



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the South Eastern Sydney Local Health District (the District), which comprises 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 District and the consolidated entity's ability 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: http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

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

- that the District or the consolidated entity 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.



David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 September 2020
SYDNEY

South Eastern 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 South Eastern 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 South Eastern Sydney Local Health District; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Tobi Wilson', written over a horizontal line.

Mr Tobi Wilson
Chief Executive
16 September 2020

A handwritten signature in black ink, appearing to read 'Peter Eaton', written over a horizontal line.

Mr Peter Eaton
Director of Finance
16 September 2020

South Eastern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,279,653	1,260,015	1,253,164	-	-
Personnel services	3	-	-	-	1,221,613	1,170,192
Visiting medical officers	4	62,485	57,089	58,573	62,485	58,573
Other expenses	5	480,996	492,039	465,780	480,996	465,780
Depreciation and amortisation	6	77,906	77,728	75,310	77,906	75,310
Grants and subsidies	7	17,892	17,472	17,186	17,892	17,186
Finance costs	8	416	294	-	416	-
Payments to Affiliated Health Organisations	9	54,469	54,444	49,286	54,469	49,286
Total expenses excluding losses		1,973,817	1,959,081	1,919,299	1,915,777	1,836,327
Revenue						
NSW Ministry of Health recurrent allocations	11	1,523,026	1,523,026	1,428,253	1,523,026	1,428,253
NSW Ministry of Health capital allocations	11	116,204	121,528	123,633	116,204	123,633
Acceptance by the Crown Entity of employee benefits	15	58,040	57,985	82,972	-	-
Sale of goods and services	12	-	-	270,893	-	270,893
Sale of goods and services from contracts with customers	12	249,003	263,061	-	249,003	-
Investment revenue	13	1,517	2,149	2,552	1,517	2,552
Grants and other contributions	14	54,719	51,653	51,574	54,719	51,574
Other income	16	12,733	19,336	23,174	12,733	23,174
Total revenue		2,015,242	2,038,738	1,983,051	1,957,202	1,900,079
Operating result		41,425	79,657	63,752	41,425	63,752
Gains / (losses) on disposal	17	12	-	(47)	12	(47)
Impairment losses on financial assets	20	(3,662)	(2,658)	(2,575)	(3,662)	(2,575)
Net result from continuing operations	37	37,775	76,999	61,130	37,775	61,130
Net result from discontinued operations		-	-	-	-	-
Net result		37,775	76,999	61,130	37,775	61,130
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	23	(3,960)	-	4,813	(3,960)	4,813
Changes in revaluation surplus of other assets	26	2,615	-	(4,045)	2,615	(4,045)
Total other comprehensive income		(1,345)	-	768	(1,345)	768
TOTAL COMPREHENSIVE INCOME		36,430	76,999	61,898	36,430	61,898

¹ Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
ASSETS						
Current assets						
Cash and cash equivalents	19	69,067	100,684	55,607	69,067	55,607
Receivables	20	58,372	65,997	79,591	58,372	79,591
Inventories	21	24,579	23,103	23,103	24,579	23,103
Financial assets at fair value	22	44,061	-	43,377	44,061	43,377
		196,079	189,784	201,678	196,079	201,678
Total current assets		196,079	189,784	201,678	196,079	201,678
Non-current assets						
Receivables	20	9,371	7,850	7,265	9,371	7,265
Property, plant & equipment	23					
- Land and buildings		1,610,899	1,587,676	1,521,937	1,610,899	1,521,937
- Plant and equipment		101,472	124,198	117,715	101,472	117,715
- Infrastructure systems		59,487	59,471	64,184	59,487	64,184
Total property, plant & equipment		1,771,858	1,771,345	1,703,836	1,771,858	1,703,836
Right-of-use assets	24	24,129	22,138	-	24,129	-
Intangible assets	25	255	(1,256)	81	255	81
Other non-current assets	26	41,500	55,527	48,983	41,500	48,983
Total non-current assets		1,847,113	1,855,604	1,760,165	1,847,113	1,760,165
Total assets		2,043,192	2,045,388	1,961,843	2,043,192	1,961,843
LIABILITIES						
Current liabilities						
Payables	29	100,883	94,881	114,811	100,883	114,811
Contract liabilities	30	442	-	-	442	-
Borrowings	31	4,823	4,067	-	4,823	-
Provisions	32	226,148	210,821	205,897	226,148	205,897
Other current liabilities	33	21,541	5,702	5,462	21,541	5,462
		353,837	315,471	326,170	353,837	326,170
Total current liabilities		353,837	315,471	326,170	353,837	326,170
Non-current liabilities						
Borrowings	31	19,816	18,223	-	19,816	-
Provisions	32	3,136	3,136	2,870	3,136	2,870
Other non-current liabilities	33	9,414	3,070	4,314	9,414	4,314
Total non-current liabilities		32,366	24,429	7,184	32,366	7,184
Total liabilities		386,203	339,900	333,354	386,203	333,354
Net assets		1,656,989	1,705,488	1,628,489	1,656,989	1,628,489
EQUITY						
Reserves		278,456	280,678	280,678	278,456	280,678
Accumulated funds		1,378,533	1,424,810	1,347,811	1,378,533	1,347,811
Total Equity		1,656,989	1,705,488	1,628,489	1,656,989	1,628,489

¹ Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

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

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		1,347,811	280,678	1,628,489
Changes in accounting policy	1(f)	(7,930)	-	(7,930)
Balance at 1 July 2019		1,339,881	280,678	1,620,559
Net result for the year		37,775	-	37,775
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	(3,960)	(3,960)
Net change in revaluation surplus of other assets	26	-	2,615	2,615
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		877	(877)	-
Total other comprehensive income		877	(2,222)	(1,345)
Total comprehensive income for the year		38,652	(2,222)	36,430
Balance at 30 June 2020		1,378,533	278,456	1,656,989

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		1,280,619	289,915	1,570,534
Changes in accounting policy (AASB 9)		481	-	481
Balance at 1 July 2018		1,281,100	289,915	1,571,015
Net result for the year		61,130	-	61,130
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	4,813	4,813
Net change in revaluation surplus of other assets	26	-	(4,045)	(4,045)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		10,005	(10,005)	-
Total other comprehensive income		10,005	(9,237)	768
Total Comprehensive Income for the Year		71,135	(9,237)	61,898
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	40	(4,424)	-	(4,424)
Balance at 30 June 2019		1,347,811	280,678	1,628,489

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,216,231)	(1,210,926)	(1,174,076)	-	-
Suppliers for goods and services		(632,220)	(627,033)	(587,622)	(632,220)	(587,622)
Grants and subsidies		(80,408)	(79,961)	(73,696)	(80,408)	(73,696)
Finance costs		(416)	(294)	-	(416)	-
Personnel services		-	-	-	(1,216,231)	(1,174,076)
Total payments		(1,929,275)	(1,918,214)	(1,835,394)	(1,929,275)	(1,835,394)
Receipts						
NSW Ministry of Health recurrent allocations		1,523,026	1,523,026	1,428,253	1,523,026	1,428,253
NSW Ministry of Health capital allocations		116,204	121,528	123,633	116,204	123,633
Reimbursements from the Crown Entity		19,753	19,752	17,959	19,753	17,959
Sale of goods and services		278,616	270,955	279,367	278,616	279,367
Interest received		1,457	2,149	2,378	1,457	2,378
Grants and other contributions		59,741	59,421	59,674	59,741	59,674
Other		81,100	68,114	51,753	81,100	51,753
Total receipts		2,079,897	2,064,945	1,963,017	2,079,897	1,963,017
NET CASH FLOWS FROM OPERATING ACTIVITIES	37	150,622	146,731	127,623	150,622	127,623
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		159	(7,103)	3,973	159	3,973
Purchases of property, plant and equipment and intangibles		(132,370)	(133,479)	(135,339)	(132,370)	(135,339)
Purchases of financial assets		(684)	43,377	-	(684)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(132,895)	(97,205)	(131,366)	(132,895)	(131,366)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(4,267)	(4,449)	-	(4,267)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4,267)	(4,449)	-	(4,267)	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		13,460	45,077	(3,743)	13,460	(3,743)
Opening cash and cash equivalents	19	55,607	55,607	59,350	55,607	59,350
CLOSING CASH AND CASH EQUIVALENTS	19	69,067	100,684	55,607	69,067	55,607

¹ Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

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

- * The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 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 South Eastern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SESLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive on 16 September 2020.

b) Basis of preparation

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

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

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 South Eastern 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 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 SESLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where SESLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the SESLHD 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.

South Eastern 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 (continued)

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 SESLHD 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 SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
- * 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 SESLHD 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 and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

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

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

e) 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.

f) 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 SESLHD 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.

South Eastern 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 (continued)

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 SESLHD.

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 SESLHD expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the SESLHD 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.

In accordance with the transition provisions in AASB 15, the SESLHD 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 SESLHD 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
Revenue				
Sale of goods and services from contracts with customers		249,003	249,003	-
Grants and other contributions	(a)(b)	35,076	34,805	270
Operating result		284,079	283,808	270
Net Result		284,079	283,808	270

South Eastern 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 (continued)

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

PARENT AND CONSOLIDATED

		30 June 2020 AASB 15 \$'000	30 June 2020 Without adoption of AASB 15 \$'000	30 June 2020 Impact of AASB 15 \$'000
	Notes			
Assets				
Other receivables	(a)	407	-	407
Total assets		407	-	407
Liabilities				
Contract liabilities	(b)	442	-	442
Other liabilities		-	305	(305)
Total liabilities		442	305	137
Equity				
Accumulated funds		(35)	(305)	270
Total adjustments to equity		(35)	(305)	270

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:

- (a) Income from grants were 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 the accrual of grant income where the entity has satisfied its obligations promised in the contract with the customer.
- (b) Income from grants were 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.

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 is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

South Eastern 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 (continued)

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 SESLHD.
- * immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the SESLHD 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 SESLHD has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the SESLHD 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
Revenue				
Grants and other contributions	(a)(b)	19,643	17,854	1,788
Net Result		19,643	17,854	1,788

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
Liabilities				
Other liabilities		6,142	-	6,142
Total liabilities		6,142	-	6,142
Equity				
Accumulated funds		(6,142)	-	(6,142)
Total adjustments to equity		(6,142)	-	(6,142)

South Eastern 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 (continued)

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:

- (a) 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 the accrual of grant income where the entity has satisfied its obligations to construct the assets.
- (b) 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 SESLHD 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 SESLHD 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 SESLHD 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 1.59%.

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 SESLHD 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.

South Eastern 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 (continued)

The SESLHD 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 SESLHD 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

	1 July 2019 \$'000
Assets	
Right-of-use assets	21,627
Total assets	21,627
Liabilities	
Borrowings	21,627
Total liabilities	21,627
Equity	
Accumulated funds	-

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

	1 July 2019 \$'000
Operating lease commitments as at 30 June 2019 (GST included)	13,777
(Less): GST included in operating lease commitments	1,252
Operating lease commitments as at 30 June 2019 (GST excluded)	12,525
Weighted average incremental borrowing rate as at 1 July 2019	1.59%
Discounted operating lease commitments as at 1 July 2019	12,089
Less: commitments relating to short-term leases	603
Add : contracts re-assessed as lease contracts	10,219
(Less) : adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	(78)
Lease liabilities as at 1 July 2019	21,627

South Eastern 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 (continued)

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 the result of re-assessing operating leases for properties.

(ii) Issued but not yet effective

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

AASB 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.

Overview of Assessment Activities

The SESLHD 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 SESLHD. 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 SESLHD has identified the following arrangements impacted by AASB 1059:

- a) St George and Randwick car parks

Financial Impact estimated as follows:

	1 July 2019 Increase / (decrease) \$'000
Assets	
Service Concession Assets	59,497
Emerging asset	(39,962)
Total assets	19,535
Liabilities	
Financial Liabilities	(3,198)
Grant of a Right to the Operator liability	10,861
Total liabilities	7,663
Increase / (decrease) in accumulated funds	11,872

Net impact on the net result for 2019-20 and 2020-21 is estimated to be negative \$3.2 million and negative \$4.5 million respectively.

South Eastern 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 (continued)

NSW Treasury has also advised that the introduction of AASB 1059 will lead to withdrawal of TPP 06-8 Accounting for Privately Financed Projects. Upon review, the SESLHD has identified the following arrangements impacted by the withdrawal of TPP 06-8:

- b) Sydney Hospital car park

Financial Impact estimated as follows:

	1 July 2019
	Increase / (decrease)
	\$'000
Finance Lease receivable	9,569
Emerging assets	(9,021)
Increase / (decrease) in accumulated funds	548

Net impact on the net result for 2019-20 and 2020-21 is estimated to be \$0.8 million and Nil respectively.

Application Date

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 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)	1,105,834	1,056,251	-	-
Superannuation - defined benefit plans	6,505	7,287	-	-
Superannuation - defined contribution plans	98,246	93,856	-	-
Long service leave	54,854	82,051	-	-
Redundancies	1,118	913	-	-
Workers' compensation insurance	13,000	12,710	-	-
Fringe benefits tax	96	96	-	-
	1,279,653	1,253,164	-	-

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)	-	-	1,105,834	1,056,251
Superannuation - defined contribution plans	-	-	98,246	93,856
Long service leave	-	-	3,319	6,366
Redundancies	-	-	1,118	913
Workers' compensation insurance	-	-	13,000	12,710
Fringe benefits tax	-	-	96	96
	-	-	1,221,613	1,170,192

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

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 SESLHD's hospitals. VMO expenses of \$62,485 thousand (2019: \$58,573 thousand) represent part of the day-to-day running costs incurred in the normal operations of the SESLHD. These costs are expensed as incurred.

South Eastern 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	246	616	246	616
Auditor's remuneration - audit of financial statements	231	229	231	229
Blood and blood products	10,650	10,727	10,650	10,727
Consultancies	1,400	1,164	1,400	1,164
Contractors	2,338	457	2,338	457
Domestic supplies and services	23,679	23,333	23,679	23,333
Drug supplies	74,096	75,320	74,096	75,320
Food supplies	30,306	29,504	30,306	29,504
Fuel, light and power	12,508	13,724	12,508	13,724
Patient transport costs	11,186	11,065	11,186	11,065
Information management expenses	39,331	34,741	39,331	34,741
Insurance	2,119	1,877	2,119	1,877
Maintenance (see Note 5(b))	42,216	36,910	42,216	36,910
Medical and surgical supplies	90,804	91,067	90,804	91,067
Motor vehicle expenses	1,253	1,724	1,253	1,724
Postal and telephone costs	2,856	3,302	2,856	3,302
Printing and stationery	3,883	4,057	3,883	4,057
Rates and charges	1,641	1,807	1,641	1,807
Rental	-	4,120	-	4,120
Hosted services purchased from entities controlled by the immediate parent	560	557	560	557
Specialised services (dental, radiology, pathology and allied health)	73,084	61,013	73,084	61,013
Staff related costs	12,271	15,027	12,271	15,027
Travel related costs	5,432	7,252	5,432	7,252
Other (see Note 5(a))	38,906	36,187	38,906	36,187
	480,996	465,780	480,996	465,780

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 SESLHD.

South Eastern 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
(a) Other				
Contract for patient services	10,708	9,178	10,708	9,178
Corporate support services	11,536	11,347	11,536	11,347
Courier and freight	1,173	1,180	1,173	1,180
Isolated patient travel and accommodation assistance scheme	233	66	233	66
Legal services	573	262	573	262
Membership/professional fees	1,037	1,103	1,037	1,103
Quality assurance / accreditation	224	159	224	159
Security services	430	625	430	625
Motor vehicle operating lease expense - minimum lease payments	-	1,386	-	1,386
Other operating lease expense - minimum lease payments	-	2,669	-	2,669
Expenses relating to short-term leases	3,020	-	3,020	-
Expenses relating to leases of low-value assets	110	-	110	-
Variable lease payments, not included in lease liabilities	23	-	23	-
Other miscellaneous	9,839	8,212	9,839	8,212
	38,906	36,187	38,906	36,187
(b) Reconciliation of total maintenance				
Maintenance contracts	18,998	17,964	18,998	17,964
New / replacement equipment under \$10,000	13,624	8,160	13,624	8,160
Repairs maintenance / non contract	11,382	12,195	11,382	12,195
Other	(1,788)	(1,409)	(1,788)	(1,409)
Maintenance expense - contracted labour and other (non-employee related) in Note 5	42,216	36,910	42,216	36,910
Employee related/personnel services maintenance expense included in Notes 2 and 3.	5,357	4,571	5,357	4,571
	47,573	41,481	47,573	41,481

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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 SESLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 29.

Insurance

The SESLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense / (premium) is determined by the fund manager based on past claims experience. The TMF is managed by 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 SESLHD 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.

South Eastern 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	49,829	52,365	49,829	52,365
Depreciation - plant and equipment	18,575	18,140	18,575	18,140
Depreciation - infrastructure systems	4,697	4,786	4,697	4,786
Depreciation - right-of-use buildings	1,933	-	1,933	-
Depreciation - right-of-use plant and equipment	2,844	-	2,844	-
Amortisation - intangible assets	28	19	28	19
	77,906	75,310	77,906	75,310

Refer to Note 23 Property, plant and equipment, Note 24 Leases, and Note 25 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	13,381	13,199	13,381	13,199
Grants to research organisations	2,096	1,341	2,096	1,341
Grants paid to entities controlled by the immediate parent	939	908	939	908
Other grants	1,476	1,738	1,476	1,738
	17,892	17,186	17,892	17,186

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.

South Eastern 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 lease liabilities	416	-	416	-
	416	-	416	-

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
Recurrent sourced				
Calvary Health Care Sydney	34,681	30,969	34,681	30,969
War Memorial Hospital Waverley	18,332	16,893	18,332	16,893
Eastern Sydney SCARBA Centre	1,456	1,424	1,456	1,424
	54,469	49,286	54,469	49,286

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 Calvary Health Care Sydney, War Memorial Hospital Waverley and Eastern Sydney SCARBA Centre have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SESLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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 SESLHD'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 and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

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

11. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the SESLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the SESLHD 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 SESLHD recognised additional NSW Ministry of Health recurrent allocations of \$35.01 million and NSW Ministry of Health capital allocations of \$6.59 million 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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	239	222	239	222
Sale of prosthesis	11,967	11,041	11,967	11,041
Other	462	283	462	283
	12,668	11,546	12,668	11,546

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	102,878	118,920	102,878	118,920
- Nursing home fees	132	177	132	177
- Non inpatient fees	7,177	6,450	7,177	6,450
Department of Veterans' Affairs	15,443	17,269	15,443	17,269
Highly specialised drugs	41,670	40,725	41,670	40,725
Motor Accident Authority third party	11,789	13,892	11,789	13,892
Multi Purpose Service Centre fees	171	154	171	154
Patient transport fees	61	-	61	-
Enteral nutrition	11	12	11	12

Staff

Private use of motor vehicles	73	112	73	112
Salary packaging fee	551	572	551	572
Meals and accommodation	243	254	243	254
Child care fees	1,232	1,142	1,232	1,142

General community

Car parking	2,043	2,088	2,043	2,088
Clinical services (excluding clinical drug trials)	127	209	127	209
Commercial activities	5,553	5,740	5,553	5,740
Fees for conferences and training	334	383	334	383
Fees for medical records	239	243	239	243
Information retrieval	7	5	7	5

Non-NSW Health entities

Services to other organisations	1,924	2,816	1,924	2,816
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Entities controlled by the immediate parent

Hosted service revenues	11,431	12,222	11,431	12,222
Shared corporate service revenues	-	1	-	1

Other

Infrastructure fees - annual charge	8,606	9,645	8,606	9,645
Infrastructure fees - monthly facility charge	24,446	25,810	24,446	25,810
Other	194	506	194	506

	236,335	259,347	236,335	259,347
	249,003	270,893	249,003	270,893

Recognition and Measurement

Sale of goods (until 30 June 2019)

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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 SESLHD satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The SESLHD 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 SESLHD 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 SESLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the NSW Ministry of Health in the form of a block grant.

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 SESLHD 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.

Refer to Note 30 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the SESLHD expects to recognise the unsatisfied portion as revenue.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

13. Investment revenue

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest income from financial assets at amortised cost	226	351	226	351
Finance income on the net investment in the lease	221	-	221	-
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	1,059	2,027	1,059	2,027
Dividends	11	13	11	13
Other	-	161	-	161
	1,517	2,552	1,517	2,552

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).

Dividend income

Dividend revenue is recognised when the SESLHD's right to receive the payment has been established.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

14. Grants and other contributions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Clinical drug trials	-	4,426	-	4,426
Commonwealth government grants	-	15,701	-	15,701
Cancer Institute grants received from an entity controlled by the immediate parent	-	10,295	-	10,295
Grants & contributions received from entities controlled by the ultimate parent	-	145	-	145
Grants & contributions received from entities controlled by the immediate parent	-	2,069	-	2,069
Research grants	-	1,518	-	1,518
Other grants	-	8,348	-	8,348
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	3,788	-	3,788	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	10,927	-	10,927	-
Clinical trials and research grants	7,004	-	7,004	-
Commonwealth government grants received for community based services	8,605	-	8,605	-
Commonwealth government grants other	115	-	115	-
Other grants from entities controlled by the immediate parent	638	-	638	-
Other grants	7,719	-	7,719	-
Grants without specific performance obligations				
Clinicals trial and research grants	1,096	-	1,096	-
Commonwealth government grants other	5,953	-	5,953	-
Grants from entities controlled by the ultimate parent	93	-	93	-
Other grants from entities controlled by the immediate parent	774	-	774	-
Other grants	365	-	365	-
Donations	7,642	9,072	7,642	9,072
	54,719	51,574	54,719	51,574

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

14. Grants and other contributions (continued)

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 SESLHD 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 SESLHD is recognised when the SESLHD satisfies its obligations under the transfer. The SESLHD 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 SESLHD satisfies a performance obligation by transferring the promised goods or services. The SESLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The SESLHD 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.

Refer to Note 30 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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	6,505	7,287	-	-
Long service leave provision	51,535	75,684	-	-
	58,040	82,971	-	-

16. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Bad debts recovered	-	1	-	1
Commissions	121	201	121	201
Discounts	69	191	69	191
Insurance refunds	428	69	428	69
Rental income				
- other rental income	6,492	8,651	6,492	8,651
Sale of merchandise, old wares and books	53	50	53	50
Sponsorship	20	512	20	512
Treasury Managed Fund hindsight adjustment	-	5,464	-	5,464
Unclaimed deposits	3	4	3	4
Other	5,547	8,031	5,547	8,031
	12,733	23,174	12,733	23,174

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

17. Gains / (losses) on disposal

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	5,115	25,377	5,115	25,377
Less: accumulated depreciation	4,968	14,254	4,968	14,254
Written down value	147	11,123	147	11,123
Less: proceeds from disposal	159	3,973	159	3,973
Less: finance lease receivable	-	7,103	-	7,103
Gain / (Loss) on disposal of property, plant and equipment	12	(47)	12	(47)
Right-of-use assets	53	-	53	-
Less: accumulated depreciation	3	-	3	-
Written down value	50	-	50	-
Less: lease liabilities extinguished	50	-	50	-
Gain / (Loss) on disposal of right-of-use assets	-	-	-	-
Total gains / (losses) on disposal	12	(47)	12	(47)

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 Contract assets
- Note 23 Property, plant and equipment
- Note 24 Leases
- Note 25 Intangible assets

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

The SESLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

19. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	33,232	20,318	33,232	20,318
Short term deposits	35,835	35,289	35,835	35,289
	69,067	55,607	69,067	55,607

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:

Cash and cash equivalents (per Statement of Financial Position)	69,067	55,607	69,067	55,607
Closing cash and cash equivalents (per Statement of Cash Flows)	69,067	55,607	69,067	55,607

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 SESLHD are restricted assets and are not held for operating and capital

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 SESLHD. These payments are reported as expenses and operating cash outflows in the financial statements of the SESLHD.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the SESLHD 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 SESLHD when HealthShare NSW makes these payments on behalf of the SESLHD.

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

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the SESLHD 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 SESLHD.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

20. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Trade receivables from contracts with customers	28,234	-	28,234	-
Sale of goods and services	-	48,130	-	48,130
Intra health receivables	9,431	19,571	9,431	19,571
Goods and Services Tax	5,570	3,646	5,570	3,646
Other receivables	2,734	5,432	2,734	5,432
Sub total	45,969	76,779	45,969	76,779
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(3,567)	-	(3,567)	-
- Sale of goods and services	-	(2,821)	-	(2,821)
- Other receivables	(44)	(125)	(44)	(125)
Sub total	42,358	73,833	42,358	73,833
Prepayments	16,014	5,758	16,014	5,758
	58,372	79,591	58,372	79,591

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(2,821)	-	(2,821)	-
Amounts written off during the year	2,912	-	2,912	-
(Increase) / decrease in allowance recognised in the net result ¹	(3,658)	-	(3,658)	-
Balance at the end of the year	(3,567)	-	(3,567)	-
Sale of goods and services				
Balance at the beginning of the year	-	(3,077)	-	(3,077)
Amounts written off during the year	-	2,061	-	2,061
(Increase) / decrease in allowance recognised in the net result ¹	-	(1,805)	-	(1,805)
Balance at the end of the year	-	(2,821)	-	(2,821)
Other receivables				
Balance at the beginning of the year	(125)	(72)	(125)	(72)
Amounts written off during the year	85	717	85	717
(Increase) / decrease in allowance recognised in the net result	(4)	(770)	(4)	(770)
Balance at the end of the year	(44)	(125)	(44)	(125)
	(3,611)	(2,946)	(3,611)	(2,946)
Non-current				
Other receivables	7,486	7,265	7,486	7,265
Sub total	7,486	7,265	7,486	7,265
Prepayments	1,885	-	1,885	-
	9,371	7,265	9,371	7,265

¹ Includes impairment loss of \$3,658 thousand (2019: \$1,805 thousand) recognised on receivables from contracts with customers.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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	215	1,760	215	1,760
Patient fees - ineligible	8,858	8,144	8,858	8,144
Patient fees - inpatient & other	11,880	21,764	11,880	21,764
	20,953	31,668	20,953	31,668

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)	37,573	37,573
	37,573	37,573

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

Impairment

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

In response to the COVID-19 pandemic, the SESLHD 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 SESLHD has a rental receivables balance amount of \$715 thousand as at 30 June 2020. The expected impacts on the recoverability of these receivables is not considered significant.

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

21. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Drug supplies	7,659	7,383	7,659	7,383
Medical and surgical supplies	16,746	15,714	16,746	15,714
Food and hotel supplies	5	6	5	6
Other including goods in transit	169	-	169	-
	24,579	23,103	24,579	23,103

The increase in medical and surgical supplies is a result of the SESLHD preparing for an increase in COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed in the normal services provided by the SESLHD.

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 SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

22. Financial assets at fair value

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
TCorpIM Funds Investment Facilities	44,061	43,377	44,061	43,377
	44,061	43,377	44,061	43,377

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

Recognition and Measurement

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

Classification and measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,587,167	234,239	187,850	3,009,256
Less: accumulated depreciation and impairment	976,268	132,767	128,363	1,237,398
Net carrying amount	1,610,899	101,472	59,487	1,771,858
As at 30 June 2019				
Gross carrying amount	2,448,371	236,876	187,850	2,873,097
Less: accumulated depreciation and impairment	926,434	119,161	123,666	1,169,261
Net carrying amount	1,521,937	117,715	64,184	1,703,836

¹ 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.

(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
Year ended 30 June 2020				
Net carrying amount at beginning of year	1,521,937	117,715	64,184	1,703,836
Adjusted net carrying amount at beginning of year	1,521,937	117,715	64,184	1,703,836
Additions	117,098	15,070	-	132,168
Reclassification from other assets (Note 26)	12,424	-	-	12,424
Disposals	-	(147)	-	(147)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	638	-	638
Net revaluation increments less revaluation decrements	(3,960)	-	-	(3,960)
Depreciation expense	(49,829)	(18,575)	(4,697)	(73,101)
Reclassifications	13,229	(13,229)	-	-
Net carrying amount at end of year	1,610,899	101,472	59,487	1,771,858

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2019				
Net carrying amount at beginning of year	1,477,870	106,126	64,996	1,648,992
Additions	117,898	17,441	-	135,339
Disposals	(10,514)	(609)	-	(11,123)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,106	-	1,106
Net revaluation increments less revaluation decrements	839	-	3,974	4,813
Depreciation expense	(52,365)	(18,140)	(4,786)	(75,291)
Reclassifications	(11,791)	11,791	-	-
Net carrying amount at end of year	1,521,937	117,715	64,184	1,703,836

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,513,387	234,239	187,850	2,935,476
Less: accumulated depreciation and impairment	937,112	132,767	128,363	1,198,242
Net carrying amount	1,576,275	101,472	59,487	1,737,234
	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	2,374,907	236,876	187,850	2,799,633
Less: accumulated depreciation and impairment	889,124	119,161	123,666	1,131,951
Net carrying amount	1,485,783	117,715	64,184	1,667,682

(b) Property, plant and equipment held and used by the SESLHD - reconciliation

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	1,485,783	117,715	64,184	1,667,682
Adjusted net carrying amount at beginning of year	1,485,783	117,715	64,184	1,667,682
Additions	116,782	15,070	-	131,852
Reclassification from other assets	12,424	-	-	12,424
Disposals	-	(147)	-	(147)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	638	-	638
Net revaluation increments less revaluation decrements	(3,960)	-	-	(3,960)
Depreciation expense	(47,983)	(18,575)	(4,697)	(71,255)
Reclassifications	13,229	(13,229)	-	-
Net carrying amount at end of year	1,576,275	101,472	59,487	1,737,234

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment (continued)

(c) Property, plant and equipment where the SESLHD is the lessor under operating leases

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	73,780	-	-	73,780
Less: accumulated depreciation and impairment	39,156	-	-	39,156
Net carrying amount	34,624	-	-	34,624
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	73,464	-	-	73,464
Less: accumulated depreciation and impairment	37,310	-	-	37,310
Net carrying amount	36,154	-	-	36,154

(c) Property, plant and equipment where the SESLHD is the lessor under operating leases - reconciliation

PARENT AND CONSOLIDATION

A reconciliation of the carrying amount for each class of property, plant and equipment subject to an operating lease is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	36,154	-	-	36,154
Adjusted net carrying amount at beginning of year	36,154	-	-	36,154
Additions	316	-	-	316
Depreciation expense	(1,846)	-	-	(1,846)
Net carrying amount at end of year	34,624	-	-	34,624

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment (continued)

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 Standards.

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

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 SESLHD are deemed to be controlled by the SESLHD 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.

Assets not able to be reliably measured

The SESLHD holds certain assets that are not recognised in the Statement of Financial Position because the SESLHD is unable to measure reliably the value of the assets and those assets are likely to be immaterial.

The SESLHD holds a unique collection of pathology specimens of which their normal place of residence is at Sydney Hospital. Parts of the collection are currently on loan to a range of associated educational and health institutions.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

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

	Useful lives
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.

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 SESLHD 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 SESLHD uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2018 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.

An interim management revaluation was completed on 31 December 2019 as a result of a cumulative increase in indicators of 6% for land and buildings and 3% for infrastructure. The SESLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE Valuations Pty Ltd were not applied as they were deemed immaterial.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Due to the COVID-19 pandemic in early 2020, the SESLHD 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 SESLHD 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.

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 SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Leases

(a) Entity as a lessee

The SESLHD 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 SESLHD 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 SESLHD 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).

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 SESLHD 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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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
2020			
Balance at 1 July 2019	10,218	11,409	21,627
Additions	5,222	2,107	7,329
Disposals	-	(50)	(50)
Depreciation expense	(1,933)	(2,844)	(4,777)
Balance at 30 June 2020	13,507	10,622	24,129

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	Total \$'000
2020	
Balance at 1 July 2019	21,627
Additions	7,329
Interest expenses	416
Payments	(4,683)
Terminations	(50)
Balance at 30 June 2020	24,639

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

PARENT AND CONSOLIDATION

	Total \$'000
2020	
Depreciation expense of right-of-use assets	4,777
Interest expense on lease liabilities	416
Expenses relating to short-term leases	3,020
Expenses relating to leases of low-value assets	110
Variable lease payments not included in the measurement of lease liabilities	23
Total amount recognised in the statement of comprehensive income	8,346

The SESLHD had total cash outflows for leases of \$4,683 thousand for the year ended 30 June 2020.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. 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

	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	3,678	-
Later than one year and not later than five years	9,975	-
Later than five years	124	-
Total (including GST)	13,777	-
<i>Less: GST recoverable from the Australian Taxation Office</i>	<i>1,252</i>	<i>-</i>
Total (excluding GST)	12,525	-

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

The SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The SESLHD 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:

	Useful lives
Buildings	1 to 7 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the SESLHD 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 SESLHD 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 SESLHD 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 SESLHD 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 SESLHD; and
- payments of penalties for terminating the lease, if the lease term reflects the SESLHD exercising the option to terminate.

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 SESLHD 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 SESLHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. 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 SESLHD's lease liabilities are included in borrowings in Note 31.

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

The SESLHD 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.

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 SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Leases (continued)

(b) Entity as a lessor

SESLHD leases retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions. The rental income is incidental to the purpose for holding the property and the retail spaces contribute towards SESLHD revenue-generating activities. As a result, such assets have been disclosed as part of Property, plant and equipment held and used by the consolidated entity.

SESLHD also leases spaces to non-government organisations (NGO's) under operating lease arrangements. Generally there are no rental payments as SESLHD provides market rental assistance grants to offset the rental payments.

SESLHD has also leased Levels 5 and 6 in the Bright Alliance Building, Randwick to the University of NSW for 40 years, which is treated as finance lease. All lease payments have been paid upfront and the asset has been disposed from non-current assets.

SESLHD's overall exposure to changes in the residual value at the end of the current leases is not material as these leases form a very small part of the asset portfolio. Any expectations about the future residual values are reflected in the fair value of these properties.

Lessor for finance leases

There are no future minimum rentals receivable (undiscounted) under non-cancellable finance lease as at 30 June 2020.

Reconciliation of net investment in leases

PARENT AND CONSOLIDATION

	Total \$'000
Unguaranteed residual amounts - undiscounted	146,463
Less: unearned finance income	(138,977)
Net investment in finance lease	7,486

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Leases (continued)

(b) Entity as a lessor (continued)

Gross investment in leases and the present value of minimum lease payment receivable under non-cancellable finance lease as at 30 June 2019 are, as follows:

PARENT AND CONSOLIDATION

	Gross Investment 2019 \$'000	PV of minimum lease payments 2019 \$'000
Later than five years	146,463	-
Total (excluding GST)	146,463	-

The accumulated allowance for uncollectable minimum payments receivable for finance leases as at 30 June 2019 is nil.

Reconciliation of gross investment in finance leases

PARENT AND CONSOLIDATION

	2019 \$'000
Unguaranteed residual amounts - undiscounted	146,463
Gross investment in finance lease	146,463

Recognition and Measurement

Lessor for finance leases

Leases that the SESLHD transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. From 1 July 2019, subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, the SESLHD recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Leases (continued)

(b) Entity as a lessor (continued)

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2020 are, as follows:

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	2020	2019
	\$'000	\$'000
Within one year	4,367	850
Later than one year and not later than five years	3,994	711
Two to three years	3,483	413
Three to four years	3,414	33
Four to five years	3,414	-
Later than five years	41,419	-
Total (excluding GST)	60,091	2,007

Recognition and Measurement

Lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	685	484	685	484
Less: accumulated amortisation and impairment	430	403	430	403
Net carrying amount	255	81	255	81

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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
Year ended 30 June 2020		
Net carrying amount at beginning of year	81	100
Additions - acquired separately	202	-
Amortisation (recognised in depreciation and amortisation)	(28)	(19)
Net carrying amount at end of year	255	81

Recognition and Measurement

The SESLHD recognises intangible assets only if it is probable that future economic benefits will flow to the SESLHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. 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 SESLHD'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 SESLHD's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

26. Other assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-current				
Emerging rights to assets	41,500	48,983	41,500	48,983
	41,500	48,983	41,500	48,983

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	48,983	48,713
Additions	2,325	4,315
Reclassifications to land and buildings	(12,424)	-
Net revaluation increment less revaluation decrement	2,615	(4,045)
Net carrying amount at end of period	41,499	48,983

Amounts recognised in other comprehensive income relating to emerging rights to assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Emerging rights to assets - asset revaluation	2,615	(4,045)	2,615	(4,045)
	2,615	(4,045)	2,615	(4,045)

Recognition and Measurement

The SESLHD's emerging interest in the St George (STG), Sydney (SYD) and Prince of Wales (POW) Hospital Car Parks has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the SESLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 6.61% (STG), 9.47% (SYD) & 7.23% (POW) at commencement of the concession period. 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. The emerging asset, to operate the car park facility at the Sydney & Sydney Eye Hospitals expired in May 2020 and was reclassified to land and buildings.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

27. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

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

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

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

(a) Fair value hierarchy

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
2020				
Property, plant and equipment (Note 23)				
- Land and buildings	-	182,038	1,202,451	1,384,489
- Infrastructure systems	-	-	59,487	59,487
Other assets (Note 26)				
- Emerging rights to assets	-	-	41,500	41,500
	-	182,038	1,303,438	1,485,476

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 23.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
2019				
Property, plant and equipment (Note 23)				
- Land and buildings	-	181,623	1,221,230	1,402,853
- Infrastructure systems	-	-	64,184	64,184
Other assets (Note 26)				
- Emerging rights to assets	-	-	48,983	48,983
	-	181,623	1,334,397	1,516,020

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

(b) Valuation techniques, inputs and processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 23 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.

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

(c) Reconciliation of recurring Level 3 fair value measurements

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	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
2020				
Fair value as at 1 July 2019	1,221,230	64,184	48,983	1,334,397
Additions	22,587	-	2,325	24,912
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	(3,960)	-	-	(3,960)
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets' (Note 26)	-	-	2,615	2,615
Depreciation expense	(49,829)	(4,697)	-	(54,526)
Other Assets reclassified to land and buildings	12,424	-	(12,424)	0
Fair value as at 30 June 2020	1,202,451	59,487	41,499	1,303,437

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for 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

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2018	910,905	64,996	48,713	1,024,614
Additions	117,898	-	4,315	122,213
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	839	3,974	-	4,813
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets' (Note 26)	-	-	(4,045)	(4,045)
Transfers from Level 2	10	-	-	10
Transfers to Level 2	247,750	-	-	247,750
Disposals	(3,808)	-	-	(3,808)
Depreciation expense	(52,365)	(4,786)	-	(57,151)
Fair value as at 30 June 2019	1,221,230	64,184	48,983	1,334,397

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

28. Restricted assets

PARENT AND CONSOLIDATION

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

Category	1 July 2019	Revenue	Expense	2020
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	1,114	1,372	(10)	2,476
Facility improvements	13,902	3,323	(3,654)	13,571
Holds funds in perpetuity	1,163	787	(1,304)	646
Patient welfare	8,568	3,652	(1,734)	10,486
Private practice disbursements (No.2 Accounts)	30,417	9,461	(10,578)	29,300
Public contributions	1,951	78	(1,797)	232
Research	21,533	8,424	(5,526)	24,431
Staff welfare	2,161	1,051	(1,425)	1,787
Training and education including conferences	17,520	4,073	(4,327)	17,266
	98,329	32,221	(30,355)	100,195

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

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

Unclaimed monies

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

29. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Accrued salaries, wages and on-costs	38,609	30,931	-	-
Taxation and payroll deductions	4,417	6,905	-	-
Accrued liability - purchase of personnel services	-	-	43,026	37,836
Creditors	27,427	49,990	27,427	49,990
Other creditors				
- Payables to entities controlled by the immediate parent	16,415	14,759	16,415	14,759
- Other	14,015	12,226	14,015	12,226
	100,883	114,811	100,883	114,811

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 SESLHD and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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
Current				
Contract liabilities	442	1,350	442	1,350
	442	1,350	442	1,350

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 decreased 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	1,350	1,350
Transaction price allocated to the remaining performance obligations from contracts with customers	8,769	8,769

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

Specific revenue class	2021 \$'000	2022 \$'000	2023 \$'000	≥ 2024 \$'000
Grants and other contributions	5,385	3,384	-	-
	5,385	3,384	-	-

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

31. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Lease liability (see Note 24)	4,823	-	4,823	-
	4,823	-	4,823	-
Non-current				
Lease liability (see Note 24)	19,816	-	19,816	-
	19,816	-	19,816	-

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

Final repayment of the lease is scheduled for 31 December 2041.

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

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 SESLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 41 (for derecognition policy.)

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
Recognised on adoption of AASB 16	-	21,627	21,627
1 July 2019	-	21,627	21,627
Cash flows	-	(4,267)	(4,267)
New leases	-	7,279	7,279
30 June 2020	-	24,639	24,639

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

32. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	124,000	121,066	-	-
Annual leave - long term benefit	59,007	47,295	-	-
Long service leave consequential on-costs	36,064	33,010	-	-
Provision for other employee benefits	7,077	4,526	-	-
Provision for personnel services liability	-	-	226,148	205,897
Total current provisions	226,148	205,897	226,148	205,897
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,136	2,870	-	-
Provision for personnel services liability	-	-	3,136	2,870
Total non-current provisions	3,136	2,870	3,136	2,870
Aggregate employee benefits and related on-costs				
Provisions - current	226,148	205,897	-	-
Provisions - non-current	3,136	2,870	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 29)	43,026	37,836	-	-
Liability - purchase of personnel services	-	-	272,310	246,603
	272,310	246,603	272,310	246,603

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 18.2% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.26%). The SESLHD has assessed the actuarial advice based on the SESLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the SESLHD does not expect to settle the liability within 12 months as the SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

32. Provisions (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

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

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

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 SESLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the SESLHD 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 SESLHD has a detailed formal plan, and the SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

33. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Unearned revenue	21,541	5,462	21,541	5,462
	21,541	5,462	21,541	5,462
Non-current				
Unearned revenue	3,272	4,314	3,272	4,314
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	6,142	-	6,142	-
	9,414	4,314	9,414	4,314

Unearned revenue was derived from the following:

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

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

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

In December 2019 a capital funding deed and agreement was entered into with the University of NSW. Under the terms of the agreement, the University has committed to a funding contribution towards a nominated space and integration at the Randwick Hospital Campus up to an amount of \$58M. This facility is under construction and is part of the broader Randwick Development Plan.

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 SESLHD.

	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	7,930
Adjusted opening balance	7,930
Add: receipt of cash during the financial year	2,000
Less: income recognised during the financial year	3,788
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	6,142

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

The SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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	157,065	61,780	157,065	61,780
Later than one year and not later than five years	256,930	485,683	256,930	485,683
Total (including GST)	413,995	547,463	413,995	547,463

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$413.9M million as at 30 June 2020 includes input tax credits of \$37.6M million that are expected to be recoverable from the Australian Taxation Office (2019 \$58.8M).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$1.98M million as at 30 June 2020 includes taxable sales of \$0.2M that are expected to be payable to the Australian Taxation Office (2019: \$0.2M).

35. Contingent liabilities and assets

PARENT AND CONSOLIDATION

(a) Contingent liabilities

The SESLHD has no known material and quantifiable contingent liabilities at 30 June 2020.

(b) Contingent assets

The SESLHD has no known material and quantifiable contingent assets at 30 June 2020.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

36. Trust funds

PARENT AND CONSOLIDATION

The SESLHD holds trust funds of \$2.3 million (2019: \$1.5 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2019			30 June 2020
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	379	2,061	(2,040)	400
Refundable Deposits	364	59	(57)	366
Private Patient Trust Funds	37	42,526	(42,543)	20
Third Party Funds	676	1,048	(182)	1,542
Total trust funds	1,456	45,694	(44,822)	2,328

Category	1 July 2018			30 June 2019
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	356	1,998	(1,975)	379
Refundable Deposits	327	71	(34)	364
Private Patient Trust Funds	8	43,668	(43,639)	37
Third Party Funds	646	37	(7)	676
Total trust funds	1,337	45,774	(45,655)	1,456

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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	150,622	127,623	150,622	127,623
Depreciation and amortisation expense	(77,906)	(75,310)	(77,906)	(75,310)
Allowance for impairment	(3,662)	(2,575)	(3,662)	(2,575)
(Increase) / decrease in unearned revenue	(14,598)	(1,386)	(14,598)	(1,386)
Decrease / (increase) in provisions	(20,516)	(10,047)	(20,516)	(10,047)
Increase / (decrease) in prepayments and other assets	(14,826)	11,984	(14,826)	11,984
Decrease / (increase) in payables	14,557	5,467	14,557	5,467
Decrease / (increase) in contract liabilities	908	-	908	-
Net gain / (loss) on sale of property, plant and equipment	12	(47)	12	(47)
Non-cash revenue items	221	-	221	-
Assets donated or brought to account (Note 38)	638	5,421	638	5,421
Emerging assets recognised (Note 38)	2,325	-	2,325	-
Net result	37,775	61,130	37,775	61,130

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	638	5,421	638	5,421
Property, plant and equipment acquired by a lease	7,329	-	7,329	-
Emerging rights to assets recognised	2,325	-	2,325	-
	10,292	5,421	10,292	5,421

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

PARENT AND CONSOLIDATION

Net result

The actual Net Result was lower than adjusted budget by \$39 million, primarily due to:

The District's Net Results was impacted by increase in expenses (\$15M) that were further impacted by decrease in revenues (\$24M) for the year ended 30 June 2020.

Assets and liabilities

The actual Net Assets was lower than the adjusted budget by \$48M, primarily due to a decrease in assets of \$2M (mainly from decrease in actual receivables \$21M) which were offset by an increase in liabilities (\$46M).

Cash flows

The actual Cash Flows for operating activities was higher than adjusted budget by \$4M, primarily due to the District's increased payments (\$11M) which was funded by increased receipts (\$15M).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Adjusted budget review (continued)

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 19 June 2019 are as follows:

	\$000
Initial allocation, 19 June 2019	1,390,578
Award increases	27,599
Special Projects:	
Their Future Matters	1,489
Adult Survivors of Child Sexual Abuse Pilot Project	985
Other:	
COVID-19 Response	35,019
Creditor Adjustments	16,136
Single Room Rate Reduction	10,095
Pathology	3,000
COVID-19 Response (Capital)	6,597
Single Room Rate Reduction - Affiliated Health Organisations	3,033
Peritonectomy Services	2,360
Garrawarra Centre Site Remediation Project	2,138
Dental Services	1,800
Superannuation	3,000
Extra Emergency Department Activity	1,600
Telestroke Implementation	1,584
Excessive Annual Leave Reduction	1,000
Leases	1,000
Nurse Strategy Reserve Funding	976
Voluntary Redundancy	922
Pharmacy Co-Payment	861
Youth Cancer Service (YCS)	724
Additional Eye Surgery	680
NSW Aged Care Assessment Program (ACAP)	453
Bushfire Relief	407
Other	8,990
Balance as per Statement of Comprehensive Income	1,523,026

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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 SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 23.

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:

Nil

Equity transfers effected in the 2018/19 year were:

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 an increase in net assets of \$4.4M relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected comprised:

	2020 \$000	2019 \$000
Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	-	4,424
	-	4,424

Assets and Liabilities transferred are as follows:

	2020 \$000	2019 \$000
Assets		
Nil	-	-
Liabilities		
Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health	-	(4,424)
Increase / (Decrease) in Net Assets From Equity Transfers	-	(4,424)

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments

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

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

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

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2020 \$000	Carrying Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 19)	Amortised cost	69,067	55,607
Receivables (Note 20) ¹	Amortised cost	44,274	77,452
Financial Assets at Fair Value (Note 22)	Fair value through profit or loss - mandatory classification	44,061	43,377
Total Financial Assets		157,402	176,436
Financial Liabilities			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	24,639	-
Payables (Note 29) ²	Financial liabilities measured at amortised cost	96,466	107,906
Total Financial Liabilities		121,105	107,906

Notes

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

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

The SESLHD 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) 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(c) Financial risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 1.10%) in 2019-20 compared to 0.00% (Restricted Funds Bank balance: 2.35%) 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 SESLHD 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.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The SESLHD has 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 90 days past due.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

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

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2020						
Expected credit loss rate	1.58%	7.04%	22.20%	31.13%	41.62%	9.39%
Estimated total gross carrying amount ¹	28,212	2,174	1,320	861	5,887	38,454
Expected credit loss	447	153	293	268	2,450	3,611
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019 ²						
Expected credit loss rate	1.75%	4.13%	11.63%	21.02%	21.54%	4.84%
Estimated total gross carrying amount ¹	46,316	4,644	1,771	1,004	7,092	60,827
Expected credit loss	810	192	206	211	1,528	2,946

Notes

¹ 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.

² Prior year balances have been restated to include other receivables and contract assets

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(c) Financial risk (continued)

ii. Liquidity risk

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

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

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

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(c) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$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
2020								
Payables:								
- Creditors ²		96,466	-	-	96,466	96,466	-	-
Borrowings:								
- Lease liabilities	1.76%	26,698	26,698	-	-	5,195	14,064	7,439
		123,164	26,698	-	96,466	101,661	14,064	7,439
2019								
Payables:								
- Creditors ²		107,906	-	-	107,906	107,906	-	-
		107,906	-	-	107,906	107,906	-	-

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

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

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

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

	2020 \$000		2019 \$000	
	-1%	1%	-1%	1%
Net result	(885)	885	(990)	990
Equity	(885)	885	(990)	990

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(c) Financial risk (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 SESLHD has no direct equity investments. The SESLHD holds units in the following TCorpIM Funds trusts:

Facility	Investment Sectors	Investment Horizon	2020 \$000	2019 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	35,835	35,288
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	44,061	43,377

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 SESLHD'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).

	2020 Change in unit price	2019 Change in unit price	Impact on net result	
			2020 \$000	2019 \$000
TCorpIM Funds - Cash facility	10%	1%	3,584	353

(d) 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(d) Fair value measurement (continued)

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

	Level 1	Level 2	Level 3	2020
	\$'000	\$'000	\$'000	Total
				\$'000
TCorpIM Funds	-	79,896	-	79,896
				2019
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
TCorpIM Funds	-	78,665	-	78,665

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 SESLHD'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.

South Eastern 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:

	2020	2019
	\$000	\$000
Short-term employee benefits	771	699
Post-employment benefits	70	71
	841	770

During the financial year, South Eastern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$430 thousand (2019: \$268 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The SESLHD'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 SESLHD had with government related entities during the financial year

During the financial year and comparative year, the SESLHD 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 the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Rental accommodation for the HIV and Related Programs Unit (HARP) at the Orana Centre in Warrarong, NSW.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

42. Related party transactions (continued)

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Rental costs for Property NSW leased properties
- 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 operational activities, research and

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
- Clinical services revenue earned from NSP Police Force and Transport for NSW
- 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
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation.
- The majority of 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