



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the District and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 40. 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 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: www.auasb.gov.au/auditors_responsibilities/ar3.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

28 September 2020
SYDNEY

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 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 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 "Teresa Anderson".

Dr Teresa Anderson
Chief Executive
24 September 2020

A handwritten signature in black ink, appearing to read "Ross Sinclair".

Ross Sinclair
Executive Director of Finance
24 September 2020

Sydney Local Health District

Statement of Comprehensive Income for the year ended 30 June 2020

		Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	Restated	Actual	Budget	Restated
		2020	2020	2019	2020	2020	2019
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	1,239,251	1,215,688	1,180,581	-	-	-
Personnel services	3	-	-	-	1,175,669	1,155,905	1,096,565
Visiting medical officers	4	55,866	53,341	52,381	55,866	53,341	52,381
Other expenses	5	587,511	610,903	536,570	585,556	610,903	534,355
Depreciation and amortisation	6	64,997	64,418	57,709	64,100	64,418	56,844
Grants and subsidies	7	24,430	22,309	21,719	24,378	22,309	21,540
Finance costs	8	356	112	200	356	112	200
Payments to Affiliated Health Organisations	9	13,559	13,560	12,741	13,559	13,560	12,741
Total expenses excluding losses		1,985,970	1,980,331	1,861,901	1,919,484	1,920,548	1,774,626
Revenue							
NSW Ministry of Health recurrent allocations	11	1,585,871	1,579,156	1,452,129	1,585,871	1,579,156	1,452,129
NSW Ministry of Health capital allocations	11	109,182	109,820	54,233	109,182	109,820	54,233
Acceptance by the Crown Entity of employee benefits	15	59,853	59,783	80,177	-	-	-
Sale of goods and services	12	-	-	221,014	-	-	221,014
Sale of goods and services from contracts with customers	12	205,395	212,847	-	205,395	212,847	-
Investment revenue	13	3,226	4,914	5,121	2,783	4,914	4,496
Grants and other contributions	14	57,894	44,436	49,088	52,999	44,436	44,628
Other income	16	42,353	33,137	25,711	41,244	33,137	24,495
Total revenue		2,063,774	2,044,093	1,887,473	1,997,474	1,984,310	1,800,995
Operating result		77,804	63,762	25,572	77,990	63,762	26,369
Gains / (losses) on disposal	17	(193)	-	(2,757)	(221)	-	(2,744)
Impairment losses on financial assets	21	(6,654)	(770)	(4,891)	(6,654)	(770)	(4,891)
Net result from continuing operations	38	70,957	62,992	17,924	71,115	62,992	18,734
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	24	5,428	-	554,414	5,428	-	547,855
Changes in revaluation surplus of other assets	27	-	-	2,494	-	-	2,494
Total other comprehensive income		5,428	-	556,908	5,428	-	550,349
TOTAL COMPREHENSIVE INCOME		76,385	62,992	574,832	76,543	62,992	569,083

¹ Unaudited adjusted budget, see Note 40.

The accompanying notes form part of these financial statements.

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

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Restated Actual 2019 \$000	Consolidated Restated Actual 1 July 2018 \$000	Parent Actual 2020 \$000	Parent Budget 2020 \$000	Parent Restated Actual 2019 \$000	Parent Restated Actual 1 July 2018 \$000
ASSETS									
Current assets									
Cash and cash equivalents	20	121,752	85,546	98,623	100,047	97,129	82,183	95,261	96,820
Receivables	21	75,776	82,180	82,517	73,272	75,321	81,767	82,100	72,513
Inventories	22	12,966	13,201	13,202	11,513	12,966	13,201	13,202	11,513
Other financial assets	23	77,959	99,431	99,431	98,126	77,959	77,447	77,447	77,209
Total current assets		288,453	280,358	293,773	282,958	263,375	254,598	268,010	258,055
Non-current assets									
Property, plant & equipment	24								
- Land and buildings		1,813,764	1,822,845	1,724,498	1,161,048	1,800,785	1,809,467	1,711,120	1,153,853
- Plant and equipment		97,457	70,533	93,699	94,602	94,079	67,126	90,291	91,559
- Infrastructure systems		10,917	9,773	9,773	418	10,917	9,773	9,773	418
Total property, plant & equipment		1,922,138	1,903,151	1,827,970	1,256,068	1,905,781	1,886,366	1,811,184	1,245,830
Right-of-use assets	25	17,025	14,428	-	-	17,025	14,428	-	-
Intangible assets	26	5,590	3,829	3,828	891	5,590	3,829	3,828	891
Other non-current assets	27	10,773	11,678	8,918	4,653	10,773	11,678	8,918	4,653
Total non-current assets		1,955,526	1,933,086	1,840,716	1,261,612	1,939,169	1,916,301	1,823,930	1,251,374
Total assets		2,243,979	2,213,444	2,134,489	1,544,570	2,202,544	2,170,899	2,091,940	1,509,429
LIABILITIES									
Current liabilities									
Payables	30	101,000	89,403	92,865	84,347	100,661	89,124	92,586	83,985
Contract liabilities	31	2,310	-	-	-	1,128	-	-	-
Borrowings	32	4,989	3,848	753	732	4,989	3,848	753	732
Provisions	33	323,092	321,250	315,171	300,386	322,408	320,689	314,609	299,825
Other current liabilities	34	344	2,796	2,747	870	308	440	391	255
Total current liabilities		431,735	417,297	411,536	386,335	429,494	414,101	408,339	384,797
Non-current liabilities									
Borrowings	32	18,575	15,872	5,565	6,319	18,575	15,872	5,565	6,319
Provisions	33	3,105	3,105	2,824	2,370	3,105	3,105	2,824	2,370
Total non-current liabilities		21,680	18,977	8,389	8,689	21,680	18,977	8,389	8,689
Total liabilities		453,415	436,274	419,925	395,024	451,174	433,078	416,728	393,486
Net assets		1,790,564	1,777,170	1,714,564	1,149,546	1,751,370	1,737,821	1,675,212	1,115,943
EQUITY									
Reserves		926,073	920,645	920,645	369,820	917,012	911,583	911,584	367,318
Accumulated funds		864,491	856,525	793,919	779,726	834,358	826,238	763,628	748,625
Total Equity		1,790,564	1,777,170	1,714,564	1,149,546	1,751,370	1,737,821	1,675,212	1,115,943

¹ Unaudited adjusted budget, see Note 40.

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Changes in Equity for the year ended 30 June 2020

CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		793,919	920,645	1,714,564
Changes in accounting policy	1(g)	(385)	-	(385)
Correction of errors		-	-	-
Balance at 1 July 2019		793,534	920,645	1,714,179
Net result for the year		70,957	-	70,957
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	5,428	5,428
Net change in revaluation surplus of other assets	27	-	-	-
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		-	-	-
Total other comprehensive income		-	5,428	5,428
Total comprehensive income for the year		70,957	5,428	76,385
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	41	-	-	-
Balance at 30 June 2020		864,491	926,073	1,790,564

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		728,291	369,820	1,098,111
Changes in accounting policy (AASB 9)		939	-	939
Correction of errors - Thomas Walker assets transfer		50,496	-	50,496
Balance at 1 July 2018		779,726	369,820	1,149,546
Net result for the year		17,924	-	17,924
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	554,414	554,414
Net change in revaluation surplus of other assets	27	-	2,494	2,494
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		6,083	(6,083)	-
Total other comprehensive income		6,083	550,825	556,908
Total Comprehensive Income for the Year		24,007	550,825	574,832
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	41	(9,814)	-	(9,814)
Balance at 30 June 2019		793,919	920,645	1,714,564

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Changes in Equity for the year ended 30 June 2020

PARENT

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		763,628	911,584	1,675,212
Changes in accounting policy	1(g)	(385)	-	(385)
Correction of errors		-	-	-
Balance at 1 July 2019		763,243	911,584	1,674,827
Net result for the year		71,115	-	71,115
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	5,428	5,428
Net change in revaluation surplus of other assets	27	-	-	-
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		-	-	-
Total other comprehensive income		-	5,428	5,428
Total comprehensive income for the year		71,115	5,428	76,543
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	41	-	-	-
Balance at 30 June 2020		834,358	917,012	1,751,370

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		697,190	367,318	1,064,508
Changes in accounting policy (AASB 9)		939	-	939
Correction of errors - Thomas Walker assets transfer		50,496	-	50,496
Balance at 1 July 2018		748,625	367,318	1,115,943
Net result for the year		18,734	-	18,734
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	547,855	547,855
Net change in revaluation surplus of other assets	27	-	2,494	2,494
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		6,083	(6,083)	-
Total other comprehensive income		6,083	544,266	550,349
Total Comprehensive Income for the Year		24,817	544,266	569,083
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	41	(9,814)	-	(9,814)
Balance at 30 June 2019		763,628	911,584	1,675,212

The accompanying notes form part of these financial statements.

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 Budget 2020 \$000	Parent Actual 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(1,188,326)	(1,163,200)	(1,100,884)	-	-	-
Suppliers for goods and services		(701,027)	(735,987)	(643,639)	(698,660)	(735,450)	(640,937)
Grants and subsidies		(41,952)	(39,832)	(38,218)	(41,870)	(39,804)	(37,993)
Finance costs		(356)	(112)	(200)	(356)	(112)	(200)
Personnel services		-	-	-	(1,184,711)	(1,163,177)	(1,097,033)
Total payments		(1,931,661)	(1,939,131)	(1,782,941)	(1,925,597)	(1,938,543)	(1,776,163)
Receipts							
NSW Ministry of Health recurrent allocations		1,585,871	1,579,156	1,452,129	1,585,871	1,579,156	1,452,129
NSW Ministry of Health capital allocations		109,182	109,820	54,233	109,182	109,820	54,233
Reimbursements from the Crown Entity		18,980	18,980	18,042	-	-	-
Sale of goods and services		214,796	218,040	210,565	214,998	218,068	210,335
Interest received		3,190	4,914	5,069	2,747	4,914	4,443
Grants and other contributions		61,335	49,241	52,693	57,058	48,753	65,876
Other		72,432	87,169	81,369	90,149	106,020	78,238
Total receipts		2,065,786	2,067,320	1,874,100	2,060,005	2,066,731	1,865,254
NET CASH FLOWS FROM OPERATING ACTIVITIES	38	134,125	128,189	91,159	134,408	128,188	89,091
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of property, plant and equipment		176	-	37	111	-	37
Proceeds from sale of financial assets		177,182	177,182	196,745	155,198	155,198	153,838
Purchases of property, plant & equipment		(128,996)	(136,921)	(90,122)	(128,491)	(136,921)	(89,255)
Purchases of financial assets		(155,710)	(177,182)	(198,511)	(155,710)	(155,198)	(154,538)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(107,348)	(136,921)	(91,851)	(128,892)	(136,921)	(89,918)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from borrowings and advances		1,001	1,001	-	1,001	1,001	-
Repayment of borrowings and advances		(798)	(2,124)	(732)	(798)	(2,124)	(732)
Payment of principal portion of lease liabilities		(3,851)	(3,222)	-	(3,851)	(3,222)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(3,648)	(4,345)	(732)	(3,648)	(4,345)	(732)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS							
Opening cash and cash equivalents	20	98,623	98,623	100,047	95,261	95,261	96,820
CLOSING CASH AND CASH EQUIVALENTS	20	121,752	85,546	98,623	97,129	82,183	95,261

¹ Unaudited adjusted budget, see Note 24.

The accompanying notes form part of these financial statements.

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

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

SLHD 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).

SLHD, 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 29), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SLHD to exercise its functions.
- * The Anzac Health and Medical Research Foundation, which conducts medical research on the Concord Hospital campus.

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 by the Chief Executive for issue on 24 September 2020.

b) Basis of preparation

SLHD'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 SLHD 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 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 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 SLHD'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 SLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

The Secretary of NSW Health, the Chair of Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under SLHD'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 SLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

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

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

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * SLHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * SLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD 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. SLHD is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

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

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is SLHD'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 SLHD 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) Foreign currency translation

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

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

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

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

f) Comparative Information

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

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

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

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

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

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

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

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

AASB 15 requires SLHD 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, SLHD 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. SLHD 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; and
- * allocating the transaction price to the satisfied and unsatisfied performance.

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:

Sydney Local Health District

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for the year ended 30 June 2020

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		205,395	205,395	-
Grants and other contributions	(a)(b)	29,831	31,064	(1,233)
Operating result		235,226	236,459	(1,233)
Net Result		235,226	236,459	(1,233)

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

PARENT AND CONSOLIDATED

		2020 AASB 15	2020 Without adoption of AASB 15	2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
Assets				
Other receivables	(a)	154	154	-
Total assets		154	154	-
Liabilities				
Contract liabilities	(b)	2,310	-	2,310
Other liabilities	(b)		1,077	(1,077)
Total liabilities		2,310	1,077	1,233
Equity				
Accumulated funds		(2,156)	(923)	(1,233)
Total adjustments to equity		(2,156)	(923)	(1,233)

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)

Sydney Local Health District

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for the year ended 30 June 2020

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).

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

In accordance with the transition provisions in AASB 1058, SLHD 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. SLHD has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable SLHD 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)	28,063	27,942	121
Operating result		28,063	27,942	121
Net Result		28,063	27,942	121

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

PARENT AND CONSOLIDATED

		2020 AASB 1058	2020 Without adoption of AASB 1058	2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
Liabilities				
Other liabilities	(b)	264	-	264
Total liabilities		264	-	264
Equity				
Accumulated funds		(264)	-	(264)
Total adjustments to equity		(264)	-	(264)

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 were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, 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 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 SLHD 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, SLHD 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.

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

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

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 SLHD 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.

SLHD 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, SLHD has used the following practical expedients permitted by the standard:

Sydney Local Health District

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- * 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	
Receivables	
Property, plant and equipment	-
Right-of-use assets	11,642
Total assets	<u>11,642</u>
Liabilities	
Borrowings	11,642
Total liabilities	<u>11,642</u>
Equity	
Accumulated funds	-
	<u>-</u>

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)	12,568
Less: GST included in operating lease commitments	1,143
Operating lease commitments as at 30 June 2019 (GST excluded)	<u>11,425</u>
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	<u>11,176</u>
Less: commitments relating to short-term leases	189
Less: commitments relating to low-value assets	137
Less: commitments including service charges	837
Add/ Less: contracts re-assessed as lease contracts	29
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	2,065
Add/ Less: adjustments relating to changes in the index or rate affecting variable payments	173
Other adjustments	(638)
Lease liabilities as at 1 July 2019	<u>11,642</u>

Sydney Local Health District

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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 commitments relating to short-term leases, low-value assets and inclusive service charges.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to SLHD 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

SLHD has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of SLHD. Any identified arrangements has 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, SLHD has not identified any arrangements in scope of AASB 1059.

Application Date

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

Sydney Local Health District
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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)	1,069,714	995,784	-	-
Superannuation - defined benefit plans	7,186	7,946	-	-
Superannuation - defined contribution plans	94,436	88,412	-	-
Long service leave	56,181	77,905	-	-
Redundancies	610	200	-	-
Workers' compensation insurance	10,988	10,273	-	-
Fringe benefits tax	136	61	-	-
	1,239,251	1,180,581	-	-

Employee related costs of \$283 thousand (2019: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are 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)	-	-	1,066,292	992,277
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	94,129	88,080
Long service leave	-	-	3,514	5,674
Redundancies	-	-	610	200
Workers' compensation insurance	-	-	10,988	10,273
Fringe benefits tax	-	-	136	61
	-	-	1,175,669	1,096,565

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

Personnel services of \$283 thousand (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 SLHD's hospitals. VMO expenses of \$55.866 millions (2019: \$52.381 millions) represent part of the day-to-day running costs incurred in the normal operations of SLHD. These costs are expensed as incurred.

Sydney Local Health District
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5. Other expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Advertising	284	163	283	162
Auditor's remuneration - audit of financial statements	286	280	258	252
Blood and blood products	22,579	20,594	22,579	20,594
Consultancies	737	160	737	160
Contractors	4,685	4,848	4,725	4,808
Domestic supplies and services	19,296	18,100	19,286	18,093
Drug supplies	85,696	76,576	85,659	76,533
Food supplies	30,361	27,034	30,327	27,016
Fuel, light and power	15,915	17,624	15,915	17,624
Patient transport costs	12,870	11,554	12,870	11,554
Information management expenses	30,320	26,686	30,287	26,653
Insurance	2,057	1,887	2,020	1,853
Maintenance (see Note 5(b))	48,436	38,491	48,148	38,278
Medical and surgical supplies	108,116	101,520	108,090	101,500
Motor vehicle expenses	2,611	1,886	2,605	1,883
Postal and telephone costs	3,212	2,807	3,209	2,800
Printing and stationery	3,953	3,622	3,919	3,600
Rates and charges	2,199	2,168	2,187	2,156
Rental	-	4,535	-	4,535
Hosted services purchased from entities controlled by the immediate parent	-	744	-	744
Specialised services (dental, radiology, pathology and allied health)	86,144	70,336	85,328	69,283
Staff related costs	14,974	16,147	14,639	15,800
Travel related costs	4,528	5,349	4,429	5,228
Other (see Note 5(a))	88,252	83,459	88,056	83,246
	587,511	536,570	585,556	534,355

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

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				
Aircraft expenses (Ambulance)	792	776	792	776
Contract for patient services	57,536	48,209	57,536	48,209
Corporate support services	10,151	10,163	10,151	10,163
Courier and freight	799	963	739	908
Isolated patient travel and accommodation assistance scheme	22	15	22	15
Legal services	3,745	4,318	3,745	4,306
Membership/professional fees	613	626	601	616
Public private partnership contracted services	-	-	-	-
Quality assurance / accreditation	116	116	116	116
Security services	3,460	1,321	3,460	1,321
Motor vehicle operating lease expense - minimum lease payments	-	1,735	-	1,730
Other operating lease expense - minimum lease payments	-	1,666	-	1,666
Expenses relating to short-term leases	2,804	-	2,800	-
Expenses relating to leases of low-value assets	304	-	304	-
Variable lease payments, not included in lease	97	-	97	-
Other Miscellaneous				
- Audiovisual	418	241	418	241
- Books, Mags & Journals	476	584	427	553
- Chaplaincy	790	844	790	844
- Data Records & Storage	1,583	1,523	1,583	1,507
- Payment to Religious Sisters	220	151	220	151
- Translator Services	733	665	733	665
- Other Operating Lease related outgoing charges	722	-	722	-
- Miscellaneous	2,871	9,543	2,800	9,459
	88,252	83,459	88,056	83,246

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5. Other expenses (continued)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
(b) Reconciliation of total maintenance				
Maintenance contracts	17,607	18,091	17,431	17,960
New / replacement equipment under \$10,000	14,115	6,491	14,044	6,436
Repairs maintenance / non contract	16,712	13,939	16,671	13,912
Other	2	(30)	2	(30)
Maintenance expense - contracted labour and other (non-employee related) in Note 5.	48,436	38,491	48,148	38,278
Employee related/personnel services maintenance	7,363	7,444	7,363	7,444
	55,799	45,935	55,511	45,722

5. Other expenses (continued)

Recognition and Measurement

Maintenance costs

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of SLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 38.

Insurance

SLHD'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, SLHD 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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6. Depreciation and amortisation

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Depreciation - buildings	45,176	42,593	44,778	42,164
Depreciation - plant and equipment	14,977	14,656	14,478	14,220
Depreciation - infrastructure systems	404	197	404	197
Depreciation - right-of-use buildings	2,380	-	2,380	-
Depreciation - right-of-use plant and equipment	1,517	-	1,517	-
Amortisation - intangible assets	543	263	543	263
	64,997	57,709	64,100	56,844

Refer to Note 24 Property, plant and equipment, Note 25 Leases, and Note 26 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	19,334	18,741	19,334	18,741
Grants to research organisations	1,728	1,499	1,728	1,499
Grants paid to entities controlled by the immediate parent	279	161	279	161
Other grants	3,089	1,318	3,037	1,139
	24,430	21,719	24,378	21,540

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.

Sydney Local Health District
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8. Finance costs

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest expense from lease liabilities	168	-	168	-
Interest expense from financial liabilities at amortised cost	188	200	188	200
	356	200	356	200

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				
Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft	12,903	12,101	12,903	12,101
Central Sydney Scarba Service	656	640	656	640
	13,559	12,741	13,559	12,741

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 Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft and Central Sydney Scarba Service have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SLHD 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.

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

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

11. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to SLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and SLHD 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.

SLHD recognised additional NSW Ministry of Health recurrent allocations of \$48.136 million and NSW Ministry of Health capital allocations of \$8.197 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 recognised as part of the recurrent allocation from the immediate parent.

Sydney Local Health District
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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	1,728	1,756	1,728	1,756
Sale of prosthesis	8,856	10,425	8,856	10,425
Other	26	30	26	30
	10,610	12,211	10,610	12,211

(b) Rendering of services comprise the following:-

Patients				
Patient Fees:				
- Inpatient fees	76,057	90,561	76,057	90,561
- Nursing home fees	315	521	315	521
- Non inpatient fees	4,482	4,596	4,482	4,596
Department of Veterans' Affairs	8,422	9,668	8,422	9,668
Highly specialised drugs	49,053	42,405	49,053	42,405
Motor Accident Authority third party	5,443	5,011	5,443	5,011
Enteral nutrition	3	4	3	4
Staff				
Private use of motor vehicles	100	110	100	110
Meals and accommodation	428	675	428	675
Child care fees	1,093	1,069	1,093	1,069
General community				
Cafeteria / kiosk	854	1,960	854	1,960
Car parking	4,478	5,075	4,478	5,075
Clinical services (excluding clinical drug trials)	130	108	130	108
Commercial activities	117	73	117	73
Fees for conferences and training	1,448	1,815	1,448	1,815
Fees for medical records	162	112	162	112
Information retrieval	52	53	52	53
Non-NSW Health entities				
Services provided to non NSW Health organisations	6,052	4,849	6,052	4,849
Entities controlled by the immediate parent				
Hosted service revenues	3,647	6,956	3,647	6,956
Other				
Infrastructure fees - annual charge	8,830	10,153	8,830	10,153
Infrastructure fees - monthly facility charge	18,893	17,904	18,893	17,904
Other	4,726	5,125	4,726	5,125
	194,785	208,803	194,785	208,803
	205,395	221,014	205,395	221,014

Recognition and Measurement

Sale of goods (until 30 June 2019)

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

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

Recognition and Measurement (continued)

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

Revenue from the sale of goods is recognised when SLHD satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. SLHD 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 SLHD 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. 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.

iii. 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. SLHD recognises the revenue on an accrual basis from the time the patient is treated or admitted into hospital.

iv. 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 twelve 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.

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 31 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 SLHD expects to recognise the unsatisfied portion as revenue.

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	2,806	5,069	2,363	4,444
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	384	-	384	-
Royalties	36	52	36	52
	3,226	5,121	2,783	4,496

Recognition and Measurement

Interest income

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

Royalties

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

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

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	-	6,211	-	6,211
Commonwealth government grants	-	11,993	-	11,993
Cancer Institute grants received from an entity controlled by the immediate parent	-	4,781	-	4,781
Grants & contributions received from entities controlled by the ultimate parent	-	1,699	-	1,699
Grants & contributions received from entities controlled by the immediate parent	-	2,320	-	2,320
Research grants	-	7,242	-	3,550
Other grants	-	6,116	-	6,116
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	4,266	-	4,266	-
Clinical trials and research grants	9,599	-	8,638	-
Commonwealth government grants received for community based services	10,392	-	10,392	-
Commonwealth government grants other	195	-	195	-
Grants from entities controlled by the ultimate parent	784	-	784	-
Other grants	4,182	-	4,182	-
Grants without specific performance obligations				
Clinicals trial and research grants	6,309	-	2,813	-
Commonwealth government grants other	818	-	483	-
Grants from entities controlled by the ultimate parent	9,400	-	9,400	-
Other grants from entities controlled by the immediate parent	4,195	-	4,195	-
Other grants	1,302	-	1,302	-
Donations	6,452	8,726	6,349	7,958
	57,894	49,088	52,999	44,628

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. SLHD 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 SLHD is recognised when SLHD satisfies its obligations under the transfer. SLHD 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 SLHD satisfies a performance obligation by transferring the promised goods or services. SLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. SLHD 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 31 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 SLHD 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. SLHD 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.

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	7,186	7,946	-	-
Long service leave provision	52,667	72,231	-	-
	59,853	80,177	-	-

16. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:-				
Commissions	154	123	154	123
Discounts	111	201	111	201
Insurance refunds	1,235	995	1,235	995
Rental income				
- other rental income	4,726	4,866	4,662	4,866
Property not previously recognised *	23,003	-	23,003	-
Sale of merchandise, old wares and books	99	106	99	106
Sponsorship	115	248	115	248
Treasury Managed Fund hindsight adjustment	-	3,124	-	3,124
Other	12,910	16,048	11,865	14,832
	42,353	25,711	41,244	24,495

* The long term lease with University of Sydney (Uni) for the Callan Park Kirkbride Building (Rozelle Campus) prematurely ended during the year. The buildings and infrastructure under the lease has previously been treated as a finance lease and an asset of Uni. With the premature termination of the lease, building valued at \$22.041M and infrastructure of \$0.962M were recognised as SLHD assets during the year. The values were derived from an independent valuation report.

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.

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	5,251	22,377	4,683	22,139
Less: accumulated depreciation	(4,854)	(19,583)	(4,323)	(19,358)
Written down value	397	2,794	360	2,781
Less: proceeds from disposal	176	37	111	37
Gain / (Loss) on disposal of property, plant and equipment	(221)	(2,757)	(249)	(2,744)
Right-of-use assets	1,792	-	1,792	-
Less: accumulated depreciation	316	-	316	-
Written down value	1,476	-	1,476	-
Less: proceeds from disposal	-	-	-	-
Less: lease liabilities extinguished	1,504	-	1,504	-
Gain / (Loss) on disposal of right-of-use assets	28	-	28	-
Financial assets	177,182	196,745	155,198	153,838
Less: proceeds from disposal	177,182	196,745	155,198	153,838
Gain / (loss) on disposal of financial assets	-	-	-	-
Total gains / (losses) on disposal	(193)	(2,757)	(221)	(2,744)

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

SLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. SLHD 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 29 Restricted assets.

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

19. Prior Period Errors

Historically the Thomas Walker Convalescent Hospital has been reflected in the NSW Health Foundation's Financial Statements, a non-controlled entity of the immediate and ultimate parent, as the legal title vested in the NSW Health Foundation.

Section 19A of the Walker Trusts Act 1938, provided for the overall control, management and administration of the Estate to Royal Prince Alfred Hospital, which forms part of Sydney Local Health District, an entity controlled by the immediate parent. On that basis, Sydney Local Health District should have recognised Thomas Walker Convalescent Hospital in their statement of financial position in the current and prior periods.

The error has been corrected during the year, with retrospective adjustments made in the prior periods. Land and building have therefore increased by \$50.4 million as at 1 July 2018 for the consolidated entity, while depreciation expense increased by \$0.5 million for the year ended 30 June 2019.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matters are shown below.

Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Consolidated			Parent		
		Original	Adjustment	Restated	Original	Adjustment	Restated
		Actual 2019 \$000	Actual 2019 \$000	Actual 2019 \$000	Actual 2019 \$000	Actual 2019 \$000	Actual 2019 \$000
Continuing Operations							
Expenses excluding losses							
Employee Related Expenses	2	1,180,581		1,180,581			-
Personnel Services	3	-		-	1,096,565		1,096,565
Visiting Medical Officers	4	52,381		52,381	52,381		52,381
Other Expenses	5	536,570		536,570	534,355		534,355
Depreciation and Amortisation	6	57,160	549	57,709	56,295	549	56,844
Grants and Subsidies	7	21,719		21,719	21,540		21,540
Finance Costs	8	200		200	200		200
Payments to Affiliated Health Organisations	9	12,741		12,741	12,741		12,741
Total Expenses excluding losses		1,861,352	549	1,861,901	1,774,077	549	1,774,626
Revenue							
NSW Ministry of Health Recurrent Allocations	10	1,452,129		1,452,129	1,452,129		1,452,129
NSW Ministry of Health Capital Allocations	10	54,233		54,233	54,233		54,233
Acceptance by the Crown Entity of Employee Benefits	15	80,177		80,177	-		-
Sale of Goods and Services	12	221,014		221,014	221,014		221,014
Investment Revenue	13	5,121		5,121	4,496		4,496
Grants and Other Contributions	14	49,088		49,088	44,628		44,628
Other Income	16	25,711		25,711	24,495		24,495
Total Revenue		1,887,473	-	1,887,473	1,800,995	-	1,800,995
Operating Result		26,121	(549)	25,572	26,918	(549)	26,369
Gains / (Losses) on Disposal	17	(2,757)		(2,757)	(2,744)		(2,744)
Impairment Losses on Financial Assets	22	(4,891)		(4,891)	(4,891)		(4,891)
Other Gains / (Losses)	18	-		-	-		-
Net Result	40	18,473	(549)	17,924	19,283	(549)	18,734
Other Comprehensive Income							
Items that will not be reclassified to Net Result in subsequent periods							
Changes in Revaluation Surplus of Property, Plant and Equipment	27	554,414		554,414	547,855		547,855
Changes in Revaluation Surplus of Other Assets	30	2,494		2,494	2,494		2,494
Total Other Comprehensive Income		556,908	-	556,908	550,349	-	550,349
TOTAL COMPREHENSIVE INCOME		575,381	(549)	574,832	569,632	(549)	569,083

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

19. Prior Period Errors (continued)

Statement of Financial Position as at 01 July 2018 and 30 June 2019

Consolidated

		Original	Adjustment	Adjustment	Restated	Original	Adjustment	Restated
		01 July 2018	Changes in accounting policy AASB 9		01 July 2018	2019		2019
	Notes	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	21	100,047	-	-	100,047	98,623	-	98,623
Receivables	22	72,333	939	-	73,272	82,517	-	82,517
Inventories	24	11,513	-	-	11,513	13,202	-	13,202
Other financial assets	26	98,126	-	-	98,126	99,431	-	99,431
Total current assets		282,019	939	-	282,958	293,773	-	293,773
Non-current assets								
Property, plant & equipment	27							-
- Land and buildings		1,110,552	-	50,496	1,161,048	1,674,551	49,947	1,724,498
- Plant and equipment		94,602	-	-	94,602	93,699	-	93,699
- Infrastructure systems		418	-	-	418	9,773	-	9,773
Total property, plant & equipment		1,205,572	-	50,496	1,256,068	1,778,023	49,947	1,827,970
Intangible assets	29	891	-	-	891	3,828	-	3,828
Other non-current assets	30	4,653	-	-	4,653	8,918	-	8,918
Total non-current assets		1,211,116	-	50,496	1,261,612	1,790,769	49,947	1,840,716
Total assets		1,493,135	939	50,496	1,544,570	2,084,542	49,947	2,134,489
LIABILITIES								
Current liabilities								
Payables	33	84,347	-	-	84,347	92,865	-	92,865
Borrowings	35	732	-	-	732	753	-	753
Provisions	36	300,386	-	-	300,386	315,171	-	315,171
Other current liabilities	37	870	-	-	870	2,747	-	2,747
Total current liabilities		386,335	-	-	386,335	411,536	-	411,536
Non-current liabilities								
Borrowings	35	6,319	-	-	6,319	5,565	-	5,565
Provisions	36	2,370	-	-	2,370	2,824	-	2,824
Total non-current liabilities		8,689	-	-	8,689	8,389	-	8,389
Total liabilities		395,024	-	-	395,024	419,925	-	419,925
Net assets		1,098,111	939	50,496	1,149,546	1,664,617	49,947	1,714,564
EQUITY								
Reserves		369,820	-	-	369,820	920,645	-	920,645
Accumulated funds		728,291	939	50,496	779,726	743,972	49,947	793,919
Total Equity		1,098,111	939	50,496	1,149,546	1,664,617	49,947	1,714,564

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

19. Prior Period Errors (continued)

Statement of Financial Position as at 01 July 2018 and 30 June 2019

Parent

		Original	Adjustment	Adjustment	Restated	Original	Adjustment	Restated
		01 July 2018	Changes in accounting policy AASB 9		01 July 2018	2019		2019
	Notes	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	21	96,820	-	-	96,820	95,261	-	95,261
Receivables	22	71,574	939	-	72,513	82,100	-	82,100
Inventories	24	11,513	-	-	11,513	13,202	-	13,202
Other financial assets	26	77,209	-	-	77,209	77,447	-	77,447
Total current assets		257,116	939	-	258,055	268,010	-	268,010
Non-current assets								
Property, plant & equipment	27							
- Land and buildings		1,103,357	-	50,496	1,153,853	1,661,173	49,947	1,711,120
- Plant and equipment		91,559	-	-	91,559	90,291	-	90,291
- Infrastructure systems		418	-	-	418	9,773	-	9,773
Total property, plant & equipment		1,195,334	-	50,496	1,245,830	1,761,237	49,947	1,811,184
Intangible assets	29	891	-	-	891	3,828	-	3,828
Other non-current assets	30	4,653	-	-	4,653	8,918	-	8,918
Total non-current assets		1,200,878	-	50,496	1,251,374	1,773,983	49,947	1,823,930
Total assets		1,457,994	939	50,496	1,509,429	2,041,993	49,947	2,091,940
LIABILITIES								
Current liabilities								
Payables	33	83,985	-	-	83,985	92,586	-	92,586
Borrowings	35	732	-	-	732	753	-	753
Provisions	36	299,825	-	-	299,825	314,609	-	314,609
Other current liabilities	37	255	-	-	255	391	-	391
Total current liabilities		384,797	-	-	384,797	408,339	-	408,339
Non-current liabilities								
Borrowings	35	6,319	-	-	6,319	5,565	-	5,565
Provisions	36	2,370	-	-	2,370	2,824	-	2,824
Total non-current liabilities		8,689	-	-	8,689	8,389	-	8,389
Total liabilities		393,486	-	-	393,486	416,728	-	416,728
Net assets		1,064,508	939	50,496	1,115,943	1,625,265	49,947	1,675,212
EQUITY								
Reserves		367,318	-	-	367,318	911,584	-	911,584
Accumulated funds		697,190	939	50,496	748,625	713,681	49,947	763,628
Total Equity		1,064,508	939	50,496	1,115,943	1,625,265	49,947	1,675,212

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

20. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	87,203	67,159	62,580	63,797
Short term deposits	34,549	31,464	34,549	31,464
	121,752	98,623	97,129	95,261

For the purposes of the Statement of Cash Flows, 'Cash and cash equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	121,752	98,623	97,129	95,261
Closing cash and cash equivalents (per Statement of Cash Flows)	121,752	98,623	97,129	95,261

Refer to Note 42 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

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

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

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

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

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

21. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Trade receivables from contracts with customers	44,122	-	43,740	-
Sale of goods and services	-	47,974	-	47,623
Intra health receivables	3,089	6,763	3,086	6,763
Goods and Services Tax	5,921	3,526	5,916	3,633
Other receivables	26,811	26,509	26,811	26,451
Sub total	79,943	84,772	79,553	84,470
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(6,196)	-	(6,196)	-
- Sale of goods and services	-	(5,240)	-	(5,240)
- Other receivables	(7)	(24)	(7)	(24)
Sub total	73,740	79,508	73,350	79,206
Prepayments	2,036	3,009	1,971	2,894
	75,776	82,517	75,321	82,100

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

Trade receivables from contracts with customers				
Balance at the beginning of the period	(5,240)	-	(5,240)	-
Amounts written off during the period	5,635	-	5,635	-
(Increase) / decrease in allowance recognised in the net result ¹	(6,591)	-	(6,591)	-
Balance at the end of the period	(6,196)	-	(6,196)	-
Sale of goods and services				
Balance at the beginning of the period	-	(4,341)	-	(4,341)
Amounts written off during the period	-	4,206	-	4,206
(Increase) / decrease in allowance recognised in the net result ¹	-	(5,105)	-	(5,105)
Balance at the end of the period	-	(5,240)	-	(5,240)
Other receivables				
Balance at the beginning of the period	(24)	(269)	(24)	(269)
Amounts written off during the period	80	31	31	31
(Increase) / decrease in allowance recognised in the net result	(63)	214	(63)	214
Balance at the end of the period	(7)	(24)	(7)	(24)
	(6,203)	(5,264)	(6,203)	(5,264)

¹ Includes impairment loss of \$Nil (2019: \$Nil) recognised on receivables from contracts with customers.

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

21. Receivables (continued)

(b) The current and non-current sale of goods and services 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	5,138	5,204	5,138	5,204
Patient fees - ineligible	16,418	17,464	16,418	17,464
Patient fees - inpatient & other	9,256	12,041	9,256	12,041
	30,812	34,709	30,812	34,709

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 42.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 21)	47,693	47,309
	47,693	47,309

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

SLHD 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

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

In response to the COVID-19 pandemic, SLHD 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. SLHD has a rental receivables balance amount of \$198 thousand as at 30 June 2020. The expected impacts on the recoverability of these receivables is not considered significant.

For trade receivables, SLHD applies a simplified approach in calculating ECLs. SLHD recognises a loss allowance based on lifetime ECLs at each reporting date. SLHD 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, SLHD applies the simplified approach permitted by AASB 9 Financial Instruments, where the loss allowance is based on lifetime ECLs.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

22. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Drug supplies	4,577	4,943	4,577	4,943
Medical and surgical supplies	8,389	8,259	8,389	8,259
	12,966	13,202	12,966	13,202

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

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, SLHD 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 SLHD 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.

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

23. Other financial assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Other loans and deposits	77,959	99,431	77,959	77,447
	77,959	99,431	77,959	77,447

Refer to Note 42 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and Measurement

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

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

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(a) Total property, plant and equipment

CONSOLIDATION

	Land and Buildings* \$000	Plant and Equipment ¹ \$000	Infrastructure Systems* \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,540,282	243,905	19,360	2,803,547
Less: accumulated depreciation and impairment	726,518	146,448	8,443	881,409
Net carrying amount	1,813,764	97,457	10,917	1,922,138
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	2,353,332	230,024	15,567	2,598,923
Less: accumulated depreciation and impairment	628,834	136,325	5,794	770,953
Net carrying amount	1,724,498	93,699	9,773	1,827,970

* The long term lease with University of Sydney (Uni) for the Callan Park Kirkbride Building (Rozelle Campus) prematurely ended during the year. The buildings and infrastructure under the lease has previously been treated as a finance lease and an asset of Uni. With the premature termination of the lease, building valued at \$22.041M and infrastructure of \$0.962M were recognised as SLHD assets during the year. The values were derived from an independent valuation report.

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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is \$Nil as at the 30 June 2020 (2019: \$Nil).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(a) Total property, plant and equipment - reconciliation

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
30 June 2020				
Net carrying amount at beginning of year	1,724,498	93,699	9,773	1,827,970
Adjusted net carrying amount at beginning of year	1,724,498	93,699	9,773	1,827,970
Additions	127,854	20,878	962	149,694
Disposals	-	(397)	-	(397)
Net revaluation increment less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(45,176)	(14,977)	(404)	(60,557)
Reclassifications	1,160	(1,746)	586	-
Net carrying amount at end of year	1,813,764	97,457	10,917	1,922,138

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2019				
Net carrying amount at beginning of year	1,161,048	94,602	418	1,256,068
Additions	64,048	22,589	285	86,922
Disposals	(2,289)	(505)	-	(2,794)
Equity transfers - transfers in / (out)	(9,652)	-	-	(9,652)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	458	-	458
Net revaluation increment less revaluation decrements	548,961	-	5,453	554,414
Depreciation expense	(42,593)	(14,656)	(197)	(57,446)
Reclassifications	4,975	(8,789)	3,814	-
Net carrying amount at end of year	1,724,498	93,699	9,773	1,827,970

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(b) Property, plant and equipment held and used by SLHD

CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,540,282	243,905	19,360	2,803,547
Less: accumulated depreciation and impairment	726,518	146,448	8,443	881,409
Net carrying amount	1,813,764	97,457	10,917	1,922,138
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	2,353,332	230,024	15,567	2,598,923
Less: accumulated depreciation and impairment	628,834	136,325	5,794	770,953
Net carrying amount	1,724,498	93,699	9,773	1,827,970

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

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

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
30 June 2020				
Net carrying amount at beginning of year	1,724,497	93,699	9,773	1,827,969
Adjusted net carrying amount at beginning of year	1,724,497	93,699	9,773	1,827,969
Additions	127,854	20,879	961	149,694
Disposals	-	(397)	-	(397)
Net revaluation increment less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(45,175)	(14,978)	(403)	(60,556)
Reclassifications	1,160	(1,746)	586	-
Net carrying amount at end of year	1,813,764	97,457	10,917	1,922,138

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2019				
Net carrying amount at beginning of year	1,161,048	94,602	418	1,256,068
Additions	64,048	22,589	285	86,922
Reclassifications to intangibles	-	(3,200)	-	(3,200)
Disposals	(2,289)	(505)	-	(2,794)
Equity transfers - transfers in / (out)	(9,652)	-	-	(9,652)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	458	-	458
Net revaluation increment less revaluation decrements	548,961	-	5,453	554,414
Depreciation expense	(42,593)	(14,656)	(197)	(57,446)
Reclassifications	4,975	(5,589)	3,814	3,200
Net carrying amount at end of year	1,724,498	93,699	9,773	1,827,970

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(a) Total property, plant and equipment

PARENT

	Land and Buildings* \$000	Plant and Equipment ¹ \$000	Infrastructure Systems* \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,524,382	236,885	19,360	2,780,627
Less: accumulated depreciation and impairment	723,597	142,806	8,443	874,846
Net carrying amount	1,800,785	94,079	10,917	1,905,781
As at 30 June 2019				
Gross carrying amount	2,337,431	222,941	15,567	2,575,939
Less: accumulated depreciation and impairment	626,311	132,650	5,794	764,755
Net carrying amount	1,711,120	90,291	9,773	1,811,184

* The long term lease with University of Sydney (Uni) for the Callan Park Kirkbride Building (Rozelle Campus) prematurely ended during the year. The buildings and infrastructure under the lease has previously been treated as a finance lease and an asset of Uni. With the premature termination of the lease, building valued at \$22.041M and infrastructure of \$0.962M were recognised as SLHD assets during the year. The values were derived from an independent valuation report.

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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is \$Nil as at the 30 June 2020 (2019: \$Nil).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(a) Total property, plant and equipment - reconciliation

PARENT

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
30 June 2020				
Net carrying amount at beginning of year	1,711,120	90,291	9,773	1,811,184
Adjusted net carrying amount at beginning of year	1,711,120	90,291	9,773	1,811,184
Additions	127,855	20,372	962	149,189
Disposals	-	(360)	-	(360)
Net revaluation increment less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(44,778)	(14,478)	(404)	(59,660)
Reclassifications	1,160	(1,746)	586	-
Net carrying amount at end of year	1,800,785	94,079	10,917	1,905,781

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2019				
Net carrying amount at beginning of year	1,153,853	91,559	418	1,245,830
Additions	64,048	21,722	285	86,055
Disposals	(2,289)	(492)	-	(2,781)
Equity transfers - transfers in / (out)	(9,652)	-	-	(9,652)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	458	-	458
Net revaluation increment less revaluation decrements	542,402	-	5,453	547,855
Depreciation expense	(42,164)	(14,220)	(197)	(56,581)
Reclassifications	4,922	(8,736)	3,814	-
Net carrying amount at end of year	1,711,120	90,291	9,773	1,811,184

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(b) Property, plant and equipment held and used by SLHD

PARENT

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,524,382	236,885	19,360	2,780,627
Less: accumulated depreciation and impairment	723,597	142,806	8,443	874,846
Net carrying amount	1,800,785	94,079	10,917	1,905,781
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	2,337,431	222,941	15,567	2,575,939
Less: accumulated depreciation and impairment	626,311	132,650	5,794	764,755
Net carrying amount	1,711,120	90,291	9,773	1,811,184

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

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

PARENT

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
30 June 2020				
Net carrying amount at beginning of year	1,711,120	90,291	9,773	1,811,184
Adjusted net carrying amount at beginning of year	1,711,120	90,291	9,773	1,811,184
Additions	127,855	20,372	962	149,189
Disposals	-	(360)	-	(360)
Net revaluation increment less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(44,778)	(14,478)	(404)	(59,660)
Reclassifications	1,160	(1,746)	586	-
Net carrying amount at end of year	1,800,785	94,079	10,917	1,905,781

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2019				
Net carrying amount at beginning of year	1,153,853	91,559	418	1,245,830
Additions	64,048	21,722	285	86,055
Reclassifications to intangibles	-	(3,200)	-	(3,200)
Disposals	(2,289)	(492)	-	(2,781)
Equity transfers - transfers in / (out)	(9,652)	-	-	(9,652)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	458	-	458
Net revaluation increment less revaluation decrements	542,402	-	5,453	547,855
Depreciation expense	(42,164)	(14,220)	(197)	(56,581)
Reclassifications	4,922	(5,536)	3,814	3,200
Net carrying amount at end of year	1,711,120	90,291	9,773	1,811,184

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. 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 SLHD 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 SLHD. The costs are then accordingly reflected in SLHD financial statements. SLHD 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 41).

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated/occupied by SLHD are deemed to be controlled by SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

As in the previous year, details of depreciation rates initially applied for major asset categories are as follows:

	Useful lives
Buildings	40 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years
Leasehold improvements	3-10 years

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

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

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

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

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

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

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

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

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

Therefore, at that date property, plant and equipment includes amounts for right-of-use assets in respect of leases previously treated as operating leases under AASB 117, as well as any arrangements that are assessed as leases under AASB 16 that were not leases under AASB 117.

Further information on leases is contained in Note 25.

Subsequent to the adoption of AASB 16, SLHD, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 25.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

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

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

Revaluation of property, plant and equipment

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 28 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. SLHD 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. SLHD 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 3% for land and buildings and 1% for infrastructure. SLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by APV Valuers & Asset Management (APV) were not applied as they were deemed immaterial.

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. SLHD has assessed that any difference between fair value and depreciated historical cost is immaterial.

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.

SLHD 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, SLHD 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.

Sydney Local Health District

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for the year ended 30 June 2020

24. Property, plant and equipment (continued)

Impairment of property, plant and equipment (continued)

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

Derecognition of property, plant and equipment

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

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25. Leases

(a) Entity as a lessee

SLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 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. SLHD 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 SLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$0.708 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

SLHD 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	7,596	4,046	11,642
Additions	9,400	1,335	10,735
Reassessments	-	21	21
Disposals	(1,458)	(18)	(1,476)
Depreciation expense	(2,380)	(1,517)	(3,897)
Balance at 30 June 2020	13,158	3,867	17,025

Sydney Local Health District
Notes to and forming part of the Financial Statements
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25. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	Total \$'000
2020	
Balance at 1 July 2019	11,642
Additions	10,735
Interest expenses	168
Payments	(4,019)
Terminations	(1,504)
Other adjustments	21
Balance at 30 June 2020	17,043

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

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	Total \$'000
2020	
Depreciation expense of right-of-use assets	3,897
Interest expense on lease liabilities	168
Expenses relating to short-term leases	2,800
Expenses relating to leases of low-value assets	304
Variable lease payments not included in the measurement of lease liabilities	97
Gains / (losses) on disposal	(28)
Total amount recognised in the statement of comprehensive income	7,238

SLHD had total cash outflows for leases of \$4.019 millions for the year ended 30 June 2020.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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25. Leases (continued)

(a) Entity as a lessee (continued)

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

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	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	5,077	-
Later than one year and not later than five years	7,491	-
Total (including GST)	12,568	-
Less: GST recoverable from the Australian Taxation Office	1,143	-
Total (excluding GST)	11,425	-

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

SLHD entered into a number of leases, with lease terms ranging from 1 to 5 years with various local councils for the use of community health centres. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by SLHD to provide different community health services. The community health centres account for a small portion of the similar assets SLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on SLHD's operations.

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

SLHD 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.

SLHD 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.

25. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

SLHD 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.

Right-of-use assets 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 10 years
Plant and machinery	1 to 5 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to SLHD 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. SLHD 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, SLHD 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, SLHD 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 consolidated entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity 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. SLHD 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, SLHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

25. 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.

SLHD's lease liabilities are included in borrowings in Note 32.

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

SLHD 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 expense on a straight-line basis over the lease term.

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

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

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

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

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
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25. Leases (continued)

(b) Entity as a lessor

Sydney Local Health District leases few 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.

Sydney Local Health District's overall exposure to changes in the residual value at the end of the current lease 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 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	1,192	1,753
Later than one year and not later than five years	502	1,271
Two to three years	486	502
Three to four years	486	486
Four to five years	427	486
Later than five years	4,132	4,558
Total (excluding GST)	7,225	9,056

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.

Sydney Local Health District
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26. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	6,916	4,611	6,916	4,611
Less: accumulated amortisation and impairment	1,326	783	1,326	783
Net carrying amount	5,590	3,828	5,590	3,828

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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	3,828	891
Additions - acquired separately	2,305	3,200
Amortisation (recognised in depreciation and amortisation)	(543)	(263)
Net carrying amount at end of period	5,590	3,828

Recognition and Measurement

SLHD recognises intangible assets only if it is probable that future economic benefits will flow to SLHD 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 SLHD'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.

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

Computer software developed or acquired by SLHD 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.

Sydney Local Health District
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27. Other assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-current				
Emerging rights to assets	10,773	8,918	10,773	8,918
	10,773	8,918	10,773	8,918

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	8,918	4,653
Additions	1,855	1,771
Net revaluation increment less revaluation decrement	-	2,494
Net carrying amount at end of period	10,773	8,918

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	-	2,494	-	2,494
	-	2,494	-	2,494

Recognition and Measurement

SLHD's emerging interest in the Lifehouse Class A Assets, Radiation Oncology Building and Lifehouse Main Building has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required SLHD 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 40 years using the annuity method and the Government Bond rate of 4.74% 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.

Sydney Local Health District
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28. 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 SLHD'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, SLHD 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).

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	21,601	1,606,754	1,628,355
- Infrastructure systems	-	-	10,068	10,068
Other assets (Note 27)				
- Emerging rights to assets	-	-	10,773	10,773
	-	21,601	1,627,595	1,649,196

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

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 24.

	Level 1	Level 2	Level 3	Total Fair Value
2019	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	21,702	1,623,838	1,645,540
- Infrastructure systems	-	-	9,488	9,488
Other assets (Note 27)				
- Emerging rights to assets	-	-	8,918	8,918
	-	21,702	1,642,244	1,663,946

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

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 24.

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems SLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by APV Valuers & Asset Management (APV) for the 2018/19 financial year. APV is an independent entity and is not an associated entity of SLHD.

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 24 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.

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

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

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

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

Sydney Local Health District

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	1,623,838	9,488	8,918	1,642,244
Adjusted fair value at beginning of year	1,623,838	9,488	8,918	1,642,244
Additions	22,040	962	1,855	24,857
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	5,428	-	-	5,428
Transfers from Level 2	-	-	-	-
Transfers to Level 2	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(44,552)	(382)	-	(44,934)
Equity transfers - transfers in / (out)	-	-	-	-
Reclassify between Buildings, Plant & Equipment and Infrastructure	-	-	-	-
Fair value as at 30 June 2020	1,606,754	10,068	10,773	1,627,595

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

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2018	1,080,028	418	4,653	1,085,099
Additions	59,635	-	1,771	61,406
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	544,417	5,453	2,494	552,364
Transfers from Level 2	-	-	-	-
Transfers to Level 2	(7,200)	-	-	(7,200)
Disposals	(2,289)	-	-	(2,289)
Depreciation expense	(41,622)	(197)	-	(41,819)
Equity transfers - transfers in / (out)	(9,652)	-	-	(9,652)
Reclassify between Buildings, Plant & Equipment and Infrastructure	521	3,814	-	4,335
Fair value as at 30 June 2019	1,623,838	9,488	8,918	1,642,244

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

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29. Restricted assets

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SLHD'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.

CONSOLIDATION	1 July 2019			2020
Category	Opening	Revenue	Expense	Closing
	\$000	\$000	\$000	\$000
Community welfare	1,618	607	816	1,409
Facility improvements	83,821	10,349	7,933	86,237
Holds funds in perpetuity	533	-	-	533
Patient welfare	2,320	872	352	2,840
Private practice disbursements (No.2 Accounts)	51,977	9,796	10,532	51,241
Public contributions	2,986	2,210	925	4,271
Research	50,188	21,221	21,391	50,018
Staff welfare	142	22	27	137
Training and education including conferences	13,939	982	2,308	12,613
	207,524	46,059	44,284	209,299

PARENT	1 July 2019			2020
Category	Opening	Revenue	Expense	Closing
	\$000	\$000	\$000	\$000
Community welfare	1,618	607	816	1,409
Facility improvements	51,152	10,349	7,513	53,988
Holds funds in perpetuity	533	-	-	533
Patient welfare	2,320	872	352	2,840
Private practice disbursements (No.2 Accounts)	51,977	9,796	10,532	51,241
Public contributions	2,986	2,210	925	4,271
Research	43,507	14,785	15,217	43,075
Staff welfare	142	22	27	137
Training and education including conferences	13,940	982	2,308	12,614
	168,175	39,623	37,690	170,108

Sydney Local Health District

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29. Restricted assets (continued)

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.
Other	Doesn't meet the definition of any of the above categories.

Unclaimed monies

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

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

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30. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Accrued salaries, wages and on-costs	34,985	27,207	-	-
Taxation and payroll deductions	3,741	7,257	-	-
Accrued liability - purchase of personnel services	-	-	38,596	34,347
Creditors	27,008	36,000	27,008	36,000
- Payables to entities controlled by the immediate parent	14,228	13,832	14,228	13,832
- Other	21,038	8,569	20,829	8,407
	101,000	92,865	100,661	92,586

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 42.

Recognition and Measurement

These amounts represent liabilities for goods and services provided to SLHD 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 SLHD. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

31. 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	2,310	2,362	1,128	145
	2,310	2,362	1,128	145

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 slightly 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	2,362	145
Transaction price allocated to the remaining performance obligations from contracts with customers	1,273	51

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

	2021 \$'000	2022 \$'000	2023 \$'000	≥ 2024 \$'000
Specific revenue class				
Sales of goods and services from contracts with	30	-	-	-
Grants and other contributions	741	502	-	-
	771	502	-	-

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

32. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Other loans and deposits	870	753	870	753
Lease liability (see Note 25)	4,119	-	4,119	-
	4,989	753	4,989	753
Non-current				
Other loans and deposits	5,651	5,565	5,651	5,565
Lease liability (see Note 25)	12,924	-	12,924	-
	18,575	5,565	18,575	5,565

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

Final repayment of loan is scheduled for 31 December 2029

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 42.

Recognition and Measurement

Financial liabilities at amortised cost

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

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

Borrowings are classified as current liabilities unless SLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 42 (b) for derecognition policy.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	TCorp borrowings \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2018	-	7,050	-	7,050
Cash flows	-	(732)	-	(732)
30 June 2019	-	6,318	-	6,318
Recognised on adoption of AASB 16	-	-	11,642	11,642
1 July 2019	-	6,318	11,642	17,960
Cash flows	-	203	(3,851)	(3,648)
New leases	-	-	9,252	9,252
30 June 2020	-	6,521	17,043	23,564

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the payables are disclosed in Note 42.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

33. 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	111,073	108,220	-	-
Annual leave - long term benefit	83,038	69,135	-	-
Long service leave consequential on-costs	35,709	32,476	-	-
Provision for other employee benefits	9,250	5,040	-	-
Provision for personnel services liability	-	-	238,386	214,309
	239,070	214,871	238,386	214,309
Other Provisions				
Other *	84,022	100,300	84,022	100,300
	84,022	100,300	84,022	100,300
Total current provisions	323,092	315,171	322,408	314,609
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,105	2,824	-	-
	3,105	2,824	3,105	2,824
Total non-current provisions	3,105	2,824	3,105	2,824
Aggregate employee benefits and related on-costs				
Provisions - current	239,070	214,871	-	-
Provisions - non-current	3,105	2,824	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 30)	38,726	34,464	-	-
Liability - purchase of personnel services	-	-	280,087	251,480
	280,901	252,159	280,087	251,480

*In November 2016, a judgement was handed down by the NSW Supreme Court in regard to a legal matter. Final damages to be awarded to the claimant are yet to be determined by the Court. As per paragraph 92 of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', further information about this matter has not been reported as it may prejudice the position of the entity in relation to the dispute.

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

33. Provisions (continued)

Movements in provisions (other than employee benefits)

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

Other

Carrying amount at beginning of period	100,300	115,300	100,300	115,300
- Unused amounts reversed	-	(15,000)	-	(15,000)
Amounts used	(16,278)	-	(16,278)	-
Carrying amount at end of period	84,022	100,300	84,022	100,300

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 18.1% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.0%). SLHD has assessed the actuarial advice based on the SLHD'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 SLHD does not expect to settle the liability within 12 months as SLHD does not have an unconditional right to defer settlement.

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

Long service leave and superannuation

SLHD'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. SLHD 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 SLHD.

33. Provisions (continued)

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

Other provisions

Other provisions are recognised when: SLHD 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 SLHD 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 SLHD has a detailed formal plan, and SLHD 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.

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

34. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Unearned revenue	80	2,747	44	391
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	264	-	264	-
	344	2,747	308	391

Unearned revenue was derived from the following:

In June 2020, \$14K was received in advance from Technical & Further Education Commission for Sydney Dental facility rental for July 2020 quarter.

In June 2020, \$36K was received in advance from Channel Biologics Pty Ltd for ANZAC's facility rental for July 2020 quarter.

In June 2020, \$30K was received in advance from two public schools for the 6monthly School Brokerage Program.

PARENT AND CONSOLIDATION

Reconciliation of financial assets arising from transfers to acquire or construct non-financial assets to be controlled by SLHD.

	2020 \$'000
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	-
<i>Add: adjustments upon initial application of AASB 1058</i>	682
Adjusted opening balance	682
<i>Add: receipt of cash during the financial year</i>	(418)
<i>Less: income recognised during the financial year</i>	-
Closing balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	264

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

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

35. 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	127,410	128,022	127,410	128,022
Later than one year and not later than five years	45,423	124,858	45,423	124,858
Total (Including GST)	172,833	252,880	172,833	252,880

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$172.833M million as at 30 June 2020 includes input tax credits of \$15.712M million that are expected to be recoverable from the Australian Taxation Office (2019 \$24.131M).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$7.947M million as at 30 June 2020 includes taxable sales of \$0.722M that are expected to be payable to the Australian Taxation Office (2019: \$0.906M).

36. Contingent liabilities and assets

PARENT AND CONSOLIDATION

(a) Contingent liabilities

SLHD does not have any known contingent liabilities in FY2019/20.

(b) Contingent assets

SLHD does not have any known contingent assets in FY2019/20.

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

37. Trust funds

PARENT AND CONSOLIDATION

SLHD holds trust funds of \$8.9 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as SLHD 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 Opening equity \$'000	Revenue \$000	Expense \$000	2020 Closing equity \$'000
Patient Trust	148	5	(5)	148
Refundable Deposits	239	23	(22)	240
Private Patient Trust Funds	5,979	38,385	(39,255)	5,109
Third Party Funds	3,941	2,929	(3,421)	3,449
Total trust funds	10,307	41,342	(42,703)	8,946

Category	1 July 2018 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2019 Closing equity \$'000
Patient Trust	130	344	(326)	148
Refundable Deposits	547	23	(331)	239
Private Patient Trust Funds	6,283	39,175	(39,479)	5,979
Third Party Funds	4,524	3,199	(3,782)	3,941
Total trust funds	11,484	42,741	(43,918)	10,307

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 43.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

38. 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	134,125	91,159	134,408	89,091
Depreciation and amortisation expense	(64,997)	(57,709)	(64,100)	(56,844)
Allowance for impairment	(6,654)	(4,891)	(6,654)	(4,891)
(Increase) / decrease in unearned revenue	(651)	(1,877)	(754)	(136)
Decrease / (increase) in provisions	(8,202)	(15,076)	(8,080)	(15,076)
Increase / (decrease) in prepayments and other assets	(757)	15,459	(658)	15,752
Decrease / (increase) in payables	(7,700)	(8,613)	(7,777)	(8,647)
Decrease / (Increase) in contract liabilities	1,128	-	93	-
Net gain / (loss) on sale of property, plant and equipment	(221)	(2,757)	(249)	(2,744)
Net gain / (loss) on disposal of right-of-use assets	28	-	28	-
Assets donated or brought to account (Note 39)	23,003	458	23,003	458
Emerging assets recognised (Note 38)	1,855	1,771	1,855	1,771
Net Result	70,957	17,924	71,115	18,734

39. Non-cash financing and investing activities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Assets donated or brought to account	23,003	458	23,003	458
Property, plant and equipment acquired by a lease	10,736	-	10,736	-
Emerging rights to assets recognised	1,855	1,771	1,855	1,771
	35,594	2,229	35,594	2,229

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. 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). SLHD'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, SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD 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 higher than adjusted budget by \$8 million, primarily due to:

Total Net Result is \$7.965M favourable to budget. This result is related to unfavourable variances in Total Direct Expenditure (\$4.310M), Total Direct Revenue (\$2.420M), Doubtful Debts (\$5.884M) and Losses on Disposal of Asset (\$0.193M) offset by favourable result for Indirect and Capital Operations (\$20.771M).

The transfer of Callan Park Kirkbride buildings to SLHD resulted in a \$23M increase in Capital Revenue as an Asset not Previously Brought to Account.

The impact of COVID-19 has seen a significant increase in expenditure and a decrease in revenue for the District. The District has assessed the full year costs of providing services for the following unforeseen events: COVID-19 \$103.162M, Bushfire support \$1.1M and the NZ Volcano \$1M. The District received COVID-19 Stimulus Budget of \$52.083M for costs mainly related to Special Hotel Accommodation, Elective Surgery, ICU, COVID-19 Wards, RPAVirtual, Fever Clinics, Pathology, ICT, and PPE.

The District assessed the full year impact of COVID-19 on revenue reduction of \$12.495M in Patient Fees, Facility Fees and Prosthesis income. The District continues to see a reduction in the number of private health insurance patients and a reduction in actual single room bed day rates paid by health funds.

In accordance with the Ministry of Health's Performance Framework SLHD has been rated at Performance Level 0 (highest possible rating), for the entire twelve months to the end of 30 June 2020. This performance is a continuation of the monthly rating achieved for the previous eight financial years.

As at 30 June 2020 the District's Consolidated Net Result is \$7.965M favourable to budget. The Parent result was \$8.123M favourable to budget.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. Adjusted budget review (continued)

Assets and liabilities

As at 30 June 2020 SLHD Consolidation had Current Assets of \$288.453M and Current Liabilities of \$431.735M. Non Current Assets totalled \$1,955.526M and Non Current Liabilities were \$21.680M. During 2018/19 the value of SLHD's land and buildings were revalued by an independent valuer. This financial year the District has continued to record an emerging asset for a building situated on the District's land that is owned and operated by Lifehouse Australia. Overall SLHD has a sound asset base with Net Assets of \$1,790.564M.

Cash flows

At Consolidation level, SLHD's net increase in Cash and Cash Equivalents for the 2019/20 financial year was (\$23.129M). This comprised a net increase in cash flows from Operating activities of \$134.125M, a net decrease in cash flows from Investing activities of \$107.348M which includes purchase of capital assets for \$128.996M and proceeds on sale of existing assets for \$0.176M; and Purchase of Financial Assets/Proceeds from Sale of Financial Assets with a net increase for \$21.472M. The decrease in cash flows from Investing activities reflected a range of capital works and assets purchases including the Minor Works and Equipment >\$10K<\$250K (\$10.622M), Asset Refurb/Replacement (\$3.291M), RPA Energy Efficiency Government Program (EEGP) (\$1.456M), Heath Infrastructure WIP Transfers (\$83.284M), Concord Hospital Mammography Unit Replacement (\$0.612M), Canterbury Hospital TSSU Equipment Replacement (\$0.122M), Concord Hospital Radiography Fluoroscopy (\$0.268M), RPAH Pet MR (\$0.877M), RPAH Pre-clinical PET-MR device (-\$1.932M), RPAH Cyclotron Extension (\$0.076M), RPAH Replacement of 2 Philips Bucky Diagnost x-ray units (\$0.224M), RPAH Mammography Unit replacement (\$0.203M), Canterbury Hospital Emergency Department Expansion (\$3.864M), Fussell House - Concord Repatriation General Hospital (CRGH) (\$5.902M), Statewide Cataract Surgeries equipment purchases (\$0.101M), IVF Facility enhancements (\$0.129M), Concord Hospital Maternity Services (Ambulatory Care) (\$2.191M), RPA Respiratory Labs (\$0.198M), RPA Renal Dialysis Relocation to PMBC (\$1.489M), Cranial Navigation System Upgrade (\$1.586M), Endoscopy Suite - RPAH (\$0.344M), EEGP- Design and Install solar PV system at Canterbury Hospital (\$0.749M), MRI RPA Radiology Lifehouse (\$3.285M), Minor Works and Equipment - COVID19 (\$9.681M), COVID-19 Clinics Security enhancements (\$0.063M), and Osteoarthritis Clinic (\$0.311M).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. 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 01 July 2019 are as follows:

	\$000
Initial allocation, 01/07/2019	1,376,699
Award increases	2,840
Growth Allocation - as per Schedule C Initial budget 19/20	70,983
2019/20 Budget Relief – Covid-19 Response	54,574
2019/20 Budget Relief	10,533
IntraHealth Adjustments and Escalations	26,674
2019/20 Creditor Adjustments	11,101
Revenue alignment	10,497
Highly Specialised Services	3,050
Kymriah at Royal Prince Alfred Hospital	2,429
Recognise Superannuation expense of DVA at Concord Hospital	2,995
Electricity Escalations	2,841
Statewide Eating Disorders Service Coordination	1,564
Sydney Biomedical Accelerator	1,500
High Cost Drugs Expense Escalation	1,499
High Cost Patient Pool	1,436
ICT Escalation - Cost of Maintenance of New Systems	1,253
NGO Escalations	1,244
G&S Escalations	1,223
Additional peritonectomy activity at Sydney Local Health District	1,105
Blood and Blood Products Escalations	1,067
Affiliated Health Organisations Escalations	560
Data Improvement	500
Nursing and Midwifery Enhancements	455
Organ and Tissue Donation Funding	432
Leading Better Value Care	350
Purchasing Adjustors	(1,180)
Procurement Savings	(4,345)
Efficiencies Dividends 2019/20	(4,874)
Other	151
Balance as per Statement of Comprehensive Income	1,579,156

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. 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 SLHD's policy on the revaluation of property, plant and equipment as discussed in Note 24.

Separate Reserves

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

Equity transfers effected in the 2019/20 year were:

- (a) Nil

Equity transfers effected in the 2018/19 year were:

- (b) 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 \$0.162M relating to the transfer of Annual Leave provision balances to other NSW Health entities.

An equity transfer has been made for the transfer of Land & Building (44-50 Parramatta Road, Glebe) from SLHD to Ambulance NSW for the Statewide Ambulance Station alignment. This has resulted in an decrease in net assets of \$9.652M relating to the transfer of Land & Building balances to Ambulance NSW.

Equity transfers effected comprised:

	2020 \$000	2019 \$000
(a) Nil		-
(b) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	-	(162)
Land & Building - Transfer to Ambulance NSW	-	(9,652)
	-	(9,814)

Assets and Liabilities transferred are as follows:

	2020 \$000	2019 \$000
Assets		
(a) Nil		
(b) Land & Building	-	(9,652)
Liabilities		
(b) Annual Leave Provision	-	(162)
Increase / (Decrease) in Net Assets From Equity Transfers	-	(9,814)

41. Equity (continued)

Recognition and Measurement

Equity transfers

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

42. Financial instruments

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

SLHD's main risks arising from financial instruments are outlined below, together with SLHD'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 SLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

CONSOLIDATION

Class	Category	Carrying Amount 2020 \$000	Carrying Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 20)	Amortised cost	121,752	98,623
Receivables (Note 21) ¹	Amortised cost	67,819	75,982
Other Financial Assets (Note 23)	Amortised cost	77,959	99,431
Total Financial Assets		267,530	274,036
Financial Liabilities			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	23,564	6,318
Payables (Note 30) ²	Financial liabilities measured at amortised cost	97,259	85,608
Total Financial Liabilities		120,823	91,926

PARENT

Class	Category	Carrying Amount 2020 \$000	Carrying Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 20)	Amortised cost	97,129	95,261
Receivables (Note 21) ¹	Amortised cost	67,434	75,573
Other Financial Assets (Note 23)	Amortised cost	77,959	77,447
Total Financial Assets		242,522	248,281
Financial Liabilities			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	23,564	6,318
Payables (Note 30) ²	Financial liabilities measured at amortised cost	100,661	92,586
Total Financial Liabilities		124,225	98,904

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).

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

42. Financial instruments (continued)

(a) Financial instrument categories (continued)

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

(b) Derecognition of financial assets and financial liabilities

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

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to SLHD. 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 SLHD, including cash, receivables and authority deposits. No collateral is held by SLHD. SLHD has not granted any financial guarantees.

Credit risk associated with SLHD'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.

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

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

42. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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.

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

To measure the expected credit losses, trade receivables, 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. SLHD has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no 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.

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	1.50%	7.10%	10.74%	20.41%	27.76%	8.74%
Estimated total gross carrying amount ¹	46,215	4,056	2,095	2,161	16,406	70,933
Expected credit loss	694	288	225	441	4,555	6,203
30 June 2019²						
Expected credit loss rate	2.38%	5.80%	7.95%	18.91%	26.04%	7.07%
Estimated total gross carrying amount ¹	51,680	5,211	3,848	2,131	11,613	74,483
Expected credit loss	1,229	302	306	403	3,024	5,264

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 24 and the contract assets total in Note 26.

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

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

42. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that SLHD will be unable to meet its payment obligations when they fall due. SLHD 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.

SLHD 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.

SLHD 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 SLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 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.

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.

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

42. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

CONSOLIDATION	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		97,259	-	-	97,259	97,259	-	-
Borrowings:								
- Loans and deposits	2.8%	7,209	7,209	-	-	1,041	4,941	1,227
- Lease liabilities	1.9%	17,561	17,561	-	-	4,547	10,159	2,855
		122,029	24,770	-	97,259	102,847	15,100	4,082
2019								
Payables:								
- Creditors ²		85,608	-	-	85,608	85,608	-	-
Borrowings:								
- Loans and deposits	2.9%	7,105	7,105	-	-	932	4,518	1,655
		92,713	7,105	-	85,608	86,540	4,518	1,655
PARENT								
PARENT	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		100,661	-	-	100,661	100,661	-	-
Borrowings:								
- Loans and deposits	2.8%	7,209	7,209	-	-	1,041	4,941	1,227
- Lease liabilities	1.9%	17,561	17,561	-	-	4,547	10,159	2,855
		125,431	24,770	-	100,661	106,249	15,100	4,082
2019								
Payables:								
- Creditors ²		92,586	-	-	92,586	92,586	-	-
Borrowings:								
- Loans and deposits	2.9%	7,105	7,105	-	-	932	1,655	4,518
		99,691	7,105	-	92,586	93,518	1,655	4,518

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which SLHD 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).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

42. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. SLHD's exposures to market risk are primarily through interest rate risk on SLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. SLHD 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 SLHD 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 SLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income. 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, SLHD 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	(1,761)	1,761	(1,917)	1,917
Equity	(1,761)	1,761	(1,917)	1,917

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

42. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. SLHD has no direct equity investments. SLHD 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	34,549	31,464

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 SLHD'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%	3,455	315

Sydney Local Health District
Notes to and forming part of the Financial Statements
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43. Related party transactions

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020 \$000	2019 \$000
Short-term employee benefits	949	607
Post-employment benefits	66	48
	1,015	655

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.520 million (2019: \$0.489 million) for these services.

SLHD'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 SLHD had with government related entities during the financial year

During the financial year and comparative year, SLHD 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.
- Various grants and subsidies towards research and other projects

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

43. Related party transactions (continued)

(d) Transactions SLHD 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

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

- 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 research and other projects

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- 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
- Some term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown Finance Entity
- 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.

44. Events after the reporting period

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

There have been continued organisational, financial and staffing pressures on SLHD due to the preparation and management of the COVID-19 pandemic.

END OF AUDITED FINANCIAL STATEMENTS