

South Eastern Sydney Local Health District

Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the South Eastern 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(ad). 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.



David Daniels
Director, Financial Audit Services

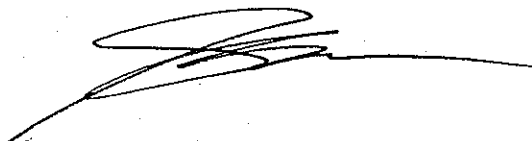
Delegate of the Auditor-General for New South Wales

5 September 2019
SYDNEY

South Eastern 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 South Eastern 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*; and
 - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the South Eastern 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.



Mr Tobin Wilson
Chief Executive
4 September 2019



Mr Peter Eaton
Director of Finance
4 September 2019

South Eastern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual 2019 \$000	Adjusted Budget Unaudited 2019 \$000	Actual 2018 \$000	Notes	Actual 2019 \$000	Adjusted Budget Unaudited 2019 \$000	Actual 2018 \$000
Continuing Operations						
Expenses excluding losses						
-	-	-		1,253,164	1,235,416	1,154,418
1,170,192	1,151,667	1,106,065	2			
58,573	53,742	53,490	3	-	-	-
465,780	441,569	449,745		58,573	53,742	53,490
75,310	75,916	59,553	4	465,780	441,569	449,745
17,186	16,695	18,725	1(n), 5	75,310	75,916	59,553
49,286	49,527	46,979	6	17,186	16,695	18,725
1,836,327	1,789,116	1,734,557	7	49,286	49,527	46,979
				1,919,299	1,872,865	1,782,910
Revenue						
1,428,253	1,374,760	1,345,982	1(i)	1,428,253	1,374,760	1,345,982
123,633	123,279	232,855	1(i)	123,633	123,279	232,855
-	-	(11,795)		-	-	(11,795)
-	-	-		-	-	-
270,510	269,741	263,494	1(e)(ii),11	82,972	83,749	48,353
2,552	435	1,759	1(i), 8	270,510	269,741	263,494
51,574	46,045	44,500	1(i),9	2,552	435	1,759
23,557	28,391	22,432	1(i),10	51,574	46,045	44,500
1,900,079	1,842,651	1,899,227	12	23,557	28,391	22,432
63,752	53,535	164,670		1,983,051	1,926,400	1,947,580
Operating Result						
(47)	-	(3,848)	13	(47)	-	(3,848)
(2,575)	(2,658)	-	16	(2,575)	(2,658)	-
-	-	(2,553)	14	-	-	(2,553)
61,130	50,877	158,269	29	61,130	50,877	158,269
Net Result from Continuing Operations						
61,130	50,877	158,269		61,130	50,877	158,269
Net Result						
Other Comprehensive Income						
<i>Items that will not be reclassified to Net Result in subsequent periods</i>						
4,813	-	153,701	18	4,813	-	153,701
(4,045)	-	155	20	(4,045)	-	155
768	-	153,856		768	-	153,856
61,898	50,877	312,125		61,898	50,877	312,125
TOTAL COMPREHENSIVE INCOME						

The accompanying notes form part of these financial statements.

**South Eastern 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		Actual	
2019 \$000	2019 \$000	2018 \$000			2019 \$000	2019 \$000	2018 \$000		2018 \$000	
ASSETS										
Current Assets										
98,984	99,204	102,727	Cash and Cash Equivalents	15	98,984	99,204	102,727			
79,591	70,050	69,680	Receivables	16	79,591	70,050	69,680			
23,103	23,626	23,606	Inventories	17	23,103	23,626	23,606			
201,678	192,880	196,013	Total Current Assets		201,678	192,880	196,013			
Non-Current Assets										
7,265	-	-	Receivables	16	7,265	-	-			
1,521,937	1,543,120	1,477,870	Property, Plant & Equipment	18						
117,715	105,515	106,126	- Land and Buildings		1,521,937	1,543,120	1,477,870			
64,184	60,667	64,996	- Plant and Equipment		117,715	105,515	106,126			
1,703,836	1,709,302	1,648,992	- Infrastructure Systems		1,703,836	1,709,302	1,648,992			
81	81	100	Total Property, Plant & Equipment		1,703,836	1,709,302	1,648,992			
48,983	50,633	48,713	Intangible Assets	19	81	81	100			
1,760,165	1,760,016	1,697,805	Other Non-Current Assets	20	48,983	50,633	48,713			
1,961,843	1,952,896	1,893,818	Total Non-Current Assets		1,760,165	1,760,016	1,697,805			
			Total Assets		1,961,843	1,952,896	1,893,818			
LIABILITIES										
Current Liabilities										
114,811	122,193	120,598	Payables	23	114,811	122,193	120,598			
205,897	197,793	191,936	Provisions	24	205,897	197,793	191,936			
5,462	3,071	2,831	Other Current Liabilities	25	5,462	3,071	2,831			
326,170	323,057	315,365	Total Current Liabilities		326,170	323,057	315,365			
Non-Current Liabilities										
2,870	2,870	2,361	Provisions	24	2,870	2,870	2,361			
4,314	5,558	5,558	Other Non-Current Liabilities	25	4,314	5,558	5,558			
7,184	8,428	7,919	Total Non-Current Liabilities		7,184	8,428	7,919			
333,354	331,485	323,284	Total Liabilities		333,354	331,485	323,284			
1,628,489	1,621,411	1,570,534	Net Assets		1,628,489	1,621,411	1,570,534			
EQUITY										
280,678	289,915	289,915	Reserves		280,678	289,915	289,915			
1,347,811	1,331,496	1,280,619	Accumulated Funds		1,347,811	1,331,496	1,280,619			
1,628,489	1,621,411	1,570,534	Total Equity		1,628,489	1,621,411	1,570,534			

The accompanying notes form part of these financial statements.

South Eastern 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		1,280,619	289,915	1,570,534
Changes in Accounting Policy	1(a)(i)	481	-	481
Restated balance at 1 July 2018		1,281,100	289,915	1,571,015
Net Result for the Year		61,130	-	61,130
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	18	-	4,813	4,813
Net Change in Revaluation Surplus of Other Assets	20	-	(4,045)	(4,045)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		10,005	(10,005)	-
Total Other Comprehensive Income		10,005	(9,237)	768
Total Comprehensive Income for the Year		71,135	(9,237)	61,898
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	34	(4,424)	-	(4,424)
Balance at 30 June 2019		1,347,811	280,678	1,628,489
Balance at 1 July 2017		1,126,556	137,213	1,263,769
Net Result for the Year		158,269	-	158,269
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	18	-	153,701	153,701
Net Change in Revaluation Surplus of Other Assets	20	-	155	155
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,154	(1,154)	-
Total Other Comprehensive Income		1,154	152,702	153,856
Total Comprehensive Income for the Year		159,423	152,702	312,125
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	34	(5,360)	-	(5,360)
Balance at 30 June 2018		1,280,619	289,915	1,570,534

The accompanying notes form part of these financial statements.

South Eastern 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						
-	-	-				
(587,622)	(547,446)	(551,480)		(1,174,076)	(1,161,459)	(1,104,252)
(73,696)	(73,446)	(73,060)		(587,622)	(547,446)	(551,480)
(1,174,076)	(1,161,459)	(1,104,252)		(73,696)	(73,446)	(73,060)
(1,835,394)	(1,782,351)	(1,728,792)		(1,835,394)	(1,782,351)	(1,728,792)
Total Payments						
Receipts						
1,428,253	1,374,760	1,345,982		1,428,253	1,374,760	1,345,982
123,633	123,279	232,855		123,633	123,279	232,855
-	-	(11,795)		-	-	(11,795)
17,959	17,959	17,589		17,959	17,959	17,589
279,367	278,044	263,729		279,367	278,044	263,729
2,378	435	1,758		2,378	435	1,758
59,674	55,192	48,893		59,674	55,192	48,893
51,753	62,531	90,098		51,753	62,531	90,098
1,963,017	1,912,200	1,989,109		1,963,017	1,912,200	1,989,109
Total Receipts						
NET CASH FLOWS FROM OPERATING						
ACTIVITIES						
127,623	129,849	260,317	29	127,623	129,849	260,317
CASH FLOWS FROM INVESTING ACTIVITIES						
3,973	(19,690)	73		3,973	(19,690)	73
(135,339)	(113,682)	(237,985)		(135,339)	(113,682)	(237,985)
(131,366)	(133,372)	(237,912)		(131,366)	(133,372)	(237,912)
NET CASH FLOWS FROM INVESTING ACTIVITIES						
NET INCREASE / (DECREASE) IN CASH AND						
CASH EQUIVALENTS						
(3,743)	(3,523)	22,405		(3,743)	(3,523)	22,405
102,727	102,727	80,322	15	102,727	102,727	80,322
98,984	99,204	102,727	15	98,984	99,204	102,727
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The South Eastern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SESLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD 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 4 September 2019.

b) Basis of Preparation

The SESLHD'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 SESLHD have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of the South Eastern 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 SESLHD'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 SESLHD 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 SESLHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * The SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD 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 SESLHD'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.

South Eastern 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 18.26% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 18.1%). The SESLHD has assessed the actuarial advice based on the SESLHD'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 SESLHD'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 SESLHD 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 SESLHD as shown in Note 24.

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 SESLHD 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 SESLHD'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) 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 SESLHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

Rendering of Services

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

South Eastern 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

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the SESLHD 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 SESLHD 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 SESLHD 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).

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

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

Refer to Note 8 (b) for further details.

Use of Outside Facilities

The SESLHD 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 SESLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

General operating expenses/revenues of Calvary Health Care Sydney, War Memorial Hospital Waverley and Eastern Sydney SCARBA Centre 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 SESLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

Other Income

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

South Eastern 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

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

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

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

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

k) Interstate Patient Flows

Interstate patient flows are funded through the 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.

l) Acquisition of Property, Plant and Equipment

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

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 SESLHD 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 SESLHD. The costs are then accordingly reflected in The SESLHD financial statements. The SESLHD 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(aa) 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 SESLHD are deemed to be controlled by the SESLHD and are reflected as such in the financial statements.

m) Capitalisation Thresholds

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

n) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the SESLHD. 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:

	2019	2018
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- Computer Equipment	20.0%	20.0%
- Electro Medical Equipment		
* Costing less than \$200,000	10.0%	10.0%
* Costing more than or equal to \$200,000	12.5%	12.5%
- Furniture, Fittings and Furnishings	5.0%	5.0%
- Motor Vehicle Sedans	12.5%	12.5%
- Motor Vehicles, Trucks & Vans	20.0%	20.0%
- Office Equipment	10.0%	10.0%
- Plant and Machinery	10.0%	10.0%
Intangibles	10.0%	10.0%

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

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

o) Revaluation of Non-Current Assets

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

South Eastern 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

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 18 and Note 21 for further information regarding fair value.

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

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

p) Impairment of Property, Plant and Equipment

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

q) Restoration Costs

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

r) Intangible Assets

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

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

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

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

s) Maintenance

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

t) Leased Assets

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

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 SESLHD, 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.

u) 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.

v) 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 SESLHD 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 SESLHD'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 SESLHD'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.

w) 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.

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

The SESLHD'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.

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

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

- * The SESLHD 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 SESLHD's key management personnel.

The risk management strategy of the SESLHD 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 SESLHD 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 SESLHD commits to purchase or sell the asset.

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

x) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

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

Receivables

For trade receivables, the SESLHD applies a simplified approach in calculating ECLs. The SESLHD recognises a loss allowance based on lifetime ECLs at each reporting date. The SESLHD 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 SESLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The SESLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence the SESLHD 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 SESLHD 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 SESLHD applies the simplified approach permitted by AASB 9, where the loss allowance is based on lifetime ECLs.

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

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 SESLHD 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 SESLHD 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.

y) Payables

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

z) Fair Value Hierarchy

A number of the SESLHD'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 SESLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

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

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

ab) 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 SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(o).

ac) Trust Funds

The SESLHD receives monies in a trustee capacity for various trusts as set out in Note 27.

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

South Eastern 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

ad) 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 SESLHD'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 SESLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the SESLHD 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 33.

ae) Emerging Asset

The SESLHD's emerging interest in the St George (STG), Sydney (SYD) and Prince of Wales (POW) Hospital Car Parks has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the SESLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 6.61% (STG), 9.47% (SYD) & 7.23% (POW) at commencement of the concession period.

af) 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 SESLHD 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 SESLHD 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.

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	16	481
Total Adjustment on equity		481
Accumulated funds		(481)

a) Classification and measurement of financial instruments

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

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

	Notes	Accumulated funds	Total change in equity
		\$'000	\$'000
Closing balance 30 June 2018 - AASB 139		1,280,619	1,280,619
Recognition of AASB 9 expected credit losses	16	481	481
Total impact		481	481
Opening balance 1 July 2018 - AASB 9		1,281,100	1,281,100

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

South Eastern Sydney Local Health District
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1. Statement of Significant Accounting Policies

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

AASB 139 measurement category	Measurement category		Carrying amount		Difference \$'000
	AASB 139	AASB 9	Original \$'000	New \$'000	
Receivables	L&R	Amortised cost	69,680	70,161	481

b) Impairment

The adoption of AASB 9 has changed the SESLHD'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 SESLHD 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	(3,630)	481	(3,149)

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

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

The new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

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

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

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

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

South Eastern 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

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.

Potential Impact on the SESLHD'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 SESLHD so far and the known and expected impacts:

Leases

The SESLHD 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 \$12.6 million on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- * Interest expenses will increase by approximately \$293 thousand in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life. This effect may be partially mitigated due to the number of leases held by the SESLHD 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 \$3.4 million.
- * Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$4.2 million in the 2019-2020 financial year.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- * The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

SESLHD 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

- * No significant impact expected on the SESLHD.

Application Date

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

South Eastern 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)	1,056,251	1,001,931
-	-	Superannuation - Defined Benefit Plans	7,287	7,889
-	-	Superannuation - Defined Contribution Plans	93,856	88,324
-	-	Long Service Leave	82,051	45,313
-	-	Redundancies	913	1,911
-	-	Workers' Compensation Insurance	12,710	8,975
-	-	Fringe Benefits Tax	96	75
-	-		1,253,164	1,154,418
3. Personnel Services				
1,056,251	1,001,931	Salaries and Wages (including Annual Leave and ADO)	-	-
93,856	88,324	Superannuation - Defined Contribution Plans	-	-
6,366	4,849	Long Service Leave	-	-
913	1,911	Redundancies	-	-
12,710	8,975	Workers' Compensation Insurance	-	-
96	75	Fringe Benefits Tax	-	-
1,170,192	1,106,065		-	-
<p>Personnel services of South Eastern Sydney Local Health District were provided by its controlled entity, South Eastern Sydney Local Health District Special Purpose Service Entity.</p>				
4. Other Expenses				
616	320	Advertising	616	320
229	238	Auditor's Remuneration - Audit of Financial Statements	229	238
10,727	9,867	Blood and Blood Products	10,727	9,867
1,164	1,781	Consultancies	1,164	1,781
457	175	Contractors	457	175
23,333	21,442	Domestic Supplies and Services	23,333	21,442
75,320	80,343	Drug Supplies	75,320	80,343
29,504	27,734	Food Supplies	29,504	27,734
13,724	11,607	Fuel, Light and Power	13,724	11,607
11,065	9,244	Patient Transport Costs	11,065	9,244
34,741	28,079	Information Management Expenses	34,741	28,079
1,877	1,676	Insurance	1,877	1,676
36,910	39,436	Maintenance (See Note 4(b))	36,910	39,436
91,067	86,724	Medical and Surgical Supplies	91,067	86,724
1,724	1,406	Motor Vehicle Expenses	1,724	1,406
3,302	2,584	Postal and Telephone Costs	3,302	2,584
4,057	4,310	Printing and Stationery	4,057	4,310
1,807	1,860	Rates and Charges	1,807	1,860
4,120	3,896	Rental	4,120	3,896
557	691	Hosted Services Purchased from Entities Controlled by the Immediate Parent	557	691
61,013	59,017	Specialised Services (Dental, Radiology, Pathology)	61,013	59,017
15,027	13,903	Staff Related Costs	15,027	13,903
7,252	6,519	Travel Related Costs	7,252	6,519
36,187	36,893	Other (See Note 4(a))	36,187	36,893
465,780	449,745		465,780	449,745

South Eastern 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:		
9,178	7,015	Contract for Patient Services	9,178	7,015
11,347	12,837	Corporate Support Services	11,347	12,837
1,180	1,224	Courier and Freight	1,180	1,224
66	156	Isolated Patient Travel and Accommodation Assistance Scheme	66	156
262	209	Legal Services	262	209
1,103	960	Membership/Professional Fees	1,103	960
1,386	1,480	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,386	1,480
2,669	2,820	Other Operating Lease Expense - Minimum Lease Payments	2,669	2,820
159	109	Quality Assurance/Accreditation	159	109
625	621	Security Services	625	621
8,212	9,462	Other Miscellaneous	8,212	9,462
36,187	36,893		36,187	36,893
		b) Reconciliation of Total Maintenance		
17,964	14,851	Maintenance Contracts	17,964	14,851
8,160	15,887	New/Replacement Equipment under \$10,000	8,160	15,887
12,195	10,859	Repairs Maintenance/Non Contract	12,195	10,859
(1,409)	(2,161)	Other	(1,409)	(2,161)
36,910	39,436	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	36,910	39,436
4,571	4,521	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	4,571	4,521
41,481	43,957		41,481	43,957

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

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

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

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

The majority of 'Specialised Services' 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' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

South Eastern 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		
52,365	40,393	Depreciation - Buildings	52,365	40,393
18,140	14,679	Depreciation - Plant and Equipment	18,140	14,679
4,786	4,461	Depreciation - Infrastructure Systems	4,786	4,461
19	20	Amortisation - Intangible Assets	19	20
75,310	59,553		75,310	59,553
		6. Grants and Subsidies		
13,199	13,386	Non-Government Organisations	13,199	13,386
1,341	1,701	Grants to Research Organisations	1,341	1,701
908	763	Grants Paid to Entities Controlled by the Immediate Parent	908	763
1,738	2,875	Other Grants	1,738	2,875
17,186	18,725		17,186	18,725
		7. Payments to Affiliated Health Organisations		
		Recurrent Sourced		
30,969	29,082	Calvary Health Care Sydney	30,969	29,082
16,893	16,506	War Memorial Hospital Waverley	16,893	16,506
1,424	1,391	Eastern Sydney SCARBA Centre	1,424	1,391
49,286	46,979		49,286	46,979

South Eastern 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
8. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
222	277	Pharmacy Sales	222	277
11,041	11,212	Sale of Prosthesis	11,041	11,212
283	(7)	Other	283	(7)
b) Rendering of Services comprise the following:-				
Patient Fees:				
118,920	110,300	- Inpatient Fees	118,920	110,300
177	74	- Nursing Home Fees	177	74
6,450	6,204	- Non Inpatient Fees	6,450	6,204
17,269	19,144	Department of Veterans' Affairs	17,269	19,144
254	283	Staff Meals and Accommodation	254	283
25,810	23,694	Infrastructure Fees - Monthly Facility Charge	25,810	23,694
9,645	9,435	Infrastructure Fees - Annual Charge	9,645	9,435
2,088	2,007	Car Parking	2,088	2,007
1,142	1,071	Child Care Fees	1,142	1,071
209	45	Clinical Services (excluding Clinical Drug Trials)	209	45
5,740	5,770	Commercial Activities	5,740	5,770
12	25	Enteral Nutrition	12	25
243	245	Fees for Medical Records	243	245
5	4	Information Retrieval	5	4
40,725	46,655	Highly Specialised Drugs	40,725	46,655
13,892	11,472	Motor Accident Authority Third Party	13,892	11,472
112	155	Private Use of Motor Vehicles	112	155
572	572	Salary Packaging Fee	572	572
12,222	11,367	Hosted Services Provided to Entities Controlled by Immediate Parent	12,222	11,367
2,816	3,008	Services Provided to Non NSW Health Organisations	2,816	3,008
1	1	Shared Corporate Services	1	1
154	151	Multi Purpose Service Centre Fees	154	151
506	330	Other	506	330
270,510	263,494		270,510	263,494
<p>The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.</p> <p>The majority of 'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.</p>				
9. Investment Revenue				
13	-	Dividends	13	-
351	207	Interest	351	207
2,027	1,552	TCorpIM Funds Investment Facilities Designated at Fair Value through Profit or Loss	2,027	1,552
161	-	Other	161	-
2,552	1,759		2,552	1,759

South Eastern 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
10. Grants and Other Contributions				
4,426	4,646	Clinical Drug Trials	4,426	4,646
15,701	16,774	Commonwealth Government Grants	15,701	16,774
9,072	4,859	Industry Contributions / Donations	9,072	4,859
10,295	10,096	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	10,295	10,096
145	798	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	145	798
2,069	2,241	Grants & Contributions Received from Entities Controlled by the Immediate Parent	2,069	2,241
1,518	1,192	Research Grants	1,518	1,192
8,348	3,894	Other Grants	8,348	3,894
51,574	44,500		51,574	44,500
<p>The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from Agency for Clinical Innovation.</p> <p>The majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from the immediate parent.</p>				
11. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-	-	Superannuation - Defined Benefit Plans	7,287	7,889
-	-	Long Service Leave Provision	75,684	40,464
-	-		82,971	48,353
12. Other Income				
Other Income comprises the following:-				
1	3	Bad Debts Recovered	1	3
201	289	Commissions	201	289
383	486	Conference and Training Fees	383	486
191	108	Discounts	191	108
69	22	Insurance Refunds	69	22
8,651	8,483	Lease and Rental	8,651	8,483
50	20	Sale of Merchandise, Old Wares and Books	50	20
512	328	Sponsorship	512	328
5,464	2,905	Treasury Managed Fund Hindsight Adjustment	5,464	2,905
4	-	Unclaimed Deposits	4	-
8,031	9,788	Other	8,031	9,788
23,557	22,432		23,557	22,432
Some 'Lease and Rental' income was received from entities controlled by the immediate parent.				
13. Gains / (Losses) on Disposal				
25,377	31,463	Property, Plant and Equipment	25,377	31,463
(14,254)	(7,852)	Less: Accumulated Depreciation	(14,254)	(7,852)
11,123	23,611	Written Down Value	11,123	23,611
3,973	73	Less: Proceeds from Disposal	3,973	73
-	19,690	Less: Proceeds Received in Advance for Disposal	-	19,690
7,103	-	Less: Finance Lease Receivable	7,103	-
(47)	(3,848)	Gain / (Loss) on Disposal of Property, Plant and Equipment	(47)	(3,848)
(47)	(3,848)	Total Gains / (Losses) on Disposal	(47)	(3,848)
14. Other Gains / (Losses)				
-	(2,553)	Impairment of Receivables	-	(2,553)
-	(2,553)		-	(2,553)

South Eastern 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
15. Cash and Cash Equivalents				
20,319	26,028	Cash at Bank and On Hand	20,319	26,028
78,665	76,699	Short Term Deposits	78,665	76,699
98,984	102,727		98,984	102,727

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.

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:

98,984	102,727	Cash and Cash Equivalents (per Statement of Financial Position)	98,984	102,727
98,984	102,727	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	98,984	102,727

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

South Eastern Sydney Local Health District
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for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
16. Receivables				
Current				
48,130	41,515	Sale of Goods and Services	48,130	41,515
19,571	20,870	Intra Health Receivables	19,571	20,870
3,646	3,956	Goods and Services Tax	3,646	3,956
5,432	3,812	Other Debtors	5,432	3,812
76,779	70,153	Sub Total	76,779	70,153
(2,946)	-	Less: Allowance for Expected Credit Losses *	(2,946)	-
-	(3,630)	Less: Allowance for Impairment **	-	(3,630)
73,833	66,523	Sub Total	73,833	66,523
5,758	3,157	Prepayments	5,758	3,157
79,591	69,680		79,591	69,680
<p>'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Sydney Children's Hospital Network, Illawarra Shoalhaven Local Health District, Health Administration Corporation, and the immediate parent.</p>				
a) * Movement in the Allowance for Expected Credit Losses				
Sale of Goods and Services				
(3,538)	-	Balance as at 30 June 2018 under AASB 139	(3,538)	-
461	-	Amounts restated through opening Accumulated Funds	461	-
(3,077)	-	Balance at 1 July 2018 under AASB 9	(3,077)	-
2,061	-	Amounts Written Off During the Year	2,061	-
(1,805)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(1,805)	-
(2,821)	-	Balance at 30 June 2019	(2,821)	-
Other Debtors				
(92)	-	Balance as at 30 June 2018 under AASB 139	(92)	-
20	-	Amounts restated through opening Accumulated Funds	20	-
(72)	-	Balance at 1 July 2018 under AASB 9	(72)	-
717	-	Amounts Written Off During the Year	717	-
(770)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(770)	-
(125)	-	Balance at 30 June 2019	(125)	-
(2,946)	-		(2,946)	-
b) ** Movement in the Allowance for Impairment				
Sale of Goods and Services				
-	(6,455)	Balance at 1 July 2017	-	(6,455)
-	5,109	Amounts Written Off During the Year	-	5,109
-	(2,192)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(2,192)
-	(3,538)	Balance at 30 June 2018	-	(3,538)
Other Debtors				
-	(123)	Balance at 1 July 2017	-	(123)
-	391	Amounts Written Off During the Year	-	391
-	(360)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(360)
-	(92)	Balance at 30 June 2018	-	(92)
-	(3,630)		-	(3,630)
Non-Current				
7,265	-	Other Debtors	7,265	-
7,265	-		7,265	-
c) The current and non-current sale of goods and services balances above include the following patient fee receivables:				
Current and Non-Current include:				
1,760	1,472	Patient Fees - Compensable	1,760	1,472
8,144	7,709	Patient Fees - Ineligible	8,144	7,709
21,764	19,567	Patient Fees - Inpatient & Other	21,764	19,567
31,668	28,748		31,668	28,748

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

South Eastern 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. Inventories		
7,383	7,748	Drug Supplies	7,383	7,748
15,714	15,848	Medical and Surgical Supplies	15,714	15,848
6	10	Food and Hotel Supplies	6	10
<u>23,103</u>	<u>23,606</u>		<u>23,103</u>	<u>23,606</u>
		18. Property, Plant and Equipment		
		Land and Buildings - Fair Value		
2,448,371	2,378,858	Gross Carrying Amount	2,448,371	2,378,858
926,434	900,988	Less: Accumulated Depreciation and Impairment	926,434	900,988
<u>1,521,937</u>	<u>1,477,870</u>	Net Carrying Amount	<u>1,521,937</u>	<u>1,477,870</u>
		Plant and Equipment - Fair Value*		
236,876	221,004	Gross Carrying Amount	236,876	221,004
119,161	114,878	Less: Accumulated Depreciation and Impairment	119,161	114,878
<u>117,715</u>	<u>106,126</u>	Net Carrying Amount	<u>117,715</u>	<u>106,126</u>
		Infrastructure Systems - Fair Value		
187,850	181,909	Gross Carrying Amount	187,850	181,909
123,666	116,913	Less: Accumulated Depreciation and Impairment	123,666	116,913
<u>64,184</u>	<u>64,996</u>	Net Carrying Amount	<u>64,184</u>	<u>64,996</u>
<u>1,703,836</u>	<u>1,648,992</u>	Total Property, Plant and Equipment at Net Carrying Amount	<u>1,703,836</u>	<u>1,648,992</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.

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

PARENT AND CONSOLIDATION

18. 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	Total \$000
2019				
Net Carrying Amount at Beginning of Year	1,477,870	106,126	64,996	1,648,992
Additions	117,898	17,441	-	135,339
Disposals	(10,514)	(609)	-	(11,123)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	1,106	-	1,106
Net Revaluation Increment Less Revaluation Decrements	839	-	3,974	4,813
Depreciation Expense	(52,365)	(18,140)	(4,786)	(75,291)
Reclassifications	(11,791)	11,791	-	-
Net Carrying Amount at End of Year	1,521,937	117,715	64,184	1,703,836

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2018				
Net Carrying Amount at Beginning of Year	1,174,039	106,658	62,907	1,343,604
Additions	224,790	13,585	-	238,375
Reclassification to Assets Held for Sale	745	-	-	745
Disposals	(23,205)	(406)	-	(23,611)
Equity Transfers - Transfers In / (Out)	(5,360)	-	-	(5,360)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	1,071	-	1,071
Net Revaluation Increment Less Revaluation Decrements	147,739	-	5,962	153,701
Depreciation Expense	(40,393)	(14,679)	(4,461)	(59,533)
Reclassifications	(485)	(103)	588	-
Net Carrying Amount at End of Year	1,477,870	106,126	64,996	1,648,992

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

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

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		19. Intangible Assets		
		<i>Intangibles</i>		
484	484	Cost (Gross Carrying Amount)	484	484
403	384	Less: Accumulated Amortisation and Impairment	403	384
<u>81</u>	<u>100</u>	Total Intangible Assets at Net Carrying Amount	<u>81</u>	<u>100</u>

PARENT AND CONSOLIDATION

19. Intangible Assets - Reconciliation

A reconciliation of the carrying amount of 'Intangibles' at the beginning and end of the current reporting year is set out below:

	Total \$000
2019	
Net Carrying Amount at Beginning of Year	100
Amortisation (Recognised in Depreciation and Amortisation)	(19)
Net Carrying Amount at End of Year	81
	Total \$000
2018	
Net Carrying Amount at Beginning of Year	120
Amortisation (Recognised in Depreciation and Amortisation)	(20)
Net Carrying Amount at End of Year	100

20. Other Assets

		Other Non-Current Assets	
48,983	48,713	Emerging Rights to Assets (refer Note 1(ae))	
<u>48,983</u>	<u>48,713</u>		<u>48,983</u> <u>48,713</u>

PARENT AND CONSOLIDATION

20. Other Assets - Reconciliation

A reconciliation of the carrying amount of 'Other Assets' at the beginning and end of the current reporting year is set out below:

	Total \$000
2019	
Net Carrying Amount at Beginning of Year	48,713
Additions	4,315
Net Revaluation Increment Less Revaluation Decrement	(4,045)
Net Carrying Amount at End of Year	48,983
	Total \$000
2018	
Net Carrying Amount at Beginning of Year	44,192
Additions	4,366
Net Revaluation Increment Less Revaluation Decrement	155
Net Carrying Amount at End of Year	48,713

**Amounts Recognised in Other Comprehensive Income Relating to
Emerging Rights to Assets**

4,045	(155)	Emerging Rights to Assets - Asset Revaluation	4,045	(155)
<u>4,045</u>	<u>(155)</u>		<u>4,045</u>	<u>(155)</u>

South Eastern Sydney Local Health District
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PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2019	Level 1	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000	\$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	-	181,623	1,221,230	1,402,853
- Infrastructure Systems	-	-	64,184	64,184
Other Assets (Note 20) Emerging Assets	-	-	48,983	48,983
	-	181,623	1,334,397	1,516,020

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 18.

2018	Level 1	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000	\$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	-	50,962	910,905	961,867
- Infrastructure Systems	-	-	64,996	64,996
Other Assets (Note 20) Emerging Assets	-	-	48,713	48,713
	-	50,962	1,024,614	1,075,576

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 18.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the SESLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Ltd as at 31 December 2018 for the 2018/19 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an associated entity of the SESLHD.

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 18 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.

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

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2018	910,905	64,996	48,713	1,024,614
Additions	117,898	-	4,315	122,213
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 18)	839	3,974	-	4,813
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Other Assets' (Note 20)	-	-	(4,045)	(4,045)
Transfers from Level 2	10	-	-	10
Transfers to Level 2	247,750	-	-	247,750
Disposals	(3,808)	-	-	(3,808)
Depreciation expense	(52,365)	(4,786)	-	(57,151)
Fair Value as at 30 June 2019	1,221,230	64,184	48,983	1,334,397

There were no transfers between Level 1 or 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	734,196	62,907	44,192	841,295
Additions	97,928	588	4,366	102,882
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 18)	147,739	5,962	-	153,701
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Other Assets' (Note 20)	-	-	155	155
Disposals	(23,205)	-	-	(23,205)
Depreciation expense	(40,393)	(4,461)	-	(44,854)
Equity Transfers - Transfers In / (Out)	(5,360)	-	-	(5,360)
Fair Value as at 30 June 2018	910,905	64,996	48,713	1,024,614

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

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

22. Restricted Assets

The SESLHD's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

Category	Opening Equity 1 July 2018 \$000	Expense 2019 \$000	Revenue 2019 \$000	Closing Equity 30 June 2019 \$000
Community Welfare	120	19	1,013	1,114
Facility Improvements	12,093	2,176	3,985	13,902
Holds Funds in Perpetuity	833	1,218	1,548	1,163
Patient Welfare	11,020	3,744	1,292	8,568
Private Practice Disbursements (No.2 Accounts)	31,645	11,863	10,635	30,417
Public Contributions	1,647	118	422	1,951
Research	19,838	5,254	6,949	21,533
Staff Welfare	2,017	1,177	1,321	2,161
Training and Education Including Conferences	16,145	5,202	6,577	17,520
	95,358	30,771	33,742	98,329

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

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

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		23. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	30,931	27,066
-	-	Taxation and Payroll Deductions	6,905	6,323
37,836	33,389	Accrued Liability - Purchase of Personnel Services	-	-
49,990	48,277	Creditors	49,990	48,277
14,759	22,963	- Payables to Entities Controlled by the Immediate Parent	14,759	22,963
12,226	15,969	- Other	12,226	15,969
114,811	120,598		114,811	120,598

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		24. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	121,066	115,626
-	-	Annual Leave - Long Term Benefit	47,295	45,317
-	-	Long Service Leave Consequential On-Costs	33,010	27,153
-	-	Provision for Other Employee Benefits	4,526	3,840
205,897	191,936	Provision for Personnel Services Liability	-	-
205,897	191,936		205,897	191,936
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	2,870	2,361
2,870	2,361	Provision for Personnel Services Liability	-	-
2,870	2,361		2,870	2,361
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	205,897	191,936
-	-	Provisions - Non-Current	2,870	2,361
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 23)	37,836	33,389
246,603	227,686	Liability - Purchase of Personnel Services	-	-
246,603	227,686		246,603	227,686
		25. Other Liabilities		
		Other Current Liabilities		
5,462	2,831	Unearned Revenue	5,462	2,831
5,462	2,831		5,462	2,831
		Other Non-Current Liabilities		
4,314	5,558	Unearned Revenue	4,314	5,558
4,314	5,558		4,314	5,558

Income Received in Advance was derived from the following:

In May 1995, \$5.5 million was received as income in advance from International Parking (Sydney) Pty Ltd and AIDC under the terms of contract to provide and operate a car park facility at the Sydney & Sydney Eye Hospitals campus for the 25 years ending May 2020.

In October 1996, \$5 million was received as income in advance from HCoA Operations (Australia) Pty Ltd under the terms of contract to provide and operate a private hospital facility at the Prince of Wales Hospital campus for the 40 years ending October 2036.

In June 1997, \$18.5 million was received as income in advance from International Parking (Randwick) Pty Ltd under the terms of contract to provide and operate a car park facility at the Prince of Wales Hospital campus for the 25 years ending June 2022.

In June 1999, \$4.5 million was received as income in advance from International Parking Pty Ltd under the terms of contract to provide and operate a car park facility at the St George Hospital campus for the 25.5 years ending December 2024.

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		26. 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:		
61,780	41,664	Within one year	61,780	41,664
485,683	500,573	Later than one year and not later than five years	485,683	500,573
547,463	542,236	Total (Including GST)	547,463	542,236
		The majority of 'Capital Commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.		
		b) Operating Lease Commitments		
		<i>Entity as Lessee</i>		
		Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:		
3,678	3,078	Within one year	3,678	3,078
9,975	7,813	Later than one year and not later than five years	9,975	7,813
124	15	Later than five years	124	15
13,777	10,906	Total (Including GST)	13,777	10,906
		The 'Operating Lease Commitments' above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		Some 'operating lease commitments' contracted but not provided for related to leases with Department of Finance, Services and Innovation, an entity controlled by the ultimate parent.		
		<i>Entity as Lessor</i>		
		Future minimum rentals receivable under non-cancellable operating leases at balance date are, as follows:		
935	1,353	Within one year	935	1,353
1,274	2,209	Later than one year and not later than five years	1,274	2,209
2,209	3,562	Total (Including GST)	2,209	3,562
		The 'Operating Lease Commitments' above are for lease of property and equipment.		
		c) Input Tax Receivable Related to Commitments for Expenditure		
		The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$561.2M as at 30 June 2019 includes input tax credits of \$58.8M that are expected to be recoverable from the Australian Taxation Office (2018 \$50.2M).		
		Output Tax Payable Related to Commitments for Revenue		
		The 'Operating Lease Commitments (Entity as Lessor)' of \$2.2M as at 30 June 2019 includes taxable sales of \$0.2M that are expected to be payable to the Australian Taxation Office (2018 \$0.3M).		

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27. Trust Funds

The SESLHD holds trust funds of \$1.5 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the SESLHD 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	356	2,773	327	291	8	6	646	830	1,337	3,900
Add : Receipts	1,998	-	71	99	43,668	42,544	37	943	45,774	43,586
Less : Expenditure	(1,975)	(2,417)	(34)	(63)	(43,639)	(42,542)	(7)	(1,127)	(45,655)	(46,149)
Balance at the end of the financial year	379	356	364	327	37	8	676	646	1,456	1,337

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 AND CONSOLIDATION

28. Contingent Liabilities and Assets

Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2013/14 fund year and an interim adjustment for the 2015/16 fund year were not calculated until 2018/19.

As a result, the 2014/15 final and 2016/17 adjustments pertaining to the hospitals and community services now forming part of the SESLHD will be paid in 2019/20. Insurance for NSW have estimated the TMF hindsight adjustment for SESLHD to the 30 June 2019 will be a deficit of \$1.35M.

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
29. Reconciliation of Cash Flows from Operating Activities to Net Result				
127,623	260,317	Net Cash Flows from Operating Activities	127,623	260,317
(75,310)	(59,553)	Depreciation and Amortisation Expense	(75,310)	(59,553)
(2,575)	(2,553)	Allowance for impairment	(2,575)	(2,553)
(1,386)	22,373	(Increase) / Decrease in Unearned Revenue	(1,386)	22,373
(10,047)	(15,644)	Decrease / (Increase) in Provisions	(10,047)	(15,644)
11,984	(42,920)	Increase / (Decrease) in Prepayments and Other Assets	11,984	(42,920)
5,467	(5,730)	Decrease / (Increase) in Payables	5,467	(5,730)
(47)	(3,848)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(47)	(3,848)
5,421	5,827	Assets Donated or Brought to Account / Emerging Assets Recognised	5,421	5,827
61,130	158,269	Net Result	61,130	158,269
30. Non-Cash Financing and Investing Activities				
1,106	5,827	Assets Donated or Brought to Account	1,106	5,827
4,315	-	Emerging Rights to Assets Recognised	4,315	-
5,421	5,827		5,421	5,827

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31. 2018/19 Voluntary Services

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

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

32. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the SESLHD 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 SESLHD.

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.

South Eastern Sydney Local Health District
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PARENT AND CONSOLIDATION

33. Adjusted Budget Review

Net Result

The actual Net Result was higher than adjusted budget by \$10.3M, primarily due to:

The District received unbudgeted cash assistance of \$53.5M from the immediate parent. Net Results was impacted by increase in expenses (\$46.4M) that were offset by increase in revenues (\$3.1M) and the unbudgeted cash assistance (\$53.5M) for the year ended 30 June 2019.

Assets and Liabilities

The actual Net Assets was higher than the adjusted budget by \$7.1M, primarily due to an increase in assets of \$8.9M (mainly from increase in actual receivables \$9.5M) which were offset by an increase in liabilities (\$1.8M).

Cash Flows

The actual Cash Flows for operating activities was lower than adjusted budget by \$2.2M, primarily due to the District's increased payments (\$53.0M) which was funded by increased receipts (\$50.8M) which included unbudgeted cash assistance of \$53.5M from the immediate parent.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 19 June 2018 are as follows:

	\$000
Initial Allocation, 19 June 2018	1,330,877
Award Increases	22,158
Special Projects:	
Their Future Matters	1,453
Other:	
Private Patient Revenue	5,069
Organ and Tissue Donation Service	3,844
Excess Annual Leave Reduction Incentive	2,595
National Partnership on Adult Public Dental Services	2,000
Nurse/Midwife Strategy Reserve	1,038
Pharmacy Co-Payment	825
Voluntary Redundancy Reimbursement	765
NSW ACT Youth Cancer Service	683
Translational Research Grants Scheme	539
Winter Funding	390
Intellectual Disability Health Program	378
Other Budget Adjustments	2,146
Balance as per Statement of Comprehensive Income	1,374,760

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

Equity transfers effected in the 2018/19 year were:

- a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in a decrease in net assets of \$4.42M relating to the transfer of Annual Leave provision balance from other NSW Health entities.

Equity transfers effected in the 2017/18 year were:

- b) A decrease in net assets of \$5.36M relating to the transfer of land at Randwick to the Sydney Childrens' Hospital Network.

	2019	2018
	\$000	\$000
Equity transfers effected comprised:		
a) Annual Leave Provision - Transfer of Annual Leave provision balance from other NSW Health entities	4,424	-
b) Property Plant and Equipment - Transfer of Land to The Sydney Childrens' Hospital Network		5,360
	4,424	5,360

Assets and Liabilities transferred are as follows:

	2019	2018
	\$000	\$000
Assets		
a) Property Plant and Equipment	-	(5,360)
Liabilities		
b) Annual Leave Provision - Transfer of Annual Leave provision balance from other NSW Health entities	(4,424)	
Increase / (Decrease) in Net Assets From Equity Transfers	(4,424)	(5,360)

South Eastern Sydney Local Health District
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35. Financial Instruments

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

The SESLHD's main risks arising from financial instruments are outlined below, together with the SESLHD'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 SESLHD, 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 15)	N/A	98,984
Receivables (Note 16) ¹	Amortised cost	77,452
Total Financial Assets		176,436
Financial Liabilities		
Payables (Note 23) ²	Financial liabilities measured at amortised cost	107,906
Total Financial Liabilities		107,906

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 15)	N/A	102,727
Receivables (Note 16) ¹	Loans and receivables (at amortised cost)	62,567
Total Financial Assets		165,294
Financial Liabilities		
Payables (Note 23) ²	Financial liabilities measured at amortised cost	114,275
Total Financial Liabilities		114,275

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

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

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: 2.35%) in 2018/19 compared to 2.35% (Restricted Funds Bank balance: 2.35%) in the previous year.

The TCorpIM Funds Investment facility is discussed in paragraph b) (iii) 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 SESLHD 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 SESLHD has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

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

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

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	2.15%	5.53%	13.55%	25.97%	28.36%	5.86%
Estimated total gross carrying amount at default	37,419	3,419	1,506	797	4,989	48,130
Expected credit loss	806	189	204	207	1,415	2,821
1 July 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	2.26%	6.42%	16.71%	22.87%	32.45%	7.41%
Estimated total gross carrying amount at default	30,643	3,051	1,783	726	5,312	41,515
Expected credit loss	693	196	298	166	1,724	3,077

The SESLHD 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 SESLHD 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 SESLHD didn't recognise a provision for expected credit losses on its other financial assets in 2019.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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35. 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 SESLHD 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 SESLHD 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 SESLHD'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	54,543
Past due but not impaired ^{1,2}	
< 3 months overdue	5,294
3 - 6 months overdue	1,026
> 6 months overdue	1,704
Impaired ^{1,2}	
< 3 months overdue	580
3 - 6 months overdue	1,069
> 6 months overdue	1,981
Total ^{1,2}	66,197

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 SESLHD 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 SESLHD will be unable to meet its payment obligations when they fall due. The SESLHD 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 SESLHD 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 SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District
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35. Financial Instruments

The table below summarises the maturity profile of the SESLHD'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 \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2019								
Payables:								
- Creditors ²		107,906	-	-	107,906	107,906	-	-
		107,906	-	-	107,906	107,906	-	-
2018								
Payables:								
- Creditors ²		114,275	-	-	114,275	114,275	-	-
		114,275	-	-	114,275	114,275	-	-

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 SESLHD 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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35. 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 SESLHD's exposures to market risk are primarily through interest rate risk on the SESLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The SESLHD 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 SESLHD 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 SESLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The SESLHD 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 SESLHD 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	98,984	(990)	(990)	990	990
Receivables	77,452	-	-	-	-
Financial Liabilities					
Payables ¹	107,906	-	-	-	-
2018					
Financial Assets					
Cash and Cash Equivalents	102,727	(1,027)	(1,027)	1,027	1,027
Receivables	62,567	-	-	-	-
Financial Liabilities					
Payables ¹	114,275	-	-	-	-

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

South Eastern Sydney Local Health District
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36. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	699	892
Post-Employment Benefits	71	70
	<u>770</u>	<u>962</u>

During the financial year, South Eastern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.418 million (2018: \$0.353 million) 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).

37. Events After the Reporting Period

There has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS