenses	2,048	1,628
2,584	2,484	Postal and Telephone Costs	2,584	2,484
1,333	1,373	Printing and Stationery	1,333	1,373
1,865	1,783	Rates and Charges	1,865	1,783
1,869	1,948	Rental	1,869	1,948
904	971	Hosted Services Purchased from Entities Controlled by the Immediate Parent	904	971
45,818	46,638	Specialised Services (Pathology, Imaging, Radiology, Dental, Dialysis and Allied Health)	45,818	46,638
7,267	7,213	Staff Related Costs	7,267	7,213
5,450	5,138	Travel Related Costs	5,450	5,138
147,364	50,694	Other (See Note 4(a))	147,364	50,694
517,586	417,285		517,586	417,285

Northern Sydney 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:		
98,431	7,254	Contract for Patient Services	98,431	7,254
10,826	11,419	Corporate Support Services	10,826	11,419
641	606	Courier and Freight	641	606
47	31	Isolated Patient Travel and Accommodation Assistance Scheme	47	31
875	864	Legal Services	875	864
891	720	Membership/Professional Fees	891	720
1,237	1,344	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,237	1,344
27,082	13,667	Public Private Partnership Contracted Services	27,082	13,667
1,199	1,696	Other Operating Lease Expense - Minimum Lease Payments	1,199	1,696
103	49	Quality Assurance/Accreditation	103	49
622	491	Security Services	622	491
5,410	12,553	Other Miscellaneous	5,410	12,553
147,364	50,694		147,364	50,694
		b) Reconciliation of Total Maintenance		
12,230	12,824	Maintenance Contracts	12,230	12,824
20,426	16,478	New/Replacement Equipment under \$10,000	20,426	16,478
5,442	5,936	Repairs Maintenance/Non Contract	5,442	5,936
(880)	(948)	Other	(880)	(948)
37,218	34,290	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	37,218	34,290
2,939	2,697	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,939	2,697
40,157	36,987		40,157	36,987

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

'Patient Transport Costs' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' (2019:\$23.4M; 2018:\$19.3M) were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Domestic Supplies and Services', 'Food Supplies' and 'Corporate Support Services' (2019:\$74M; 2018:\$76.6M) were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Specialised Services' (2019:\$34.5M; 2018:\$33.9M) were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Rental' and 'Staff Related Costs' were paid to entities controlled by the immediate parent.

Some 'Legal Services' (2019:\$0.09M; 2018:\$0.04M) were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

The majority of 'Other Miscellaneous' (2019:\$4.8M; 2018:\$4.3M) were paid to entities controlled by the immediate parent.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		5. Depreciation and Amortisation		
64,791	50,202	Depreciation - Buildings	64,791	50,202
15,524	12,833	Depreciation - Plant and Equipment	15,524	12,833
1,988	1,168	Depreciation - Infrastructure Systems	1,988	1,168
14	10	Amortisation - Leasehold Improvements	14	10
986	876	Amortisation - Intangible Assets	986	876
83,303	65,089		83,303	65,089
		6. Grants and Subsidies		
3,722	4,347	Non-Government Organisations	3,722	4,347
99	266	Grants to Research Organisations	99	266
1,025	980	Grants Paid to Entities Controlled by the Immediate Parent	1,025	980
1,623	2,303	Other Grants	1,623	2,303
6,469	7,896		6,469	7,896
		7. Finance Costs		
74,785	73,863	Public Private Partnership Lease Interest Charges	74,785	73,863
50	56	Interest on Loans	50	56
74,835	73,919		74,835	73,919
		8. Payments to Affiliated Health Organisations		
		Recurrent Sourced		
16,974	21,319	Greenwich & Neringah Hospitals (HammondCare)	16,974	21,319
18,078	18,078	Royal Rehabilitation Centre Sydney	18,078	18,078
35,052	39,397		35,052	39,397

Northern Sydney 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:-		
219	382	Pharmacy Sales	219	382
9,035	10,921	Sale of Prosthesis	9,035	10,921
15,262	1,454	Other	15,262	1,454
		b) Rendering of Services comprise the following:-		
		Patient Fees:		
93,945	104,178	- Inpatient Fees	93,945	104,178
379	180	- Nursing Home Fees	379	180
4,890	5,191	- Non Inpatient Fees	4,890	5,191
19,233	23,065	Department of Veterans' Affairs	19,233	23,065
134	120	Staff Meals and Accommodation	134	120
19,827	21,912	Infrastructure Fees - Monthly Facility Charge	19,827	21,912
6,499	7,274	Infrastructure Fees - Annual Charge	6,499	7,274
275	155	Car Parking	275	155
1,254	1,569	Child Care Fees	1,254	1,569
639	771	Clinical Services (excluding Clinical Drug Trials)	639	771
3,044	2,978	Commercial Activities	3,044	2,978
185	173	Fees for Medical Records	185	173
4	2	Information Retrieval	4	2
18,742	18,992	Highly Specialised Drugs	18,742	18,992
13,677	12,993	Motor Accident Authority Third Party	13,677	12,993
92	93	Private Use of Motor Vehicles	92	93
871	934	Salary Packaging Fee	871	934
8,269	8,822	Hosted Services Provided to Entities Controlled by Immediate Parent	8,269	8,822
2,806	3,099	Services Provided to Non NSW Health Organisations	2,806	3,099
4	-	Shared Corporate Services	4	-
3,678	4,051	Other	3,678	4,051
222,963	229,309		222,963	229,309
		'Shared Corporate Services' revenue was earned from entities controlled by the immediate parent.		
		'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.		
		10. Investment Revenue		
2,776	2,452	Interest	2,776	2,452
159	159	Other	159	159
2,935	2,611		2,935	2,611

Northern Sydney 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
11. Grants and Other Contributions				
4,242	4,060	Clinical Drug Trials	4,242	4,060
10,952	10,980	Commonwealth Government Grants	10,952	10,980
5,293	4,979	Industry Contributions / Donations	5,293	4,979
9,197	8,454	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	9,197	8,454
218	252	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	218	252
945	1,142	Grants & Contributions Received from Entities Controlled by the Immediate Parent	945	1,142
4,120	3,955	Research Grants	4,120	3,955
2,985	4,196	Other Grants	2,985	4,196
<u>37,952</u>	<u>38,018</u>		<u>37,952</u>	<u>38,018</u>

The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from Department of Industry \$0.37M (2018:\$0.13M from Department of Family and Community Services).

The majority of grants that were received from entities controlled by the immediate parent were received from Cancer Institute NSW were assets in kind (2019:\$0.5M; 2018:\$0.45M)

Some of the 'Research Grants' (2019:\$1.1M; 2018:\$1.65M) were received from entities controlled by the ultimate parent.

12. Acceptance by the Crown Entity of Employee Benefits

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

-	-	Superannuation - Defined Benefit Plans	6,128	6,965
-	-	Long Service Leave Provision	53,380	29,335
<u>-</u>	<u>-</u>		<u>59,508</u>	<u>36,300</u>

Northern Sydney 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:-		
30	33	Bad Debts Recovered	30	33
49	67	Commissions	49	67
46	60	Conference and Training Fees	46	60
265	-	Discounts	265	-
153	4	Insurance Refunds	153	4
7,587	4,674	Lease and Rental	7,587	4,674
10	8	Sale of Merchandise, Old Wares and Books	10	8
45	176	Sponsorship	45	176
5,131	2,216	Treasury Managed Fund Hindsight Adjustment	5,131	2,216
155	9	Unclaimed Deposits	155	9
3,830	6,406	Other	3,830	6,406
<u>17,301</u>	<u>13,653</u>		<u>17,301</u>	<u>13,653</u>
		The Majority of 'Other' income was received from entities controlled by the immediate parent (2019:\$3.5M; 2018:\$3.2M).		
		14. Gains / (Losses) on Disposal		
7,448	14,212	Property, Plant and Equipment	7,448	14,212
(7,354)	(13,315)	Less: Accumulated Depreciation	(7,354)	(13,315)
<u>94</u>	<u>897</u>	Written Down Value	<u>94</u>	<u>897</u>
59	119	Less: Proceeds from Disposal	59	119
<u>(35)</u>	<u>(778)</u>	Gain / (Loss) on Disposal of Property, Plant and Equipment	<u>(35)</u>	<u>(778)</u>
2,840	-	Assets Held for Sale	2,840	-
3,250	-	Less: Proceeds from Disposal	3,250	-
<u>410</u>	<u>-</u>	Gain / (Loss) on Disposal of Assets Held for Sale	<u>410</u>	<u>-</u>
-	1,321	Financial Assets	-	1,321
-	(1,321)	Less: Proceeds from Disposal	-	(1,321)
<u>-</u>	<u>-</u>	Gain / (Loss) on Disposal of Financial Assets	<u>-</u>	<u>-</u>
<u>375</u>	<u>(778)</u>	Total Gains / (Losses) on Disposal	<u>375</u>	<u>(778)</u>
		15. Other Gains / (Losses)		
-	(4,711)	Impairment of Receivables	-	(4,711)
<u>-</u>	<u>(4,711)</u>		<u>-</u>	<u>(4,711)</u>

Northern Sydney 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				
48,835	53,299	Cash at Bank and On Hand	48,835	53,299
69,267	67,686	Short Term Deposits	69,267	67,686
<u>118,102</u>	<u>120,985</u>		<u>118,102</u>	<u>120,985</u>
<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>				
118,102	120,985	Cash and Cash Equivalents (per Statement of Financial Position)	118,102	120,985
<u>118,102</u>	<u>120,985</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>118,102</u>	<u>120,985</u>

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

Northern Sydney 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		
40,139	38,395	Sale of Goods and Services	40,139	38,395
10,726	10,197	Intra Health Receivables	10,726	10,197
10,028	8,081	Goods and Services Tax	10,028	8,081
1,899	3,165	Other Debtors	1,899	3,165
<u>62,792</u>	<u>59,838</u>	Sub Total	<u>62,792</u>	<u>59,838</u>
(5,146)	-	Less: Allowance for Expected Credit Losses *	(5,146)	-
<u>-</u>	<u>(4,818)</u>	Less: Allowance for Impairment **	<u>-</u>	<u>(4,818)</u>
<u>57,646</u>	<u>55,020</u>	Sub Total	<u>57,646</u>	<u>55,020</u>
3,817	8,258	Prepayments	3,817	8,258
<u>61,463</u>	<u>63,278</u>		<u>61,463</u>	<u>63,278</u>
<p>'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from 2019: Health Administration Corporation \$2.7M; 2018: Central Coast Local Health District \$2.8M.</p>				
<p>a) * Movement in the Allowance for Expected Credit Losses</p>				
Sale of Goods and Services				
(3,847)	-	Balance as at 30 June 2018 under AASB 139	(3,847)	-
654	-	Amounts restated through opening Accumulated Funds	654	-
<u>(3,193)</u>	-	Balance at 1 July 2018 under AASB 9	<u>(3,193)</u>	-
3,437	-	Amounts Written Off During the Year	3,437	-
(15)	-	Amounts Recovered During the Year	(15)	-
<u>(4,077)</u>	-	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>(4,077)</u>	-
<u>(3,848)</u>	-	Balance at 30 June 2019	<u>(3,848)</u>	-
Other Debtors				
(971)	-	Balance as at 30 June 2018 under AASB 139	(971)	-
<u>(971)</u>	-	Balance at 1 July 2018 under AASB 9	<u>(971)</u>	-
258	-	Amounts Written Off During the Year	258	-
(1)	-	Amounts Recovered During the Year	(1)	-
<u>(585)</u>	-	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>(585)</u>	-
<u>(1,298)</u>	-	Balance at 30 June 2019	<u>(1,298)</u>	-
<u>(5,146)</u>	-		<u>(5,146)</u>	-
<p>b) ** Movement in the Allowance for Impairment</p>				
Sale of Goods and Services				
-	(2,407)	Balance at 1 July 2017	-	(2,407)
-	3,088	Amounts Written Off During the Year	-	3,088
-	25	Amounts Recovered During the Year	-	25
<u>-</u>	<u>(4,553)</u>	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>-</u>	<u>(4,553)</u>
<u>-</u>	<u>(3,847)</u>	Balance at 30 June 2018	<u>-</u>	<u>(3,847)</u>
Other Debtors				
-	(918)	Balance at 1 July 2017	-	(918)
-	107	Amounts Written Off During the Year	-	107
<u>-</u>	<u>(159)</u>	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>-</u>	<u>(159)</u>
<u>-</u>	<u>(971)</u>	Balance at 30 June 2018	<u>-</u>	<u>(971)</u>
<u>-</u>	<u>(4,818)</u>		<u>-</u>	<u>(4,818)</u>

Northern Sydney 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		
		Non-Current		
		Prepayments		
1,187	1,007		1,187	1,007
<u>1,187</u>	<u>1,007</u>		<u>1,187</u>	<u>1,007</u>
		 c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		Current and Non-Current include:		
		Patient Fees - Compensable		
3,229	3,197		3,229	3,197
5,409	5,245	Patient Fees - Ineligible	5,409	5,245
14,671	16,333	Patient Fees - Inpatient & Other	14,671	16,333
<u>23,309</u>	<u>24,775</u>		<u>23,309</u>	<u>24,775</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.

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		18. Inventories		
2,645	3,068	Drug Supplies	2,645	3,068
5,132	5,556	Medical and Surgical Supplies	5,132	5,556
61	59	Engineering Supplies	61	59
1,425	2,157	Other Including Goods in Transit	1,425	2,157
<u>9,263</u>	<u>10,840</u>		<u>9,263</u>	<u>10,840</u>

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
19. Property, Plant and Equipment				
Land and Buildings - Fair Value				
3,194,271	2,684,689	Gross Carrying Amount	3,194,271	2,684,689
770,539	707,472	Less: Accumulated Depreciation and Impairment	770,539	707,472
<u>2,423,732</u>	<u>1,977,217</u>	Net Carrying Amount	<u>2,423,732</u>	<u>1,977,217</u>
Plant and Equipment - Fair Value*				
210,846	165,849	Gross Carrying Amount	210,846	165,849
108,346	99,526	Less: Accumulated Depreciation and Impairment	108,346	99,526
<u>102,500</u>	<u>66,323</u>	Net Carrying Amount	<u>102,500</u>	<u>66,323</u>
Infrastructure Systems - Fair Value				
68,684	45,737	Gross Carrying Amount	68,684	45,737
31,218	29,230	Less: Accumulated Depreciation and Impairment	31,218	29,230
<u>37,466</u>	<u>16,507</u>	Net Carrying Amount	<u>37,466</u>	<u>16,507</u>
Leasehold Improvements - Fair Value*				
1,212	1,005	Gross Carrying Amount	1,212	1,005
996	981	Less: Accumulated Depreciation and Impairment	996	981
<u>216</u>	<u>24</u>	Net Carrying Amount	<u>216</u>	<u>24</u>
<u>2,563,914</u>	<u>2,060,071</u>	Total Property, Plant and Equipment at Net Carrying Amount	<u>2,563,914</u>	<u>2,060,071</u>

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

Northern Sydney Local Health District
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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	1,977,217	66,323	16,507	24	2,060,071
Additions	525,929	52,886	22,947	206	601,968
Reclassifications to Intangibles	-	(259)	-	-	(259)
Reclassification to Assets Held for Sale	(15,954)	-	-	-	(15,954)
Disposals	(12)	(82)	-	-	(94)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	499	-	-	499
Depreciation Expense	(64,791)	(15,524)	(1,988)	(14)	(82,317)
Reclassifications	1,343	(1,343)	-	-	-
Net Carrying Amount at End of Year	2,423,732	102,500	37,466	216	2,563,914

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	2,011,134	72,519	17,963	34	2,101,650
Additions	46,604	14,015	-	-	60,619
Reclassifications to Intangibles	-	(851)	-	-	(851)
Reclassification to Assets Held for Sale	(36,270)	-	(288)	-	(36,558)
Disposals	(221)	(676)	-	-	(897)
Equity Transfers - Transfers In / (Out)	-	(131)	-	-	(131)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	452	-	-	452
Depreciation Expense	(50,202)	(12,833)	(1,168)	(10)	(64,213)
Reclassifications	6,172	(6,172)	-	-	-
Net Carrying Amount at End of Year	1,977,217	66,323	16,507	24	2,060,071

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

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

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		20. Intangible Assets		
		<i>Intangibles</i>		
7,616	6,494	Cost (Gross Carrying Amount)	7,616	6,494
4,735	3,750	Less: Accumulated Amortisation and Impairment	4,735	3,750
<u>2,881</u>	<u>2,744</u>	Net Carrying Amount	<u>2,881</u>	<u>2,744</u>
<u>2,881</u>	<u>2,744</u>	Total Intangible Assets at Net Carrying Amount	<u>2,881</u>	<u>2,744</u>

PARENT AND CONSOLIDATION

20. Intangible Assets - Reconciliation

	Total \$000
2019	
Net Carrying Amount at Beginning of Year	2,744
Additions	864
Reclassifications from Plant & Equipment	259
Amortisation (Recognised in Depreciation and Amortisation)	(986)
Net Carrying Amount at End of Year	2,881
	Total \$000
2018	
Net Carrying Amount at Beginning of Year	1,599
Additions	1,170
Reclassifications from Plant & Equipment	851
Amortisation (Recognised in Depreciation and Amortisation)	(876)
Net Carrying Amount at End of Year	2,744

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		21. Other Assets		
		Other Non-Current Assets		
9,179	8,628	Emerging Rights to Assets (refer Note 1(ai))	9,179	8,628
<u>9,179</u>	<u>8,628</u>		<u>9,179</u>	<u>8,628</u>
		22. Non-Current Assets Held for Sale		
		Assets Held for Sale		
49,384	36,270	Land and Buildings	49,384	36,270
288	288	Infrastructure Systems	288	288
<u>49,672</u>	<u>36,558</u>		<u>49,672</u>	<u>36,558</u>

The asset held for sale comprises of four groups of assets that meet the criteria to set them aside for subsequent sale. The sale process is currently being negotiated for settlement in FY2019/20. The asset sale process is part of strategic asset management initiatives currently being undertaken by NSLHD to support other value added locally funded projects.

Northern Sydney Local Health District
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PARENT AND CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2019	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	464,191	1,244,395	1,708,586
- Infrastructure Systems	-	-	15,467	15,467
Other Assets (Note 21) Emerging Assets	-	-	9,179	9,179
Non-Current Assets Held for Sale (Note 22)	-	49,672	-	49,672
	-	513,863	1,269,041	1,782,904

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

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 NSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Liquid Pacific Holdings Pty Ltd for the 2016/17 financial year. Liquid Pacific Holdings Pty Ltd is an independent entity and is not an associated entity of the NSLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 19 reconciliation.)

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

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.

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PARENT AND CONSOLIDATION

23. 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	1,274,878	16,507	8,628	1,300,013
Additions	-	-	551	551
Transfers from Level 2	23,259	565	-	23,824
Disposals	(12)	-	-	(12)
Depreciation expense	(53,730)	(1,605)	-	(55,335)
Fair Value as at 30 June 2019	1,244,395	15,467	9,179	1,269,041

There were no transfers between level 1 and 2 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	1,360,645	17,963	8,110	1,386,718
Additions	-	-	518	518
Disposals	(221)	-	-	(221)
Depreciation expense	(49,276)	(1,168)	-	(50,444)
Recognition of Assets Held for Sale	(36,270)	(288)	-	(36,558)
Fair Value as at 30 June 2018	1,274,878	16,507	8,628	1,300,013

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

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PARENT AND CONSOLIDATION

24. Restricted Assets

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

Category	Opening Equity 1 July 2018 \$000	Expense 2019 \$000	Revenue 2019 \$000	Closing Equity 30 June 2019 \$000
Facility Improvements	35,949	7,431	2,890	31,408
Holds Funds in Perpetuity	26	27	49	48
Patient Welfare	5,625	2,147	1,311	4,789
Private Practice Disbursements (No.2 Accounts)	37,288	5,301	7,283	39,270
Public Contributions	2,395	707	424	2,112
Research	25,893	7,987	6,427	24,333
Staff Welfare	106	65	24	65
Training and Education Including Conferences	8,017	442	2,623	10,198
	115,298	24,106	21,031	112,223

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

Category	Purpose
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 improvements.
Training and Education Including Conferences	Professional training, education and conferences.

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	24,137	23,581
-	-	Taxation and Payroll Deductions	5,390	5,539
29,527	29,120	Accrued Liability - Purchase of Personnel Services	-	-
44,768	43,616	Creditors	44,768	43,616
		Other Creditors		
11,078	12,340	- Payables to Entities Controlled by the Immediate Parent	11,078	12,340
11,853	18,602	- PPP Monthly Service Fees RNS	11,853	18,602
15,318	-	- PPP Monthly Service Fees NBH	15,318	-
21,946	15,601	- Other	21,946	15,601
<u>134,490</u>	<u>119,279</u>		<u>134,490</u>	<u>119,279</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable (2019: \$8M; 2018: \$8.6M) to the Health Administration Corporation, an entity controlled by the immediate parent.

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

26. Borrowings

		Current		
256	249	Other Loans and Deposits	256	249
231	328	Public Private Partnership	231	328
<u>487</u>	<u>577</u>		<u>487</u>	<u>577</u>
		Non-Current		
1,517	1,772	Other Loans and Deposits	1,517	1,772
721,103	721,335	Public Private Partnership	721,103	721,335
<u>722,620</u>	<u>723,107</u>		<u>722,620</u>	<u>723,107</u>

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

Final repayment of loan is scheduled for 2037.

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

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

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		26. Borrowings		
		a) Finance Leases		
		Minimum lease payments in relation to finance leases are payable as follows:		
79,106	78,099	Within one year	79,106	78,099
353,205	342,069	Later than one year and not later than five years	353,205	342,069
1,336,031	1,428,310	Later than five years	1,336,031	1,428,310
1,768,342	1,848,479	Minimum Lease Payments	1,768,342	1,848,479
1,047,008	1,126,816	Less: Future Finance Charges	1,047,008	1,126,816
721,334	721,663	Present Value of Minimum Lease Payments	721,334	721,663
		The present value of finance lease payments is as follows:		
231	328	Within one year	231	328
35,943	22,876	Later than one year and not later than five years	35,943	22,876
685,160	698,459	Later than five years	685,160	698,459
721,334	721,663	Present Value of Minimum Lease Payments Classified as:	721,334	721,663
231	328	Current (Note 26)	231	328
721,103	721,335	Non-Current (Note 26)	721,103	721,335
721,334	721,663		721,334	721,663

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

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		27. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	104,035	104,173
-	-	Annual Leave - Long Term Benefit	16,370	15,790
-	-	Long Service Leave Consequential On-Costs	24,218	21,465
-	-	Provision for Other Employee Benefits	3,007	2,827
147,630	144,255	Provision for Personnel Services Liability	-	-
3,429	13,654	Restructuring Provision	3,429	13,654
151,059	157,909		151,059	157,909
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	2,106	1,867
2,106	1,867	Provision for Personnel Services Liability	-	-
2,106	1,867		2,106	1,867
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	151,059	157,909
-	-	Provisions - Non-Current	2,106	1,867
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 25)	29,527	29,120
182,692	188,896	Liability - Purchase of Personnel Services	-	-
182,692	188,896		182,692	188,896
		28. Other Liabilities		
		Other Current Liabilities		
16,745	7,182	Unearned Revenue	16,745	7,182
16,745	7,182		16,745	7,182
		Other Non-Current Liabilities		
113,837	23,077	Unearned Revenue	113,837	23,077
752	-	Other	752	-
114,589	23,077		114,589	23,077

Current 'Unearned Revenue' reflects clinical trial and project funding. Non Current balance represents rent received in advance for the use of Kolling building and Royal North Shore car park facilities for the thirty years ending 2047 and recognition of Private Shared Portion (\$100M) of Northern Beaches Hospital accounted as State asset and amortised over the service concession term of 20 years.

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PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		29. 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:		
124,757	83,597	Within one year	124,757	83,597
26,474	112,962	Later than one year and not later than five years	26,474	112,962
151,231	196,559	Total (Including GST)	151,231	196,559
		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:		
2,153	865	Within one year	2,153	865
3,185	1,287	Later than one year and not later than five years	3,185	1,287
-	97	Later than five years	-	97
5,338	2,249	Total (Including GST)	5,338	2,249
		The 'Operating Lease Commitments' above are for motor vehicles, equipment including medical equipment and other equipment.		
		c) Input Tax Receivable Related to Commitments for Expenditure		
		The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$156.6M million as at 30 June 2019 includes input tax credits of \$14.2M that are expected to be recoverable from the Australian Taxation Office (2018: \$18.1M).		

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PARENT AND CONSOLIDATION

30. Trust Funds

The NSLHD holds trust funds of \$4.8M which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Total	
	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	1,209	1,034	148	276	1,322	1,254	1,915	461	4,594	3,025
Add : Receipts	948	1,270	12	-	43,615	45,788	311	1,919	44,886	48,977
Less : Expenditure	(865)	(1,095)	(5)	(128)	(43,465)	(45,720)	(374)	(465)	(44,709)	(47,408)
Balance at the end of the financial year	1,292	1,209	155	148	1,472	1,322	1,852	1,915	4,771	4,594

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.

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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				
496,952	58,718	Net Cash Used on Operating Activities	496,952	58,718
(83,303)	(65,089)	Depreciation and Amortisation Expense	(83,303)	(65,089)
(4,662)	(4,711)	Allowance for impairment	(4,662)	(4,711)
(3,401)	(594)	(Increase) / Decrease in Unearned Revenue	(3,401)	(594)
7,984	(20,194)	Decrease / (Increase) in Provisions	7,984	(20,194)
751	6,002	Increase / (Decrease) in Prepayments and Other Assets	751	6,002
(15,919)	(21,399)	Decrease / (Increase) in Payables	(15,919)	(21,399)
375	(778)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	375	(778)
3,342	-	Non-Cash Revenue Items	3,342	-
1,049	970	Assets Donated or Brought to Account / Emerging Assets Recognised	1,049	970
403,168	(47,075)	Net Result	403,168	(47,075)
32. Non-Cash Financing and Investing Activities				
499	452	Assets Donated or Brought to Account	499	452
551	518	Emerging Rights to Assets Recognised	551	518
1,050	970		1,050	970

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33. Changes in Liabilities Arising from Financing Activities

	2018	Cash Flow	Non-Cash Changes Other	2019
	\$000	\$000	\$000	\$000
Borrowings and Advances	723,684	(577)	-	723,107

34. 2018/19 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the NSLHD. 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 NSLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the NSLHD.

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

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36. Adjusted Budget Review

Net Result

The actual Net Result was lower than adjusted budget by \$665K, primarily due to:

Revenue being favourable by \$22M which was largely attributable to the \$17.8M cash assistance provided by the Ministry of Health and the \$4M Northern Beaches Hospital WIP transfer.

The favourable position in Revenue has been largely offset by unfavourable positions in Expense and Impairment Losses on Financial Assets. Expense is \$19.8M unfavourable which is primarily driven by the impact of Northern Beaches Hospital opening and higher than expected employee related expenses. Impairment Losses for financial assets is \$3.3M unfavourable due to adoption of AASB 9 Financial Instruments.

Assets and Liabilities

Actual Consolidated Total Assets were favourable by \$103M. The variance is mainly due to net impact of recognition of the contribution of the NBH from the private sector (\$84M), increase of assets held for sale (\$13M) and increase in operating cash (\$6.0M).

Actual Consolidated Total Liabilities were unfavourable by \$104M to the budget. The variance is mainly due to net impact of recognition of the contribution of the NBH from the private sector (\$91M) and Other Creditors (net of Accrued Salaries, IntraHealth, RNS PPP and NBH MSP accruals) \$13M.

Cash Flows

Actual Operating Cashflows were \$2.1M favourable to budget. The variance to the budget is related to additional employee related expenditure incurred due to higher than planned activity (\$23M) offset by Ministry funded Recurrent and Capital Allocations (\$21M) and net receipts of \$4.0M (Sale & Supply of Goods & Services)

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2018 are as follows:

	\$000
Initial Allocation, 1 July 2018	1,242,119
Award Increases	49,135
Voluntary Redundancy Reimbursement	240
Voluntary Redundancy Reimbursement Northern Beaches (one Off)	2,900
Additional Activity	832
Winter Activity	390
Nurse and Midwifery Initiatives 2018-19	832
Prior Year 2017 18 Revenue Washups DVA-MVA RAS TACP	1,290
Northern Beaches – Exceptional Costs (One-off)	15,000
Northern Beaches – Contract Payment (Recurrent)	5,542
PPP	2,931
2018/19 Revenue realignment - Patient Fees	10,135
Workers Compensation Hindsight Adjustments	(5,131)
Others	4,070
Balance as per Statement of Comprehensive Income	1,330,285

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

Equity transfers effected in the 2018/19 year were:

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 \$1.37M relating to the transfer of Annual Leave provision balances from other NSW Health entities.

Equity transfers effected in the 2017/18 year were:

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

	2019	2018
	\$000	\$000
Equity transfers effected comprised:		
a) Plant and Equipment - Transfer of Plant and Equipment between NSW Health entities	-	(131)
b) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	(1,370)	-
	(1,370)	(131)
Assets and Liabilities transferred are as follows:		
	2019	2018
	\$000	\$000
Assets		
Plant and Equipment	-	(131)
Liabilities		
Annual Leave Provision	(1,370)	-
Increase / (Decrease) in Net Assets From Equity Transfers	(1,370)	(131)

Northern Sydney Local Health District
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38. Financial Instruments

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

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

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

a) Financial Instrument Categories

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	118,102
Receivables (Note 17) ¹	Amortised cost	47,618
Total Financial Assets		165,720
Financial Liabilities		
Borrowings (Note 26)	Financial liabilities measured at amortised cost	723,107
Payables (Note 25) ²	Financial liabilities measured at amortised cost	129,100
Other Liabilities (Note 28)	Financial liabilities measured at amortised cost	752
Total Financial Liabilities		852,959

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	120,985
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	46,939
Total Financial Assets		167,924
Financial Liabilities		
Borrowings (Note 26)	Financial liabilities measured at amortised cost	723,684
Payables (Note 25) ²	Financial liabilities measured at amortised cost	113,740
Total Financial Liabilities		837,424

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

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

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

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: 2.20%) in 2018/19 compared to 0.00% (Restricted funds bank balance: 2.35%) in the previous year.

The TCorpIM Funds Investment facility is discussed in paragraph (d) below.

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 NSLHD 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 NSLHD 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 180 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	2.08%	8.54%	17.88%	25.14%	57.58%	9.59%
Estimated total gross carrying amount at default	31,979	1,863	979	656	4,662	40,139
Expected credit loss	665	159	175	165	2,684	3,848
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 2018						
Expected credit loss rate	0.56%	15.90%	15.01%	29.94%	52.65%	8.32%
Estimated total gross carrying amount at default	30,417	1,637	939	981	4,422	38,395
Expected credit loss	171	260	141	294	2,328	3,193

The NSLHD 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 NSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. 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 NSLHD didn't recognise a provision for expected credit losses on its other financial assets in 2019.

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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 NSLHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

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

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

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

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

	2018
	\$000
Neither past due nor impaired	40,781
Past due but not impaired ^{1,2}	
< 3 months overdue	3,260
3 - 6 months overdue	2,898
Impaired ^{1,2}	
> 6 months overdue	4,818
Total ^{1,2}	51,757

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.

Authority Deposits

The NSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. There were no indicators for impairment on these securities during the year.

ii. Liquidity Risk

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

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

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

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

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

Northern Sydney Local Health District
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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2019								
Payables:								
- Creditors ²		129,100	-	-	129,100	129,100	-	-
Borrowings:								
- Loans and Deposits	2.56%	1,937	1,937	-	-	300	1,161	476
- Public Private Partnership	10.37%	1,768,342	-	1,768,342	-	79,106	353,205	1,336,031
		1,899,379	1,937	1,768,342	129,100	208,506	354,366	1,336,507
2018								
Payables:								
- Creditors ²		113,740	-	-	113,740	113,740	-	-
Borrowings:								
- Loans and Deposits	2.57%	2,236	2,236	-	-	300	1,180	757
- Public Private Partnership	10.24%	1,848,479	-	1,848,479	-	78,099	342,069	1,428,310
		1,964,455	2,236	1,848,479	113,740	192,139	343,249	1,429,067

Notes:

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

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

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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 NSLHD's exposures to market risk are primarily through interest rate risk on the NSLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The NSLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the NSLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis 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 NSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The NSLHD 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 NSLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The 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	118,102	(1,181)	(1,181)	1,181	1,181
Receivables	47,618	-	-	-	-
Financial Liabilities					
Payables ¹	129,100	-	-	-	-
Borrowings	723,107	7,231	7,231	(7,231)	(7,231)
Other	752	8	8	(8)	(8)
2018					
Financial Assets					
Cash and Cash Equivalents	120,985	(1,210)	(1,210)	1,210	1,210
Receivables	46,939	-	-	-	-
Financial Liabilities					
Payables ¹	113,740	-	-	-	-
Borrowings	723,684	7,237	7,237	(7,237)	(7,237)

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

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38. Financial Instruments

Other price risk - TCorpIM Funds

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. The NSLHD has no direct equity investments. The NSLHD holds units in the following TCorpIM Funds trusts:

Facility	Investment Sectors	Investment Horizon	2019 \$000	2018 \$000
Cash facility	Cash and money market instruments	Up to 1.5 years	69,267	67,686

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

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

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

TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds statement).

Impact on net result

	Change in unit price	2019 \$000	2018 \$000
TCorpIM Funds - Cash facility	+/- 1%	693	677

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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.

ii. Fair Value recognised in the Statement of Financial Position

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds investment facilities, which are measured at fair value. Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2019 Total \$'000
TCorpIM Funds	-	69,267	-	69,267
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2018 Total \$'000
TCorpIM Funds	-	67,686	-	67,686

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

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

The value of the TCorpIM Funds investment is based on the NSLHD's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds investment facilities are valued using 'redemption' pricing.

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39. Related Party Transactions

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Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	654	811
Post-Employment Benefits	43	51
	<u>697</u>	<u>862</u>

During the financial year, Northern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$442K (2018: \$419K) 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

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

END OF AUDITED FINANCIAL STATEMENTS

