



## INDEPENDENT AUDITOR'S REPORT

### Northern Sydney Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Northern Sydney Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, and of its financial performance and its 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 (including Independence Standards)' (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 39. 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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the District carried out its 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.



Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 September 2020  
SYDNEY

# Northern Sydney Local Health District

## Certification of the Financial Statements

for the year ended 30 June 2020



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

1. The financial statements of the Northern Sydney Local Health District for the year ended 30 June 2020 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 Northern Sydney Local Health District; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in blue ink, appearing to read 'deb willcox'.

Deb Willcox  
**Chief Executive**  
22 September 2020

A handwritten signature in blue ink, appearing to read 'Jacquie Ferguson'.

Jacquie Ferguson  
**Director Finance and Corporate Services**  
22 September 2020

**Northern Sydney Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2020**

		Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
	Notes					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	1,014,486	1,013,897	1,021,374	-	-
Personnel services	3	-	-	-	968,256	961,866
Visiting medical officers	4	52,763	52,725	51,567	52,763	51,567
Other expenses	5	596,012	597,872	517,586	596,012	517,586
Depreciation and amortisation	6	83,153	82,784	83,303	83,153	83,303
Grants and subsidies	7	5,906	5,531	6,469	5,906	6,469
Finance costs	8	75,802	75,801	74,835	75,802	74,835
Payments to Affiliated Health Organisations	9	43,834	43,834	35,052	43,834	35,052
<b>Total expenses excluding losses</b>		<b>1,871,956</b>	<b>1,872,444</b>	<b>1,790,186</b>	<b>1,825,726</b>	<b>1,730,678</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	11	1,423,521	1,441,234	1,348,083	1,423,521	1,348,083
NSW Ministry of Health capital allocations	11	162,337	165,510	508,899	162,337	508,899
Acceptance by the Crown Entity of employee benefits	15	46,230	46,180	59,508	-	-
Sale of goods and services	12	-	-	223,009	-	223,009
Sale of goods and services from contracts with customers	12	206,883	229,957	-	206,883	-
Investment revenue	13	1,593	291	2,935	1,593	2,935
Grants and other contributions	14	40,302	27,971	37,952	40,302	37,952
Other income	16	20,582	19,214	17,255	20,582	17,255
<b>Total revenue</b>		<b>1,901,448</b>	<b>1,930,357</b>	<b>2,197,641</b>	<b>1,855,218</b>	<b>2,138,133</b>
<b>Operating result</b>		<b>29,492</b>	<b>57,913</b>	<b>407,455</b>	<b>29,492</b>	<b>407,455</b>
Gains / (losses) on disposal	17	(204)	-	375	(204)	375
Impairment losses on financial assets	20	(3,641)	(1,296)	(4,662)	(3,641)	(4,662)
<b>Net result from continuing operations</b>	<b>37</b>	<b>25,647</b>	<b>56,617</b>	<b>403,168</b>	<b>25,647</b>	<b>403,168</b>
<b>Net result</b>		<b>25,647</b>	<b>56,617</b>	<b>403,168</b>	<b>25,647</b>	<b>403,168</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	68,283	-	-	68,283	-
<b>Total other comprehensive income</b>		<b>68,283</b>	<b>-</b>	<b>-</b>	<b>68,283</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>93,930</b>	<b>56,617</b>	<b>403,168</b>	<b>93,930</b>	<b>403,168</b>

<sup>1</sup> Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

**Northern Sydney Local Health District**  
**Statement of Financial Position as at 30 June 2020**

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	19	120,902	102,739	118,102	120,902	118,102
Receivables	20	46,411	61,471	61,463	46,411	61,463
Inventories	21	8,148	9,263	9,263	8,148	9,263
		<b>175,461</b>	<b>173,473</b>	<b>188,828</b>	<b>175,461</b>	<b>188,828</b>
Non-current assets held for sale	26	3,506	49,672	49,672	3,506	49,672
<b>Total current assets</b>		<b>178,967</b>	<b>223,145</b>	<b>238,500</b>	<b>178,967</b>	<b>238,500</b>
<b>Non-current assets</b>						
Receivables	20	1,240	1,187	1,187	1,240	1,187
Property, plant & equipment	22					
- Land and buildings		2,552,198	2,511,389	2,423,948	2,552,198	2,423,948
- Plant and equipment		103,661	93,785	102,500	103,661	102,500
- Infrastructure systems		44,979	37,466	37,466	44,979	37,466
Total property, plant & equipment		2,700,838	2,642,640	2,563,914	2,700,838	2,563,914
Right-of-use assets	23	4,946	5,216	-	4,946	-
Intangible assets	24	2,592	3,030	2,881	2,592	2,881
Other non-current assets	25	9,764	9,729	9,179	9,764	9,179
<b>Total non-current assets</b>		<b>2,719,380</b>	<b>2,661,802</b>	<b>2,577,161</b>	<b>2,719,380</b>	<b>2,577,161</b>
<b>Total assets</b>		<b>2,898,347</b>	<b>2,884,947</b>	<b>2,815,661</b>	<b>2,898,347</b>	<b>2,815,661</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	29	151,971	143,151	134,490	151,971	134,490
Contract liabilities	30	9,260	-	-	9,260	-
Borrowings	31	8,056	1,635	487	8,056	487
Provisions	32	179,773	154,874	151,059	179,773	151,059
Other current liabilities	33	8,899	16,745	16,745	8,899	16,745
<b>Total current liabilities</b>		<b>357,959</b>	<b>316,405</b>	<b>302,781</b>	<b>357,959</b>	<b>302,781</b>
<b>Non-current liabilities</b>						
Borrowings	31	721,069	726,456	722,620	721,069	722,620
Provisions	32	2,327	2,327	2,106	2,327	2,106
Other non-current liabilities	33	156,115	109,575	114,589	156,115	114,589
<b>Total non-current liabilities</b>		<b>879,511</b>	<b>838,358</b>	<b>839,315</b>	<b>879,511</b>	<b>839,315</b>
<b>Total liabilities</b>		<b>1,237,470</b>	<b>1,154,763</b>	<b>1,142,096</b>	<b>1,237,470</b>	<b>1,142,096</b>
<b>Net assets</b>		<b>1,660,877</b>	<b>1,730,184</b>	<b>1,673,565</b>	<b>1,660,877</b>	<b>1,673,565</b>
<b>EQUITY</b>						
Reserves		365,812	274,124	274,125	365,812	274,125
Accumulated funds		1,295,065	1,456,060	1,399,440	1,295,065	1,399,440
<b>Total Equity</b>		<b>1,660,877</b>	<b>1,730,184</b>	<b>1,673,565</b>	<b>1,660,877</b>	<b>1,673,565</b>

<sup>1</sup> Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

**Northern Sydney Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2020**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
<b>Balance at 1 July 2019</b>		1,399,440	274,125	1,673,565
Changes in accounting policy	1(g)	(5,903)	-	(5,903)
<b>Balance at 1 July 2019</b>		<b>1,393,537</b>	<b>274,125</b>	<b>1,667,662</b>
<b>Net result for the year</b>		<b>25,647</b>	<b>-</b>	<b>25,647</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	22	-	68,283	68,283
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(23,404)	23,404	-
<b>Total other comprehensive income</b>		<b>(23,404)</b>	<b>91,687</b>	<b>68,283</b>
<b>Total comprehensive income for the year</b>		<b>2,243</b>	<b>91,687</b>	<b>93,930</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	40	(100,715)	-	(100,715)
<b>Balance at 30 June 2020</b>		<b>1,295,065</b>	<b>365,812</b>	<b>1,660,877</b>

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
<b>Balance at 1 July 2018</b>		994,118	276,995	1,271,113
Changes in accounting policy (AASB 9)		654	-	654
<b>Balance at 1 July 2018</b>		<b>994,772</b>	<b>276,995</b>	<b>1,271,767</b>
<b>Net result for the year</b>		<b>403,168</b>	<b>-</b>	<b>403,168</b>
<b>Other comprehensive income:</b>				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		2,870	(2,870)	-
<b>Total other comprehensive income</b>		<b>2,870</b>	<b>(2,870)</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>406,038</b>	<b>(2,870)</b>	<b>403,168</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	40	(1,370)	-	(1,370)
<b>Balance at 30 June 2019</b>		<b>1,399,440</b>	<b>274,125</b>	<b>1,673,565</b>

The accompanying notes form part of these financial statements.

**Northern Sydney Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2020**

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(950,078)	(982,800)	(996,642)	-	-
Suppliers for goods and services		(699,624)	(703,810)	(612,695)	(699,624)	(612,695)
Grants and subsidies		(55,107)	(54,733)	(46,530)	(55,107)	(46,530)
Finance costs		(75,801)	(75,801)	(74,835)	(75,801)	(74,835)
Personnel services		-	-	-	(950,078)	(996,642)
<b>Total payments</b>		<b>(1,780,610)</b>	<b>(1,817,144)</b>	<b>(1,730,702)</b>	<b>(1,780,610)</b>	<b>(1,730,702)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		1,423,521	1,441,234	1,348,083	1,423,521	1,348,083
NSW Ministry of Health capital allocations		162,337	165,510	508,899	162,337	508,899
Reimbursements from the Crown Entity		14,456	14,456	26,328	14,456	26,328
Sale of goods and services		226,572	239,688	234,169	226,572	234,169
Interest received		1,593	134	2,776	1,593	2,776
Grants and other contributions		49,346	33,361	43,142	49,346	43,142
Other		64,649	69,509	64,257	64,649	64,257
<b>Total receipts</b>		<b>1,942,474</b>	<b>1,963,892</b>	<b>2,227,654</b>	<b>1,942,474</b>	<b>2,227,654</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	37	<b>161,864</b>	<b>146,748</b>	<b>496,952</b>	<b>161,864</b>	<b>496,952</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		34	-	3,309	34	3,309
Purchases of property, plant and equipment and intangibles		(158,590)	(160,668)	(502,567)	(158,590)	(502,567)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(158,556)</b>	<b>(160,668)</b>	<b>(499,258)</b>	<b>(158,556)</b>	<b>(499,258)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowings and advances		1,473	1,473	(577)	1,473	(577)
Repayment of borrowings and advances		(560)	(1,729)	-	(560)	-
Payment of principal portion of lease liabilities		(1,421)	(1,187)	-	(1,421)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(508)</b>	<b>(1,443)</b>	<b>(577)</b>	<b>(508)</b>	<b>(577)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,800</b>	<b>(15,363)</b>	<b>(2,883)</b>	<b>2,800</b>	<b>(2,883)</b>
Opening cash and cash equivalents	19	118,102	118,102	120,985	118,102	120,985
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	19	<b>120,902</b>	<b>102,739</b>	<b>118,102</b>	<b>120,902</b>	<b>118,102</b>

<sup>1</sup> Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**1. Statement of Significant Accounting Policies**

**a) Reporting entity**

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

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

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

- \* The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 28), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Northern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the NSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the NSLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive on 22 September 2020.

**b) Basis of preparation**

The NSLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of Northern Sydney Local Health District Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for approximately 48 per cent of the LHD's annual funding. When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. The Service Agreement sets out the level of financial resources for public health services under NSLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where NSLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.



**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**1. Statement of Significant Accounting Policies**

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the NSLHD has seen a decline in normal hospital activities. Restrictions were imposed by the Australian Government resulting in the suspension of non-urgent elective surgeries to ensure increased capacity across the health system. Critical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The NSLHD has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure that debts can be paid when they become due and payable.
- \* The NSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the NSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
- \* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The NSLHD is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the NSLHD's presentation and functional currency.

**c) Statement of Compliance**

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

**d) Accounting for the Goods & Services Tax (GST)**

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

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

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

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**1. Statement of Significant Accounting Policies**

**e) Foreign currency translation**

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

**f) 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.

**g) Changes in accounting policy, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in 2019-20**

The accounting policies applied in 2019-20 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The NSLHD applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the NSLHD.

**AASB 15 Revenue from Contracts with Customers (AASB 15)**

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the NSLHD expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the NSLHD to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**1. Statement of Significant Accounting Policies**

In accordance with the transition provisions in AASB 15, the NSLHD has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The NSLHD has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- \* identifying the satisfied and unsatisfied performance obligations;
- \* determining the transaction price; and
- \* allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The effect of adopting AASB 15 is as follows:

**PARENT AND CONSOLIDATED**

Impact on the Statement of Comprehensive Income (increase / (decrease)):

		30 June 2020 AASB 15	30 June 2020 Without adoption of AASB 15	30 June 2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
<b>Revenue</b>				
Sale of goods and services from contracts with customers		206,883	206,883	-
Grants and other contributions	(a)(b)	32,272	31,863	409
<b>Operating result</b>		<b>239,155</b>	<b>238,746</b>	<b>409</b>
<b>Net Result</b>		<b>239,155</b>	<b>238,746</b>	<b>409</b>

Impact on the Statement of Financial Position (increase / (decrease)):

**PARENT AND CONSOLIDATED**

		30 June 2020 AASB 15	30 June 2020 Without adoption of AASB 15	30 June 2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
<b>Liabilities</b>				
Contract liabilities	(b)	9,260	409	8,851
Other liabilities	(b)	-	9,260	(9,260)
<b>Total liabilities</b>		<b>9,260</b>	<b>9,669</b>	<b>(409)</b>
<b>Equity</b>				
Accumulated funds		(9,260)	(9,669)	409
<b>Total adjustments to equity</b>		<b>(9,260)</b>	<b>(9,669)</b>	<b>409</b>

The adoption of AASB 15 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

The nature of these adjustments is described below:

Income from grants was previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to a deferral of grant income where the entity has not yet satisfied its obligations promised in the contract with the customer.

The reason for the changes in grants and other contributions is due to the non-recurring nature of grants and contributions received and varying nature of performance obligations across grant contracts resulting in different timing of revenue received.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**1. Statement of Significant Accounting Policies**

**AASB 1058 Income of Not-for-Profit Entities (AASB 1058)**

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- \* when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the NSLHD.
- \* immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the NSLHD has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The NSLHD has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the NSLHD to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 is as follows:

**PARENT AND CONSOLIDATED**

Impact on the Statement of Comprehensive Income (increase / (decrease)):

		30 June 2020 AASB 1058	30 June 2020 Without adoption of AASB 1058	30 June 2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
<b>Revenue</b>				
Grants and other contributions	(a)(b)	8,031	9,377	(1,346)
<b>Operating result</b>		<b>8,031</b>	<b>9,377</b>	<b>(1,346)</b>
<b>Net Result</b>		<b>8,031</b>	<b>9,377</b>	<b>(1,346)</b>

Impact on the Statement of Financial Position (increase / (decrease)):

**PARENT AND CONSOLIDATED**

		30 June 2020 AASB 1058	30 June 2020 Without adoption of AASB 1058	30 June 2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
Other liabilities	(b)	7,249	-	7,249
<b>Total liabilities</b>		<b>7,249</b>	<b>-</b>	<b>7,249</b>
<b>Equity</b>				
Accumulated funds		(7,249)	-	(7,249)
<b>Total adjustments to equity</b>		<b>(7,249)</b>	<b>-</b>	<b>(7,249)</b>

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**1. Statement of Significant Accounting Policies**

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

The nature of these adjustments is described below:

Income from grants to construct non-financial assets to be controlled by the entity were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, income should have been recognised over time as the non-financial assets are being constructed. This has led to the deferral of grant income where the entity has not yet satisfied its obligations to construct the assets.

The reason for the changes in grants and other contributions is due to the timing of revenue received to construct non-financial assets to be controlled by the entity.

**AASB 16 Leases**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

*Lessor accounting*

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

*Lessee accounting*

AASB 16 requires the NSLHD to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the NSLHD recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The NSLHD has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42%.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**1. Statement of Significant Accounting Policies**

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases the NSLHD recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The NSLHD elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the NSLHD has used the following practical expedients permitted by the standard:

- \* not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- \* applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- \* relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- \* not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- \* excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- \* using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase / (decrease)) is, as follows:

**PARENT AND CONSOLIDATED**

	<b>1 July 2019</b>
	<b>\$'000</b>
<b>Assets</b>	
Right-of-use assets	3,711
<b>Total assets</b>	<b>3,711</b>
<b>Liabilities</b>	
Borrowings	3,711
<b>Total liabilities</b>	<b>3,711</b>
	-

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**1. Statement of Significant Accounting Policies**

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

**PARENT AND CONSOLIDATED**

	<b>1 July 2019</b>
	<b>\$'000</b>
Operating lease commitments as at 30 June 2019 (GST included)	5,338
(Less): GST included in operating lease commitments	485
<b>Operating lease commitments as at 30 June 2019 (GST excluded)</b>	<b>4,853</b>
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
<b>Discounted operating lease commitments as at 1 July 2019</b>	<b>4,749</b>
(Less): commitments relating to short-term leases	904
(Less): commitments including service charges	256
Add / (Less): contracts re-assessed as lease contracts	61
Add / (Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	58
Add / (Less): Other adjustments	2
<b>Lease liabilities as at 1 July 2019</b>	<b>3,711</b>

The difference between the operating lease commitments disclosed in applying AASB 117 at the end of the annual reporting period immediately preceding the date of initial application (i.e. 30 June 2019), discounted using the incremental borrowing rate at the date of initial application; and lease liabilities recognised in the Statement of Financial Position at the date of initial application (i.e 1 July 2019) is largely due to short-term leases and service charges.

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

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

**AASB 1059 Service Concession Arrangements**

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.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**1. Statement of Significant Accounting Policies**

*Overview of Assessment Activities*

The NSLHD has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the NSLHD. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, the NSLHD has identified the following arrangements impacted by AASB 1059:

- a) Royal North Shore Hospital PPP (including car parks P1 and P2)
- b) Northern Beaches Hospital PPP (excluding the private portion)

Financial Impact estimated as follows:

	<b>1 July 2019</b>
	<b>Increase / (decrease)</b>
	<b>\$'000</b>
Service Concession Assets	550,548
Emerging asset	(9,178)
Property, Plant and Equipment	(449,182)
<b>Total Assets</b>	<b>92,188</b>
Financial Liabilities	14,459
Non-Financial Liabilities	(46,121)
Grant of a Right to the Operator liability	113,916
<b>Total Liabilities</b>	<b>82,254</b>
<b>Increase / (decrease) in accumulated funds</b>	<b>9,934</b>

Net impact on the net result for 2019/2020 and 2020/2021 is estimated to be a decrease of \$0.5 million and \$0.5 million respectively.

*Application Date*

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



**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**2. Employee related expenses**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	881,037	881,068	-	-
Superannuation - defined benefit plans	5,309	6,128	-	-
Superannuation - defined contribution plans	77,500	76,611	-	-
Long service leave	43,682	56,372	-	-
Redundancies	(630)	(7,911)	-	-
Workers' compensation insurance	7,495	9,231	-	-
Fringe benefits tax	93	(125)	-	-
	<b>1,014,486</b>	<b>1,021,374</b>	<b>-</b>	<b>-</b>

Employee related costs of \$Nil (2019: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

**3. Personnel services**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	-	-	881,037	881,068
Superannuation - defined contribution plans	-	-	77,500	76,611
Long service leave	-	-	2,761	2,992
Redundancies	-	-	(630)	(7,911)
Workers' compensation insurance	-	-	7,495	9,231
Fringe benefits tax	-	-	93	(125)
	<b>-</b>	<b>-</b>	<b>968,256</b>	<b>961,866</b>

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

Personnel services of \$Nil (2019: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

**4. Visiting medical officers**

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the NSLHD's hospitals. VMO expenses of \$52,763 thousand (2019: \$51,567 thousand) represent part of the day-to-day running costs incurred in the normal operations of the NSLHD. These costs are expensed as incurred.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**5. Other expenses**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Advertising	132	168	132	168
Auditor's remuneration - audit of financial statements	234	225	234	225
Blood and blood products	9,881	9,822	9,881	9,822
Consultancies	229	2,160	229	2,160
Contractors	40	187	40	187
Domestic supplies and services	45,261	47,089	45,261	47,089
Drug supplies	47,467	49,768	47,467	49,768
Food supplies	22,931	23,002	22,931	23,002
Fuel, light and power	10,882	12,629	10,882	12,629
Patient transport costs	9,574	9,973	9,574	9,973
Information management expenses	32,168	30,274	32,168	30,274
Insurance	1,401	1,303	1,401	1,303
Maintenance (see Note 5(b))	54,754	51,871	54,754	51,871
Medical and surgical supplies	71,080	77,266	71,080	77,266
Motor vehicle expenses	1,611	2,048	1,611	2,048
Postal and telephone costs	2,151	2,584	2,151	2,584
Printing and stationery	1,511	1,333	1,511	1,333
Rates and charges	1,802	1,865	1,802	1,865
Rental	-	1,869	-	1,869
Hosted services purchased from entities controlled by the immediate parent	737	904	737	904
Specialised Services (Pathology, Imaging, Radiology, Dental, Dialysis and Allied Health)	48,626	45,818	48,626	45,818
Staff related costs	4,947	7,267	4,947	7,267
Travel related costs	3,246	5,450	3,246	5,450
Other (see Note 5(a))	225,347	132,711	225,347	132,711
	<b>596,012</b>	<b>517,586</b>	<b>596,012</b>	<b>517,586</b>

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the NSLHD.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**5. Other expenses (continued)**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>(a) Other</b>				
Contract for patient services	177,047	98,431	177,047	98,431
Corporate support services	10,327	10,826	10,327	10,826
Courier and freight	500	641	500	641
Isolated patient travel and accommodation assistance scheme	30	47	30	47
Legal services	416	875	416	875
Membership/professional fees	942	891	942	891
Public private partnership contracted services	18,732	12,429	18,732	12,429
Quality assurance / accreditation	77	103	77	103
Security services	869	622	869	622
Motor vehicle operating lease expense - minimum lease payments	-	1,237	-	1,237
Other operating lease expense - minimum lease payments	-	1,199	-	1,199
Expenses relating to short-term leases	1,128	-	1,128	-
Expenses relating to leases of low-value assets	575	-	575	-
Variable lease payments, not included in lease liabilities	65	-	65	-
Other miscellaneous	14,639	5,410	14,639	5,410
	<b>225,347</b>	<b>132,711</b>	<b>225,347</b>	<b>132,711</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	24,266	26,883	24,266	26,883
New / replacement equipment under \$10,000	25,069	20,426	25,069	20,426
Repairs maintenance / non contract	6,510	5,442	6,510	5,442
Other	(1,091)	(880)	(1,091)	(880)
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>54,754</b>	<b>51,871</b>	<b>54,754</b>	<b>51,871</b>
Employee related/personnel services maintenance	2,736	2,939	2,736	2,939
	<b>57,490</b>	<b>54,810</b>	<b>57,490</b>	<b>54,810</b>

**5. Other expenses (continued)**

**Recognition and Measurement**

***Maintenance expense***

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

***Operating expenses***

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the NSLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 29.

***Insurance***

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

***Lease expense***

*Lease expense (up to 30 June 2019)*

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

*Lease expense (from 1 July 2019)*

From 1 July 2019, the NSLHD recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**6. Depreciation and amortisation**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Depreciation - buildings	61,557	64,805	61,557	64,805
Depreciation - plant and equipment	17,934	15,524	17,934	15,524
Depreciation - infrastructure systems	1,644	1,988	1,644	1,988
Depreciation - right-of-use buildings	178	-	178	-
Depreciation - right-of-use plant and equipment	1,402	-	1,402	-
Amortisation - intangible assets	438	986	438	986
	<b>83,153</b>	<b>83,303</b>	<b>83,153</b>	<b>83,303</b>

Refer to Note 22 Property, plant and equipment, Note 23 Leases, and Note 24 Intangible assets for recognition and measurement policies on depreciation and amortisation.

**7. Grants and subsidies**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-government organisations	3,623	3,722	3,623	3,722
Grants to research organisations	103	99	103	99
Grants paid to entities controlled by the immediate parent	763	1,025	763	1,025
Other grants	1,417	1,623	1,417	1,623
	<b>5,906</b>	<b>6,469</b>	<b>5,906</b>	<b>6,469</b>

**Recognition and Measurement**

Grants 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 grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**8. Finance costs**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest expense from public private partnership	75,674	74,785	75,674	74,785
Interest expense from lease liabilities	82	-	82	-
Interest expense from financial liabilities at amortised cost	46	50	46	50
	<b>75,802</b>	<b>74,835</b>	<b>75,802</b>	<b>74,835</b>

**Recognition and Measurement**

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

**9. Payments to Affiliated Health Organisations**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Recurrent sourced</b>				
Greenwich & Neringah Hospitals (HammondCare)	24,404	16,974	24,404	16,974
Royal Rehabilitation Centre Sydney	19,430	18,078	19,430	18,078
	<b>43,834</b>	<b>35,052</b>	<b>43,834</b>	<b>35,052</b>

**Recognition and Measurement**

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.

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

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**10. Revenue**

**Recognition and Measurement**

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, the NSLHD's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services, proceeds from the sale of property, plant and equipment and proceeds from borrowings and advances) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

Deemed appropriation money is money received directly by the NSLHD which forms part of the consolidated fund and is not appropriated to the NSLHD by an Act.

**11. NSW Ministry of Health allocations**

Payments are made by the immediate parent as per the Service Agreement to the NSLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the NSLHD does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The NSLHD recognised additional NSW Ministry of Health recurrent allocations of \$26,713 thousand and NSW Ministry of Health capital allocations of \$2,632 thousand to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in cross border agreements. The funding is also recognised as part of the NSW Ministry of Health recurrent allocation from the immediate parent.

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**12. Sale of goods and services / Sale of goods and services from contracts with customers**

**(a) Sale of goods comprise the following:**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Pharmacy sales	490	219	490	219
Sale of prosthesis	8,528	9,035	8,528	9,035
Other	23,021	15,262	23,021	15,262
	<b>32,039</b>	<b>24,516</b>	<b>32,039</b>	<b>24,516</b>

**(b) Rendering of services comprise the following:**

<b>Patients</b>				
Patient Fees:				
- Inpatient fees	80,843	93,945	80,843	93,945
- Nursing home fees	269	379	269	379
- Non inpatient fees	4,804	4,890	4,804	4,890
Department of Veterans' Affairs	11,568	19,233	11,568	19,233
Highly specialised drugs	17,002	18,742	17,002	18,742
Motor Accident Authority third party	12,464	13,677	12,464	13,677
<b>Staff</b>				
Private use of motor vehicles	81	92	81	92
Salary packaging fee	957	871	957	871
Meals and accommodation	111	134	111	134
Child care fees	1,246	1,254	1,246	1,254
<b>General community</b>				
Car parking	479	275	479	275
Clinical services (excluding clinical drug trials)	880	639	880	639
Commercial activities	2,554	3,044	2,554	3,044
Fees for conferences and training	49	46	49	46
Fees for medical records	172	185	172	185
Information retrieval	2	4	2	4
<b>Non-NSW Health entities</b>				
Services to other organisations	2,225	2,806	2,225	2,806
<b>Entities controlled by the immediate parent</b>				
Hosted service revenues	8,743	8,269	8,743	8,269
Shared corporate service revenues	3	4	3	4
<b>Other</b>				
Infrastructure fees - annual charge	6,004	6,499	6,004	6,499
Infrastructure fees - monthly facility charge	19,694	19,827	19,694	19,827
Other	4,694	3,678	4,694	3,678
	<b>174,844</b>	<b>198,493</b>	<b>174,844</b>	<b>198,493</b>
	<b>206,883</b>	<b>223,009</b>	<b>206,883</b>	<b>223,009</b>

**Recognition and Measurement**

**Sale of goods (until 30 June 2019)**

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



**12. Sale of goods and services / Sale of goods and services from contracts with customers (continued)**

**Recognition and Measurement (continued)**

**Sale of goods from contracts with customers (from 1 July 2019)**

Revenue from the sale of goods is recognised when the NSLHD satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The NSLHD typically satisfies its performance obligations when the control of goods is transferred to the customer. The payments are typically due when invoiced.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

**Rendering of services (until 30 June 2019)**

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

**Rendering of services from contracts with customers (from 1 July 2019)**

Revenue from rendering of services is recognised when the NSLHD satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

*i. 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.

*ii. Department of Veterans' Affairs*

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

*iii. 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 admitted day patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

*iv. Motor Accident Authority third party*

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

*v. 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.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when the service is provided.

**Northern Sydney Local Health District**  
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**13. Investment revenue**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest income from financial assets at amortised cost	1,086	2,776	1,086	2,776
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	507	-	507	-
Royalties	-	159	-	159
	<b>1,593</b>	<b>2,935</b>	<b>1,593</b>	<b>2,935</b>

**Recognition and Measurement**

***Interest income***

Interest income 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).

***Royalties***

Until 30 June 2019, royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

From 1 July 2019, royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

**Northern Sydney Local Health District**  
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**14. Grants and other contributions**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Clinical drug trials	-	4,242	-	4,242
Commonwealth government grants	-	10,952	-	10,952
Cancer Institute grants received from an entity controlled by the immediate parent	-	9,197	-	9,197
Grants & contributions received from entities controlled by the ultimate parent	-	218	-	218
Grants & contributions received from entities controlled by the immediate parent	-	945	-	945
Research grants	-	4,120	-	4,120
University commission grants	-	-	-	-
Other grants	-	2,985	-	2,985
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
Grants to acquire / construct non-financial asset	73	-	73	-
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	9,042	-	9,042	-
Clinical trials and research grants	7,968	-	7,968	-
Commonwealth government grants received for community based services	10,014	-	10,014	-
Grants from entities controlled by the ultimate parent	1	-	1	-
Other grants	5,020	-	5,020	-
<b>Grants without specific performance obligations</b>				
Clinicals trial and research grants	951	-	951	-
Other grants from entities controlled by the immediate parent	377	-	377	-
Other grants	14	-	14	-
Donations	6,842	5,293	6,842	5,293
	<b>40,302</b>	<b>37,952</b>	<b>40,302</b>	<b>37,952</b>

#### **14. Grants and other contributions**

##### **Recognition and Measurement**

##### ***Grants and other contributions (until 30 June 2019)***

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. The NSLHD is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

##### ***Grants and other contributions (from 1 July 2019)***

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the NSLHD is recognised when the NSLHD satisfies its obligations under the transfer. The NSLHD satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the NSLHD satisfies a performance obligation by transferring the promised goods or services. The NSLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The NSLHD uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the NSLHD obtains control over the granted assets (e.g. cash).

##### ***Volunteer services***

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. The NSLHD receives volunteer services for the below activities:

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

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

**Northern Sydney Local Health District**  
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**15. Acceptance by the Crown Entity of employee benefits**

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

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Superannuation - defined benefit plans	5,309	6,128	-	-
Long service leave provision	40,921	53,380	-	-
	<b>46,230</b>	<b>59,508</b>	-	-

**16. Other income**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Bad debts recovered	25	30	25	30
Commissions	39	49	39	49
Discounts	49	265	49	265
Insurance refunds	752	153	752	153
Rental income				
- other rental income	9,471	7,587	9,471	7,587
Sale of merchandise, old wares and books	4	10	4	10
Sponsorship	66	45	66	45
Treasury Managed Fund hindsight adjustment	-	5,131	-	5,131
Unclaimed deposits	(3)	155	(3)	155
Other	10,179	3,830	10,179	3,830
	<b>20,582</b>	<b>17,255</b>	<b>20,582</b>	<b>17,255</b>

**Recognition and Measurement**

**Other Income**

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

**Forgiveness of liabilities**

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

**Northern Sydney Local Health District**  
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**17. Gains / (losses) on disposal**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	169,392	7,448	169,392	7,448
Less: accumulated depreciation	169,154	7,354	169,154	7,354
<b>Written down value</b>	<b>238</b>	<b>94</b>	<b>238</b>	<b>94</b>
Less: proceeds from disposal	34	59	34	59
<b>Gain / (Loss) on disposal of property, plant and equipment</b>	<b>(204)</b>	<b>(35)</b>	<b>(204)</b>	<b>(35)</b>
Assets held for sale	-	2,840	-	2,840
Less: proceeds from disposal	-	3,250	-	3,250
<b>Gain / (loss) on disposal of assets held for sale</b>	<b>-</b>	<b>410</b>	<b>-</b>	<b>410</b>
<b>Total gains / (losses) on disposal</b>	<b>(204)</b>	<b>375</b>	<b>(204)</b>	<b>375</b>

**Recognition and Measurement**

*Impairment losses on non-financial assets*

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 20 Receivables
- Note 22 Property, plant and equipment
- Note 23 Leases
- Note 24 Intangible assets

**18. Conditions and restrictions on income of not-for-profit entities**

The NSLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The NSLHD determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 28 Restricted assets.

**Northern Sydney Local Health District**  
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**19. Cash and cash equivalents**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	91,128	48,835	91,128	48,835
Short term deposits	29,774	69,267	29,774	69,267
	<b>120,902</b>	<b>118,102</b>	<b>120,902</b>	<b>118,102</b>

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.

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:

<b>Cash and cash equivalents (per Statement of Financial Position)</b>	120,902	118,102	120,902	118,102
<b>Closing cash and cash equivalents (per Statement of Cash Flows)</b>	<b>120,902</b>	<b>118,102</b>	<b>120,902</b>	<b>118,102</b>

Refer to Note 41 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the NSLHD are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the NSLHD. These payments are reported as expenses and operating cash outflows in the financial statements of the NSLHD.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the NSLHD to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the NSLHD when HealthShare NSW makes these payments on behalf of the NSLHD.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the NSLHD. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the NSLHD.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the NSLHD to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the NSLHD.

**Northern Sydney Local Health District**  
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**20. Receivables**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Trade receivables from contracts with customers	28,801	-	28,801	-
Sale of goods and services	-	40,139	-	40,139
Intra health receivables	4,044	10,726	4,044	10,726
Goods and Services Tax	13,425	10,028	13,425	10,028
Other receivables	2,258	1,899	2,258	1,899
<b>Sub total</b>	<b>48,528</b>	<b>62,792</b>	<b>48,528</b>	<b>62,792</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(4,626)	-	(4,626)	-
- Sale of goods and services	-	(3,848)	-	(3,848)
- Other receivables	(1,392)	(1,298)	(1,392)	(1,298)
<b>Sub total</b>	<b>42,510</b>	<b>57,646</b>	<b>42,510</b>	<b>57,646</b>
Prepayments	3,901	3,817	3,901	3,817
	<b>46,411</b>	<b>61,463</b>	<b>46,411</b>	<b>61,463</b>

**(a) \* Movement in the allowance for expected credit losses**

<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(3,848)	-	(3,848)	-
Amounts written off during the year	2,202	-	2,202	-
Amounts recovered during the year	(18)	-	(18)	-
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(2,961)	-	(2,961)	-
<b>Balance at the end of the year</b>	<b>(4,626)</b>	<b>-</b>	<b>(4,626)</b>	<b>-</b>
<b>Sale of goods and services</b>				
Balance at the beginning of the year	-	(3,193)	-	(3,193)
Amounts written off during the year	-	3,437	-	3,437
Amounts recovered during the year	-	(15)	-	(15)
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	-	(4,077)	-	(4,077)
<b>Balance at the end of the year</b>	<b>-</b>	<b>(3,848)</b>	<b>-</b>	<b>(3,848)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	(1,298)	(971)	(1,298)	(971)
Amounts written off during the year	590	258	590	258
Amounts recovered during the year	(4)	(1)	(4)	(1)
(Increase) / decrease in allowance recognised in the net result	(680)	(585)	(680)	(585)
<b>Balance at the end of the year</b>	<b>(1,392)</b>	<b>(1,298)</b>	<b>(1,392)</b>	<b>(1,298)</b>
	<b>(6,018)</b>	<b>(5,146)</b>	<b>(6,018)</b>	<b>(5,146)</b>



**Northern Sydney Local Health District**  
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**20. Receivables (continued)**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Non-current</b>				
Prepayments	1,240	1,187	1,240	1,187
	<b>1,240</b>	<b>1,187</b>	<b>1,240</b>	<b>1,187</b>

<sup>1</sup> Includes impairment loss of \$2,961 thousand (2019: \$4,077 thousand) recognised on receivables from contracts with customers.

**Northern Sydney Local Health District**  
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**20. Receivables (continued)**

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Patient fees - compensable	2,320	3,229	2,320	3,229
Patient fees - ineligible	5,277	5,409	5,277	5,409
Patient fees - inpatient & other	9,974	14,671	9,974	14,671
	<b>17,571</b>	<b>23,309</b>	<b>17,571</b>	<b>23,309</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 41.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	32,182	32,182
	<b>32,182</b>	<b>32,182</b>

**Recognition and Measurement**

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables 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.

**Subsequent measurement**

*Financial assets at amortised cost*

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

**Impairment**

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

In response to the COVID-19 pandemic, the NSLHD has changed the terms and conditions with its counterparties to offer deferred payment terms to receive rental income from tenants, for a period of 6 months from 27 March 2020. The NSLHD has a rental receivables balance amount of \$561 thousand as at 30 June 2020. The expected impacts on the recoverability of these receivables is not considered significant.

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

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

**Northern Sydney Local Health District**  
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**21. Inventories**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Drug supplies	2,889	2,645	2,889	2,645
Medical and surgical supplies	5,060	5,132	5,060	5,132
Engineering supplies	51	61	51	61
Other including goods in transit	148	1,425	148	1,425
	<b>8,148</b>	<b>9,263</b>	<b>8,148</b>	<b>9,263</b>

**Recognition and Measurement**

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. 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.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2020, the NSLHD has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the NSLHD would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**Northern Sydney Local Health District**  
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**22. Property, plant and equipment**

**(a) Total property, plant and equipment**

**PARENT AND CONSOLIDATION**

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>As at 30 June 2020</b>				
Gross carrying amount	3,168,081	213,823	67,924	3,449,828
Less: accumulated depreciation and impairment	615,883	110,162	22,945	748,990
<b>Net carrying amount</b>	<b>2,552,198</b>	<b>103,661</b>	<b>44,979</b>	<b>2,700,838</b>
<b>As at 30 June 2019</b>				
Gross carrying amount	3,195,483	210,846	68,684	3,475,013
Less: accumulated depreciation and impairment	771,535	108,346	31,218	911,099
<b>Net carrying amount</b>	<b>2,423,948</b>	<b>102,500</b>	<b>37,466</b>	<b>2,563,914</b>

<sup>1</sup> 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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is \$1,250,412 thousand as at 30 June 2020 (30 June 2019: \$1,260,241 thousand).

**Northern Sydney Local Health District**  
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**22. Property, plant and equipment (continued)**

**(a) Total property, plant and equipment - reconciliation**

**PARENT AND CONSOLIDATION**

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
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	2,423,948	102,500	37,466	2,563,914
<b>Adjusted net carrying amount at beginning of year</b>	<b>2,423,948</b>	<b>102,500</b>	<b>37,466</b>	<b>2,563,914</b>
Additions	137,707	20,734	-	158,441
Reclassification from assets held for sale	45,878	-	288	46,166
Disposals	-	(238)	-	(238)
Equity transfers - transfers in / (out)	(54,442)	-	(151)	(54,593)
Net revaluation increments less revaluation decrements	62,218	-	6,065	68,283
Depreciation expense	(61,557)	(17,934)	(1,644)	(81,135)
Reclassifications	(1,554)	(1,401)	2,955	-
<b>Net carrying amount at end of year</b>	<b>2,552,198</b>	<b>103,661</b>	<b>44,979</b>	<b>2,700,838</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

**PARENT AND CONSOLIDATION**

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2019</b>				
Net carrying amount at beginning of year	1,977,241	66,323	16,507	2,060,071
Additions	526,135	52,886	22,947	601,968
Reclassification to intangibles	-	(259)	-	(259)
Reclassification to assets held for sale	(15,954)	-	-	(15,954)
Disposals	(12)	(82)	-	(94)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	499	-	499
Depreciation expense	(64,805)	(15,524)	(1,988)	(82,317)
Reclassifications	1,343	(1,343)	-	-
<b>Net carrying amount at end of year</b>	<b>2,423,948</b>	<b>102,500</b>	<b>37,466</b>	<b>2,563,914</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

**22. Property, plant and equipment (continued)**

**(b) Property, plant and equipment held and used by the NSLHD**

**PARENT AND CONSOLIDATION**

The NSLHD has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by the NSLHD.

**Recognition and Measurement**

***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

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

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 40).

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

***Capitalisation thresholds***

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

***Major inspection costs***

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

***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.

**22. Property, plant and equipment (continued)**

***Depreciation of property, plant and equipment***

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

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

	<b>Useful lives</b>
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

***Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)***

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

***Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)***

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The NSLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 23.

Subsequent to the adoption of AASB 16, the NSLHD, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 23.

**22. Property, plant and equipment (continued)**

***Privately financed project (PFP) assets accounted for under AASB 117 (until 30 June 2020)***

The NSLHD has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. The NSLHD continues to apply its existing accounting policy to these assets until AASB 1059 is applied. In a privately financed project (PFP), a public-sector entity (the grantor) arranges for the private sector (the operator) to design, finance and build infrastructure and provide associated operational or management services for an agreed period (the service period). They are currently accounted for under TPP 06-8 Privately Financed Projects. Some PFP assets are acquired under a finance lease and accounted for following the principles of AASB 117 according to TPP 06-8.

***Revaluation of property, plant and equipment***

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 27 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The NSLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The NSLHD uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2019 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

Due to the COVID-19 pandemic in early 2020, the NSLHD management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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.



**22. Property, plant and equipment (continued)**

***Revaluation of property, plant and equipment (continued)***

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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

***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.

The NSLHD assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NSLHD estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

***Derecognition of property, plant and equipment***

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

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**23. Leases**

**(a) Entity as a lessee**

The NSLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 7 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The NSLHD does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the NSLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$Nil.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The NSLHD has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

**Right-of-use assets under leases**

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

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	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Total \$'000</b>
<b>2020</b>			
Balance at 1 July 2019	546	3,165	3,711
Additions	29	2,786	2,815
Depreciation expense	(178)	(1,402)	(1,580)
<b>Balance at 30 June 2020</b>	<b>397</b>	<b>4,549</b>	<b>4,946</b>

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**23. Leases (continued)**

**(a) Entity as a lessee (continued)**

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

	<b>Total \$'000</b>
<b>2020</b>	
Balance at 1 July 2019	3,711
Additions	2,815
Interest expenses	82
Payments	(1,503)
<b>Balance at 30 June 2020</b>	<b>5,105</b>

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the NSLHD is the lessee:

**PARENT AND CONSOLIDATION**

	<b>Total \$'000</b>
<b>2020</b>	
Depreciation expense of right-of-use assets	1,580
Interest expense on lease liabilities	82
Expenses relating to short-term leases	1,128
Expenses relating to leases of low-value assets	575
Variable lease payments not included in the measurement of lease liabilities	65
<b>Total amount recognised in the statement of comprehensive income</b>	<b>3,430</b>

The NSLHD had total cash outflows for leases of \$1,503 thousand for the year ended 30 June 2020.

**Northern Sydney Local Health District**  
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**23. Leases (continued)**

**(a) Entity as a lessee (continued)**

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

**PARENT AND CONSOLIDATION**

	<b>Operating leases 2019 \$'000</b>
Within one year	2,153
Later than one year and not later than five years	3,185
<b>Total (including GST)</b>	<b>5,338</b>
Less: GST recoverable from the Australian Taxation Office	485
<b>Total (excluding GST)</b>	<b>4,853</b>

**Leases at significantly below market terms and conditions principally to enable the entity to further its objectives**

The NSLHD entered into a number of leases, with lease terms ranging from 5 years with various local councils for the use of community health buildings. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by the NSLHD to provide different community health services. The community health buildings account for a small portion of the similar assets the NSLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on the NSLHD's operations.

**Recognition and Measurement (under AASB 16 from 1 July 2019)**

The NSLHD assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The NSLHD recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

**23. Leases (continued)**

**(a) Entity as a lessee (continued)**

*i. Right-of-use assets*

The NSLHD recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<b>Useful lives</b>
Buildings	1 to 5 years
Plant and equipment	2 to 7 years
Motor vehicles and other equipment	1 to 4 years

If ownership of the leased asset transfers to the NSLHD at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The NSLHD assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NSLHD estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

*ii. Lease liabilities*

At the commencement date of the lease, the NSLHD recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the NSLHD; and
- payments of penalties for terminating the lease, if the lease term reflects the NSLHD exercising the option to

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The NSLHD does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the NSLHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

**23. Leases (continued)**

**(a) Entity as a lessee (continued)**

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The NSLHD's lease liabilities are included in borrowings in Note 31.

*iii. Short-term leases and leases of low-value assets*

The NSLHD applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

*iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives*

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the NSLHD to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

**Recognition and measurement (under AASB 117 until 30 June 2019)**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the NSLHD was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the NSLHD will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

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**24. Intangible assets**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	7,766	7,616	7,766	7,616
Less: accumulated amortisation and impairment	5,174	4,735	5,174	4,735
<b>Net carrying amount</b>	<b>2,592</b>	<b>2,881</b>	<b>2,592</b>	<b>2,881</b>

**PARENT AND CONSOLIDATION**

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

	2020 \$000	2019 \$000
<b>Year ended 30 June 2020</b>		
Net carrying amount at beginning of year	2,881	2,744
Additions - acquired separately	149	864
Reclassifications from Plant & Equipment	-	259
Amortisation (recognised in depreciation and amortisation)	(438)	(986)
<b>Net carrying amount at end of year</b>	<b>2,592</b>	<b>2,881</b>

**Recognition and Measurement**

The NSLHD recognises intangible assets only if it is probable that future economic benefits will flow to the NSLHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the NSLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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 NSLHD's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the NSLHD are recognised as intangible assets. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. 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 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.

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**25. Other assets**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Non-current</b>				
Emerging rights to assets	9,764	9,179	9,764	9,179
	<b>9,764</b>	<b>9,179</b>	<b>9,764</b>	<b>9,179</b>

**PARENT AND CONSOLIDATION**

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

	2020 \$000	2019 \$000
Net carrying amount at beginning of period	9,179	8,628
Additions	586	551
<b>Net carrying amount at end of period</b>	<b>9,765</b>	<b>9,179</b>

**Recognition and Measurement**

The NSLHD's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the NSLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 28 (19 years remaining) years using the annuity method and the Government Bond rate of 6% at commencement of the concession period. The annual allocation is treated as an increase in emerging assets in the Statement of Financial Position and as revenue (disclosed as part of 'Other income') in the Statement of Comprehensive Income.



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**26. Non-current assets held for sale**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Assets held for sale</b>				
Land and buildings	3,506	49,384	3,506	49,384
Infrastructure systems	-	288	-	288
	<b>3,506</b>	<b>49,672</b>	<b>3,506</b>	<b>49,672</b>

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

Further details regarding fair value measurement are disclosed in Note 27.

**Recognition and Measurement**

The NSLHD has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

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**27. Fair value measurement of non-financial assets**

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**Fair value measurement and hierarchy**

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

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

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

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

**(a) Fair value hierarchy**

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	23,003	2,292,202	2,315,205
- Infrastructure systems	-	-	44,674	44,674
Other assets (Note 25)				
- Emerging rights to assets	-	-	9,765	9,765
Non-current assets held for sale (Note 26)	-	3,506	-	3,506
	-	<b>26,509</b>	<b>2,346,641</b>	<b>2,373,150</b>

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 22.

	Level 1	Level 2	Level 3	Total Fair Value
2019	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	464,191	1,244,395	1,708,586
- Infrastructure systems	-	-	15,467	15,467
Other assets (Note 25)				
- Emerging rights to assets	-	-	9,179	9,179
Non-current assets held for sale (Note 26)	-	49,672	-	49,672
	-	<b>513,863</b>	<b>1,269,041</b>	<b>1,782,904</b>

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 22.

**27. Fair value measurement of non-financial assets (continued)**

**(b) Valuation techniques, inputs and processes**

For land, buildings and infrastructure systems the NSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Ltd for the 2019-20 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an associated entity of the NSLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 22 reconciliation).

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

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

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

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

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

Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the NSLHD to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

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**27. Fair value measurement of non-financial assets (continued)**

**(c) Reconciliation of recurring Level 3 fair value measurements**

**PARENT AND CONSOLIDATION**

<b>2020</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2019</b>	1,244,395	15,467	9,179	1,269,041
Derecognition of finance lease assets on initial application of AASB 16	-	-	-	-
<b>Adjusted fair value as at 1 July 2019</b>	<b>1,244,395</b>	<b>15,467</b>	<b>9,179</b>	<b>1,269,041</b>
Additions	578,950	24,851	586	604,386
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	97,581	6,201	-	103,782
Transfers from Level 2	427,982	-	-	427,982
Depreciation expense	(61,852)	(1,694)	-	(63,546)
Equity transfers - transfers in / (out)	(5,633)	(151)	-	(5,784)
Reclassification from Asset Held for Sale	10,779	-	-	10,779
<b>Fair value as at 30 June 2020</b>	<b>2,292,202</b>	<b>44,674</b>	<b>9,765</b>	<b>2,346,641</b>

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

**27. Fair value measurement of non-financial assets (continued)**

**(c) Reconciliation of recurring Level 3 fair value measurements (continued)**

**PARENT AND CONSOLIDATION**

<b>2019</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2018</b>	1,274,878	16,507	8,628	1,300,013
Additions	-	-	551	551
Transfers from Level 2	23,259	565	-	23,824
Disposals	(12)	-	-	(12)
Depreciation expense	(53,730)	(1,605)	-	(55,335)
<b>Fair value as at 30 June 2019</b>	<b>1,244,395</b>	<b>15,467</b>	<b>9,179</b>	<b>1,269,041</b>

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

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**28. Restricted assets**

**PARENT AND CONSOLIDATION**

The NSLHD's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2020.

<b>Category</b>	<b>1 July 2019 Opening \$000</b>	<b>Revenue \$000</b>	<b>Expense \$000</b>	<b>2020 Closing \$000</b>
Community welfare	-	77	6	71
Facility improvements	31,408	4,342	1,405	34,345
Holds funds in perpetuity	48	2	1	49
Patient welfare	4,789	970	889	4,870
Private practice disbursements (No.2 Accounts)	39,270	6,651	5,631	40,290
Public contributions	2,112	1,010	483	2,639
Research	24,333	7,006	7,089	24,251
Staff welfare	65	3	3	65
Training and education including conferences	10,198	1,402	1,517	10,083
	<b>112,223</b>	<b>21,464</b>	<b>17,022</b>	<b>116,665</b>

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

<b>Category</b>	<b>Purpose</b>
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested 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.

**Unclaimed monies**

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

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

**Northern Sydney Local Health District**  
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**29. Payables**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	29,802	24,137	-	-
Taxation and payroll deductions	3,872	5,390	-	-
Accrued liability - purchase of personnel services	-	-	33,674	29,527
Creditors	29,043	44,768	29,043	44,768
Other creditors				
- Payables to entities controlled by the immediate parent	15,378	11,078	15,378	11,078
- PPP Monthly Service Fees RNS	20,185	11,853	20,185	11,853
- PPP Monthly Service Fees NBH	32,663	15,318	32,663	15,318
- Other	21,028	21,946	21,028	21,946
	<b>151,971</b>	<b>134,490</b>	<b>151,971</b>	<b>134,490</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

**Recognition and Measurement**

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

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

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the NSLHD. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

**Northern Sydney Local Health District**  
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**30. Contract liabilities**

	Consolidated 2020 \$000	Consolidated 1 July 2019 adjusted for AASB 15 \$000	Parent 2020 \$000	Parent 1 July 2019 adjusted for AASB 15 \$000
<b>Current</b>				
Contract liabilities	9,260	8,403	9,260	8,403
	<b>9,260</b>	<b>8,403</b>	<b>9,260</b>	<b>8,403</b>

**Recognition and Measurement**

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 30 June 2020 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract hadn't been met at the 30 June 2020. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has increased during the year because of the timing of payments received.

	Consolidated 2020 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	8,403	8,403

**Northern Sydney Local Health District**  
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**31. Borrowings**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Other loans and deposits	394	256	394	256
Lease liability (see Note 23)	1,814	-	1,814	-
Public Private Partnerships	5,848	231	5,848	231
	<b>8,056</b>	<b>487</b>	<b>8,056</b>	<b>487</b>
<b>Non-current</b>				
Other loans and deposits	2,523	1,517	2,523	1,517
Lease liability (see Note 23)	3,291	-	3,291	-
Public Private Partnerships	715,255	721,103	715,255	721,103
	<b>721,069</b>	<b>722,620</b>	<b>721,069</b>	<b>722,620</b>

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

Final repayment of loan is scheduled for 2037.

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 41.

**Recognition and Measurement**

*Financial liabilities at amortised cost*

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

Finance lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Borrowings are classified as current liabilities unless the NSLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 41 (b) for derecognition policy.



**Northern Sydney Local Health District**  
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**31. Borrowings (continued)**

**(a) Public Private Partnership (PPP) finance leases under AASB 117 Leases**

Minimum lease payments in relation to PPP finance leases recognised under AASB 117 Leases as required by TPP 06-08 are payable as follows:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	86,214	79,106	86,214	79,106
Later than one year and not later than five years	360,547	353,205	360,547	353,205
Later than five years	1,242,222	1,336,031	1,242,222	1,336,031
<b>Minimum lease payments</b>	<b>1,688,982</b>	<b>1,768,342</b>	<b>1,688,982</b>	<b>1,768,342</b>
Less: Future finance charges	967,879	1,047,008	967,879	1,047,008
<b>Present value of minimum lease payments</b>	<b>721,103</b>	<b>721,334</b>	<b>721,103</b>	<b>721,334</b>

The present value of PPP finance lease payments is as follows:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	5,848	231	5,848	231
Later than one year and not later than five years	47,262	35,943	47,262	35,943
Later than five years	667,993	685,160	667,993	685,160
<b>Present value of minimum lease payments classified as:</b>	<b>721,103</b>	<b>721,334</b>	<b>721,103</b>	<b>721,334</b>
Current	5,848	231	5,848	231
Non-current	715,255	721,103	715,255	721,103
	<b>721,103</b>	<b>721,334</b>	<b>721,103</b>	<b>721,334</b>

The Public, Private Partnership relate to the provision of service-enabling infrastructure that includes private sector delivering a combination of design, construction, financing, maintenance, operations and delivery of clinical and non-clinical services. Payments are made by the NSLHD to the private sector entities on the basis of delivery of assets or service delivery. The liability to pay the private sector entities is based on financing arrangements involving Consumer Price Index (CPI)-linked finance and fixed finance.

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

**Northern Sydney Local Health District**  
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**31. Borrowings (continued)**

**Changes in liabilities arising from financing activities**

**PARENT AND CONSOLIDATION**

	<b>Other loans and deposits \$000</b>	<b>Leases \$000</b>	<b>Total liabilities from financing activities \$000</b>
<b>1 July 2018</b>	723,684	-	723,684
Cash flows	(577)	-	(577)
<b>30 June 2019</b>	<b>723,107</b>	<b>-</b>	<b>723,107</b>
Recognised on adoption of AASB 16	-	<b>3,711</b>	<b>3,711</b>
<b>1 July 2019</b>	723,107	3,711	726,818
Cash flows	913	(1,421)	(508)
New leases	-	2,815	2,815
<b>30 June 2020</b>	<b>724,020</b>	<b>5,105</b>	<b>729,125</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 41.

**Northern Sydney Local Health District**  
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**32. Provisions**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - short term benefit	101,264	104,035	-	-
Annual leave - long term benefit	28,031	16,370	-	-
Long service leave consequential on-costs	26,758	24,218	-	-
Provision for other employee benefits	5,276	3,007	-	-
Provision for personnel services liability	-	-	161,329	147,630
	<b>161,329</b>	<b>147,630</b>	<b>161,329</b>	<b>147,630</b>
<b>Other Provisions</b>				
Other	18,444	3,429	18,444	3,429
	<b>18,444</b>	<b>3,429</b>	<b>18,444</b>	<b>3,429</b>
<b>Total current provisions</b>	<b>179,773</b>	<b>151,059</b>	<b>179,773</b>	<b>151,059</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	2,327	2,106	-	-
Provision for personnel services liability	-	-	2,327	2,106
<b>Total non-current provisions</b>	<b>2,327</b>	<b>2,106</b>	<b>2,327</b>	<b>2,106</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	161,329	147,630	-	-
Provisions - non-current	2,327	2,106	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 29)	33,674	29,527	-	-
Liability - purchase of personnel services	-	-	197,330	179,263
	<b>197,330</b>	<b>179,263</b>	<b>197,330</b>	<b>179,263</b>

**Movements in provisions (other than employee benefits)**

Movements in other provisions during the financial year, other than employee benefits, are set out below:

<b>Other</b>				
Carrying amount at beginning of period	3,429	13,654	3,429	13,654
- Additional provisions recognised	15,015	-	15,015	-
Amounts used	-	(10,225)	-	(10,225)
<b>Carrying amount at end of period</b>	<b>18,444</b>	<b>3,429</b>	<b>18,444</b>	<b>3,429</b>

**Recognition and Measurement**

***Employee benefits and other provisions***

***Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs***

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

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.94% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.01%). The NSLHD has assessed the actuarial advice based on the NSLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the NSLHD does not expect to settle the liability within 12 months as the NSLHD 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.

***Long service leave and superannuation***

The NSLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent. The NSLHD accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to long service leave assumed by the Crown Entity are borne by the NSLHD.

**32. Provisions (continued)**

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.

***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.

***Other provisions***

Other provisions are recognised when: the NSLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the NSLHD expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the NSLHD has a detailed formal plan, and the NSLHD has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

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**33. Other liabilities**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Unearned revenue	8,602	16,745	8,602	16,745
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	297	-	297	-
	<b>8,899</b>	<b>16,745</b>	<b>8,899</b>	<b>16,745</b>
<b>Non-current</b>				
Unearned revenue	148,942	113,837	148,942	113,837
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	6,952	-	6,952	-
Other	221	752	221	752
	<b>156,115</b>	<b>114,589</b>	<b>156,115</b>	<b>114,589</b>

Unearned revenue was derived from the following:

In October 2008, \$30M was received in advance from University of Sydney, under the terms of contract for the use of Kolling building for the 30 years ending 2038.

In November 1996, \$7M was received in advance from Ramsay Health Care Group, under the terms of contract to operate private health facility for the 50 years ending in 2046 and \$3M received for the use of Royal North Shore car park facilities for the 40 years ending 2036.

In October 2018, Healthscope funded the shared private portion (\$100M) but NSLHD recognised and amortised as unearned revenue over the 20 year concession term ending in 2038.

In June 2020, recognised and accounted Unearned revenue (\$43M) of RNS Car Park License fee and amortised over the term of 27 (17 years remaining) years ending in 2036.

**PARENT AND CONSOLIDATION**

**Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the NSLHD.**

	2020 \$'000
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	-
Add: adjustments upon initial application of AASB 1058	5,903
<b>Adjusted opening balance</b>	<b>5,903</b>
Add: receipt of cash during the financial year	1,419
Less: income recognised during the financial year	73
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>7,249</b>

Refer to Note 14 for a description of the NSLHD's obligations under transfers received to acquire or construct non-financial assets to be controlled by the NSLHD.

The NSLHD expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

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**34. 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:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	43,782	124,757	43,782	124,757
Later than one year and not later than five years	19,823	26,474	19,823	26,474
<b>Total (including GST)</b>	<b>63,606</b>	<b>151,231</b>	<b>63,606</b>	<b>151,231</b>

**(b) Contingent asset related to commitments for expenditure**

The total 'Capital expenditure commitments' of \$63.6 million as at 30 June 2020 includes input tax credits of \$5.8 million that are expected to be recoverable from the Australian Taxation Office (2019 \$13.7 million).

**35. Contingent liabilities and assets**

**PARENT AND CONSOLIDATION**

The NSLHD is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

**Northern Sydney Local Health District**  
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**36. Trust funds**

**PARENT AND CONSOLIDATION**

The NSLHD holds trust funds of \$4,932 thousand (2019: \$4,771 thousand) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$000	\$000	\$'000
Patient Trust	1,292	974	(907)	1,359
Refundable Deposits	155	21	(5)	171
Private Patient Trust Funds	1,472	39,810	(40,020)	1,262
Third Party Funds	1,852	2,246	(1,958)	2,140
<b>Total trust funds</b>	<b>4,771</b>	<b>43,051</b>	<b>(42,890)</b>	<b>4,932</b>

Category	1 July 2018	Revenue	Expense	30 June 2019
	Opening equity			Closing equity
	\$'000	\$000	\$000	\$'000
Patient Trust	1,209	948	(865)	1,292
Refundable Deposits	148	12	(5)	155
Private Patient Trust Funds	1,322	43,615	(43,465)	1,472
Third Party Funds	1,915	311	(374)	1,852
<b>Total trust funds</b>	<b>4,594</b>	<b>44,886</b>	<b>(44,709)</b>	<b>4,771</b>

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 Patient 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.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 42.



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**37. Reconciliation of cash flows from operating activities to net result**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Net cash used on operating activities	161,864	496,952	161,864	496,952
Depreciation and amortisation expense	(83,153)	(83,303)	(83,153)	(83,303)
Allowance for impairment	(3,641)	(4,662)	(3,641)	(4,662)
(Increase) / decrease in unearned revenue	9,410	(3,401)	9,410	(3,401)
Decrease / (increase) in provisions	(28,935)	7,984	(28,935)	7,984
Increase / (decrease) in prepayments and other assets	(12,312)	751	(12,312)	751
Decrease / (increase) in payables	(22,123)	(15,919)	(22,123)	(15,919)
Decrease / (increase) in contract liabilities	(858)	-	(858)	-
Net gain / (loss) on sale of property, plant and equipment	(204)	375	(204)	375
Non-cash revenue items	5,013	3,342	5,013	3,342
Assets donated or brought to account (Note 38)	-	498	-	498
Emerging assets recognised (Note 38)	586	551	586	551
<b>Net result</b>	<b>25,647</b>	<b>403,168</b>	<b>25,647</b>	<b>403,168</b>

**38. Non-cash financing and investing activities**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Assets donated or brought to account	-	499	-	499
Property, plant and equipment acquired by a lease	2,815	-	2,815	-
Emerging rights to assets recognised	586	551	586	551
	<b>3,401</b>	<b>1,050</b>	<b>3,401</b>	<b>1,050</b>

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**39. Adjusted budget review**

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

**PARENT AND CONSOLIDATION**

**Net result**

The actual Net Result was lower than adjusted budget by \$31 million, primarily due to:

Revenue decreased by \$25m (reduced private patient activity and related revenue), \$3m of capital underspend relating to COVID-19 response and \$3m increased allowances for expected credit loss.

**Assets and liabilities**

Actual consolidated total assets were unfavourable by \$13m to the budget. The variance is mainly due to net impact of disposal of assets held for sale (\$44m) and comprehensive asset revaluation (\$58m).

Actual consolidated total liabilities were unfavourable by \$83m to the budget. The variance is mainly due to PPP accruals, reclassification (\$42m) and recognition of RNS Car Park liability, reclass (\$41m).

**Cash flows**

Actual Operating cash flow were favourable by \$15m to the budget. The variance to the budget is mainly related to COVID-19 hospital planning, PPE and asset acquisition offset by the Ministry funded recurrent and capital allocations(\$15m).

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2019 are as follows:

	<b>\$000</b>
Initial allocation 1 July 2019	1,184,948
Award increases	144,820
2019/20 Budget Relief	46,056
COVID-19	29,345
Patient fees Single Private Room	11,190
Revenue Alignment	10,492
Treasury Managed Fund	4,167
Additional Pathology Charges	4,000
Collaborative Commissioning 2019-20	2,499
Public Private Partnership	2,158
Hospital in Home Services	1,028
Voluntary Redundancy	613
Other Activity	(82)
<b>Balance as per Statement of Comprehensive Income</b>	<b>1,441,234</b>

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**40. Equity**

**Accumulated Funds**

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

**Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the NSLHD's policy on the revaluation of property, plant and equipment as discussed in Note 22.

**Separate Reserves**

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

**Equity transfers effected in the 2019/20 year were:**

- (a) An equity transfer was made to the Ministry of Health in accordance with the Real Property Disposal Framework. This has resulted in a decrease in net assets of \$54,594 thousand.
- (b) An equity transfer was made from the Ministry of Health to reflect liability against the asset held in NSLHD. This has resulted in a decrease in net assets of \$46,121 thousand.

**Equity transfers effected in the 2018/19 year were:**

- (c) An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in a decrease in net assets of \$1,370 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

**Equity transfers effected comprised:**

	2020 \$000	2019 \$000
(a) Land - Transfer to NSW Ministry of Health	25,510	-
(b) Land - Transfer to Property NSW	23,300	-
(c) Buildings - Transfer to NSW Ministry of Health	5,633	-
(d) Infrastructure - Transfer to NSW Ministry of Health	151	-
(e) Unearned Revenue related to RNS Car Park - Transfer from NSW Ministry of Health	46,121	-
(f) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	-	(1,370)
	<b>100,715</b>	<b>(1,370)</b>

**Assets and Liabilities transferred are as follows:**

	2020 \$000	2019 \$000
<b>Assets</b>		
(a) Land and Building Transfer	(54,594)	-
<b>Liabilities</b>		
(b) Unearned Revenue	(46,121)	-
(c) Annual Leave Provision	-	(1,370)
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	<b>(100,715)</b>	<b>(1,370)</b>

**40. Equity (continued)**

**Recognition and Measurement**

***Equity transfers***

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

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

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

**Northern Sydney Local Health District**  
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**41. Financial instruments**

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

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

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

**(a) Financial instrument categories**

**PARENT AND CONSOLIDATION**

<b>Class</b>	<b>Category</b>	<b>Carrying Amount 2020 \$000</b>	<b>Carrying Amount 2019 \$000</b>
<b>Financial Assets</b>			
Cash and cash equivalents (Note 19)	Amortised cost	120,902	118,102
Receivables (Note 20) <sup>1</sup>	Amortised cost	29,085	47,618
<b>Total Financial Assets</b>		<b>149,987</b>	<b>165,720</b>
<b>Financial Liabilities</b>			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	729,125	723,107
Payables (Note 29) <sup>2</sup>	Financial liabilities measured at amortised cost	148,099	129,100
Other Liabilities (Note 33)	Financial liabilities measured at amortised cost	221	752
<b>Total Financial Liabilities</b>		<b>877,445</b>	<b>852,959</b>

**Notes**

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

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

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

**(b) Derecognition of financial assets and financial liabilities**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

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

**41. Financial instruments (continued)**

**(b) Derecognition of financial assets and financial liabilities (continued)**

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

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

**(c) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**(d) Financial risk**

**i. Credit risk**

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

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

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

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

**Cash and cash equivalents**

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 1.10%) in 2019-20 compared to 0.00% (Restricted funds bank balance: 2.20%) in the previous year. The TCorpIM Funds cash facility is discussed in market risk below.

**Accounting policy for impairment of trade receivables and other financial assets**

**Receivables - trade receivables, other receivables and contract assets**

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

The NSLHD applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

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

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**41. Financial instruments (continued)**

**(d) Financial risk (continued)**

**i. Credit risk (continued)**

**Accounting policy for impairment of trade receivables and other financial assets (continued)**

**Receivables - trade receivables, other receivables and contract assets (continued)**

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The NSLHD has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

	<b>Current</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt;91 days</b>	<b>Total</b>
<b>30 June 2020</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected credit loss rate	2.63%	4.99%	13.24%	30.08%	70.56%	19.38%
Estimated total gross carrying amount <sup>1</sup>	19,606	2,587	1,140	565	7,160	31,059
Expected credit loss	516	129	151	170	5,052	6,018
<b>30 June 2019 <sup>2</sup></b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected credit loss rate	2.07%	6.50%	13.40%	22.70%	73.82%	12.24%
Estimated total gross carrying amount <sup>1</sup>	32,166	2,445	1,306	727	5,394	42,038
Expected credit loss	665	159	175	165	3,982	5,146

**Notes**

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note .

<sup>2</sup> Prior year balances have been restated to include other receivables and contract assets

The NSLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

**Other Financial Assets - Authority Deposits**

The NSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The NSLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2020 (2019: \$Nil).

**41. Financial instruments (continued)**

**(d) Financial risk (continued)**

**ii. Liquidity risk**

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

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

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

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.



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**41. Financial instruments (continued)**

**(d) Financial risk (continued)**

**ii. Liquidity risk (continued)**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		148,099	-	-	148,099	148,099	-	-
Borrowings:								
- Loans and deposits	2.01	3,144	3,144	-	-	450	1,745	949
- Lease liabilities	1.83	5,183	5,183	-	-	1,792	3,306	85
- Public Private	10.50	1,688,983	-	1,688,983	-	86,214	360,547	1,242,222
		<b>1,845,409</b>	<b>8,327</b>	<b>1,688,983</b>	<b>148,099</b>	<b>236,555</b>	<b>365,598</b>	<b>1,243,256</b>
<b>2019</b>								
Payables:								
- Creditors <sup>2</sup>		129,100	-	-	129,100	129,100	-	-
Borrowings:								
- Loans and deposits	2.60	1,937	1,937	-	-	300	1,161	476
- Public Private	10.40	1,768,342	-	1,768,342	-	79,106	353,205	1,336,031
		<b>1,899,379</b>	<b>1,937</b>	<b>1,768,342</b>	<b>129,100</b>	<b>208,506</b>	<b>354,366</b>	<b>1,336,507</b>

**Notes:**

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

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

<sup>3</sup> Weighted Average Effective Interest Rate (EIR).

**Northern Sydney Local Health District**  
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**41. Financial instruments (continued)**

**iii. Market risk**

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the NSLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the NSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The NSLHD does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

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

	2020 \$000		2019 \$000	
	-1%	1%	-1%	1%
Net result	6,084	(6,084)	6,058	(6,058)
Equity	6,084	(6,084)	6,058	(6,058)

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**41. Financial instruments (continued)**

**iii. Market risk (continued)**

*Other price risk - TCorpIM Funds*

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

<b>Facility</b>	<b>Investment Sectors</b>	<b>Investment Horizon</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	29,774	69,267

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

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

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

TCorp provides sensitivity analysis information for each of the investment facilities. For 30 June 2020, TCorp has adopted a new approach of applying a flat 10% sensitivity across all funds which is consistent with best market practice for investment funds. Previous years were based on historical volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

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

	<b>2020</b>	<b>2019</b>	<b>Impact on net result</b>	
	<b>Change in unit price</b>	<b>Change in unit price</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
TCorpIM Funds - Cash facility	10%	10%	2,977	6,927

**Northern Sydney Local Health District**  
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**41. Financial instruments (continued)**

**(e) Fair value measurement**

**i. Fair value compared to carrying amount**

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

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

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

**ii. Fair value recognised in the Statement of Financial Position**

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2020 Total \$'000
TCorpIM Funds	-	29,774	-	29,774
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2019 Total \$'000
TCorpIM Funds	-	69,267	-	69,267

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

There were no transfers between level 1 and 2 during the period ended 30 June 2020.

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

**Northern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**42. Related party transactions**

**PARENT AND CONSOLIDATION**

**(a) Key management personnel compensation**

Key management personnel compensation is as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	680	654
Post-employment benefits	44	43
	<b>724</b>	<b>697</b>

During the financial year, Northern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$443K (2019: \$442K) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The NSLHD's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW 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 NSW 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.

**(b) Transactions with key management personnel and their close family members**

There were no transactions with key management personnel and their close family members (2019: \$Nil).

**(c) Transactions with the ultimate parent**

There were no transactions with the ultimate parent during the financial period (2019: \$Nil).

**(d) Transactions the NSLHD had with government related entities during the financial year**

During the financial year and comparative year, the NSLHD entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

*The following operating expenses were incurred with entities controlled by the immediate parent:*

- Health Administration Corporation provides shared services for patient transport services and corporate support services, and majority of the information management services, domestic supplies and services, food supplies and pathology related costs.
  
- Various grants and subsidies towards research and other projects

**42. Related party transactions**

**(d) Transactions the NSLHD had with government related entities during the financial year (continued)**

*The following operating expenses were incurred with entities controlled by the ultimate parent:*

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Various grants and subsidies towards research and other projects

*The following revenues were earned from entities controlled by the immediate parent:*

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

*The following revenues were earned from entities controlled by the ultimate parent:*

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown Finance Entity
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

**43. Events after the reporting period**

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

**END OF AUDITED FINANCIAL STATEMENTS**