



INDEPENDENT AUDITOR'S REPORT

Illawarra Shoalhaven Local Health District

To the Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Illawarra Shoalhaven Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the District's financial position, financial performance and cash flows

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 Statement' section of my report.

I am independent of the District in accordance with the requirements of the:

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

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

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

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

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

Emphasis of Matter – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 39. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf OR www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor's report.

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

- that the District 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.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

15 October 2021
SYDNEY

Illawarra Shoalhaven Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2021



We state, pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('the Act'):

1. The financial statements of Illawarra Shoalhaven Local Health District for the year ended 30 June 2021 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly Illawarra Shoalhaven Local Health District's financial position as at 30 June 2021 and the financial performance and cash flows for the year then ended; 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 that reads 'Margot K Mains'.

Margot Mains
Chief Executive
15 October 2021

A handwritten signature in black ink that reads 'Abbas Alibhai'.

Abbas Alibhai
Executive Director Finance
15 October 2021

Illawarra Shoalhaven Local Health District

Statement of Comprehensive Income for the year ended 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	709,477	694,153	712,256	-	-
Personnel services	3	-	-	-	709,253	679,549
Visiting medical officers	4	48,088	48,087	48,951	48,088	48,951
Other expenses	5	297,214	304,044	258,481	297,214	258,481
Depreciation and amortisation	6	39,672	37,611	37,583	39,672	37,583
Grants and subsidies	7	5,988	6,253	5,783	5,988	5,783
Finance costs	8	411	199	391	411	391
Total expenses excluding losses		1,100,850	1,090,347	1,063,445	1,100,626	1,030,738
Revenue						
NSW Ministry of Health recurrent allocations	10	962,494	950,856	869,924	962,494	869,924
NSW Ministry of Health capital allocations	10	37,713	38,471	29,043	37,713	29,043
Acceptance by the Crown ² of employee benefits	14	224	131	32,707	-	-
Sale of goods and services from contracts with customers	11	101,824	104,825	104,450	101,824	104,450
Investment revenue	12	285	1,067	462	285	462
Grants and other contributions	13	27,465	22,352	15,853	27,465	15,853
Other income	15	1,370	5,867	3,124	1,370	3,124
Total revenue		1,131,375	1,123,569	1,055,563	1,131,151	1,022,856
Operating result		30,525	33,222	(7,882)	30,525	(7,882)
Gains / (losses) on disposal	16	(15,815)	-	(2,709)	(15,815)	(2,709)
Impairment losses on financial assets	19	(471)	(2)	(674)	(471)	(674)
Net result from continuing operations	36	14,239	33,220	(11,265)	14,239	(11,265)
Net result		14,239	33,220	(11,265)	14,239	(11,265)
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	22	39,576	-	(2,118)	39,576	(2,118)
Changes in revaluation surplus of other assets		-	-	(9)	-	(9)
Total other comprehensive income		39,576	-	(2,127)	39,576	(2,127)
TOTAL COMPREHENSIVE INCOME		53,815	33,220	(13,392)	53,815	(13,392)

¹ Unaudited adjusted budget, see Note 38.

² Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District

Statement of Financial Position as at 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	18	46,554	32,410	39,640	46,554	39,640
Receivables	19	23,107	19,834	19,837	23,107	19,837
Inventories	20	9,423	9,464	9,466	9,423	9,466
		79,084	61,708	68,943	79,084	68,943
Non-current assets held for sale	25	-	1,374	1,374	-	1,374
Total current assets		79,084	63,082	70,317	79,084	70,317
Non-current assets						
Other financial assets	21	2,337	2,268	2,268	2,337	2,268
Property, plant & equipment	22					
- Land and buildings		547,935	555,970	536,543	547,935	536,543
- Plant and equipment		46,689	56,267	42,968	46,689	42,968
- Infrastructure systems		89,490	52,779	56,247	89,490	56,247
Total property, plant & equipment		684,114	665,016	635,758	684,114	635,758
Right-of-use assets	23	16,896	18,974	14,626	16,896	14,626
Intangible assets	24	203	101	138	203	138
Total non-current assets		703,550	686,359	652,790	703,550	652,790
Total assets		782,634	749,441	723,107	782,634	723,107

Illawarra Shoalhaven Local Health District

Statement of Financial Position as at 30 June 2021 (continued)

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
LIABILITIES						
Current liabilities						
Payables	28	53,420	42,957	60,643	53,420	60,643
Contract liabilities	29	1,029	797	797	1,029	797
Borrowings	30	6,061	4,824	5,664	6,061	5,664
Provisions	31	119,075	113,451	107,087	119,075	107,087
Other current liabilities	32	10	(5)	-	10	-
Total current liabilities		179,595	162,024	174,191	179,595	174,191
Non-current liabilities						
Borrowings	30	14,861	18,298	13,567	14,861	13,567
Provisions	31	2,050	2,050	1,495	2,050	1,495
Other non-current liabilities	32	7,278	8,823	8,823	7,278	8,823
Total non-current liabilities		24,189	29,171	23,885	24,189	23,885
Total liabilities		203,784	191,195	198,076	203,784	198,076
Net assets		578,850	558,246	525,031	578,850	525,031
EQUITY						
Reserves		149,437	109,477	109,478	149,437	109,478
Accumulated funds		429,413	448,769	415,553	429,413	415,553
Total Equity		578,850	558,246	525,031	578,850	525,031

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Changes in Equity for the year ended 30 June 2021

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		415,553	109,478	525,031
Net result for the year		14,239	-	14,239
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	39,576	39,576
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(383)	383	-
Total other comprehensive income		(383)	39,959	39,576
Total comprehensive income for the year		13,856	39,959	53,815
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	4	-	4
Balance at 30 June 2021		429,413	149,437	578,850

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		433,592	111,957	545,549
Changes in accounting policy - initial application of AASB 1058		(7,126)	-	(7,126)
Restated balance at 1 July 2019		426,466	111,957	538,423
Net result for the year		(11,265)	-	(11,265)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	(2,118)	(2,118)
Net change in revaluation surplus of other assets		-	(9)	(9)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		352	(352)	-
Total other comprehensive income		352	(2,479)	(2,127)
Total Comprehensive Income for the Year		(10,913)	(2,479)	(13,392)
Balance at 30 June 2020		415,553	109,478	525,031

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Cash Flows for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(726,828)	(717,057)	(675,729)	-	-
Suppliers for goods and services		(369,703)	(385,705)	(340,030)	(369,703)	(340,030)
Grants and subsidies		(6,585)	(6,850)	(6,428)	(6,585)	(6,428)
Finance costs		(411)	(199)	(391)	(411)	(391)
Personnel services		-	-	-	(726,828)	(675,729)
Total payments		(1,103,527)	(1,109,811)	(1,022,578)	(1,103,527)	(1,022,578)
Receipts						
NSW Ministry of Health recurrent allocations		962,494	950,856	869,924	962,494	869,924
NSW Ministry of Health capital allocations		37,713	38,471	29,043	37,713	29,043
Reimbursements from the Crown ²		11,225	11,225	11,979	11,225	11,979
Sale of goods and services		100,350	106,738	109,341	100,350	109,341
Interest received		185	1,068	462	185	462
Grants and other contributions		27,835	23,580	18,305	27,835	18,305
Other		33,077	36,996	28,630	33,077	28,630
Total receipts		1,172,879	1,168,934	1,067,684	1,172,879	1,067,684
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	69,352	59,123	45,106	69,352	45,106
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		2,354	1,690	298	2,354	298
Purchases of property, plant and equipment and intangibles		(59,440)	(64,837)	(38,286)	(59,440)	(38,286)
Purchases of financial assets		32	-	-	32	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(57,054)	(63,147)	(37,988)	(57,054)	(37,988)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(478)	(478)	(464)	(478)	(464)
Payment of principal portion of lease liabilities		(4,906)	(2,728)	(4,330)	(4,906)	(4,330)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5,384)	(3,206)	(4,794)	(5,384)	(4,794)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	18	39,640	39,640	37,316	39,640	37,316
CLOSING CASH AND CASH EQUIVALENTS	18	46,554	32,410	39,640	46,554	39,640

¹ Unaudited adjusted budget, see Note 38.

² Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

a) Reporting entity

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

ISLHD 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) and it has no cash generating units.

ISLHD, 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 27), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Illawarra Shoalhaven Local Health District Special Purpose Service Entity, which was established as a Division of the ISLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable ISLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive on 15 October 2021.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

b) Basis of preparation

ISLHD'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 applicable requirements of the *Government Sector Finance Act 2018* ('the Act'); and
- * Treasurer's Directions issued under the GSF Act.

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

The Secretary of NSW Health, the Chair of Illawarra Shoalhaven 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 ISLHD'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 ISLHD 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, ISLHD saw a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries, to ensure increased public hospital capacity would be available. Ongoing critical resources in 2021 have been reassigned to treat, test and manage for surges of COVID-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders has commenced during 2021.

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

Since March 2020, the NSW Government has committed more than \$4.0 billion to support NSW Health to increase its capacity and to manage the ongoing impacts of COVID-19. The 2021-22 NSW Budget included over \$30 billion for the NSW Health Cluster. This was enshrined in legislation on 28 June 2021 in Division 3 of the Appropriation Act 2021 No 18.

ISLHD has received an additional \$73.659 million (2020: \$16.154 million) through NSW Ministry of Health allocations as financial support for COVID-19 activity, see Note 10.

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

b) Basis of Preparation (continued)

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

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is ISLHD'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 ISLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

e) Comparative Information

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

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

(i) Effective for the first time in 2020-21

The accounting policies applied in 2020-21 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:

- * ISLHD applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.
- * Several other amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of ISLHD.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

AASB 1059 is effective for ISLHD from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

(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. ISLHD, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of ISLHD.

g) Impact of COVID-19 on Financial Reporting for 2020-21

The COVID-19 pandemic has resulted in significant changes in ISLHD activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2020-21 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 10 NSW Ministry of Health allocations
- * Note 19 Receivables
- * Note 20 Inventories
- * Note 26 Fair value measurement of non-financial assets

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

2. Employee related expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	637,799	615,500	-	-
Superannuation - defined benefit plans	3,245	3,994	-	-
Superannuation - defined contribution plans	55,962	53,819	-	-
Long service leave	1,070	30,464	-	-
Redundancies	1,197	443	-	-
Workers' compensation insurance	10,139	8,028	-	-
Fringe benefits tax	65	8	-	-
	709,477	712,256	-	-

Employee related costs of \$0.7 million (2020: \$0.61 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	637,799	615,500
Superannuation - defined contribution plans	-	-	55,962	53,819
Long service leave	-	-	4,091	1,751
Redundancies	-	-	1,197	443
Workers' compensation insurance	-	-	10,139	8,028
Fringe benefits tax	-	-	65	8
	-	-	709,253	679,549

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

Personnel services of \$0.7 million (2020: \$0.61 million) 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 specialty input in a number of disciplines throughout ISLHD's hospitals. VMO expenses of \$48.09 million (2020: \$48.95 million) represent part of the day-to-day running costs incurred in the normal operations of ISLHD. These costs are expensed as incurred.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

5. Other expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	271	144	271	144
Auditor's remuneration - audit of financial statements	193	192	193	192
Blood and blood products	6,318	5,614	6,318	5,614
Consultancies	816	619	816	619
Contractors	1,591	904	1,591	904
Domestic supplies and services	10,970	11,048	10,970	11,048
Drug supplies	34,658	33,878	34,658	33,878
Food supplies	21,468	20,883	21,468	20,883
Fuel, light and power	5,434	5,646	5,434	5,646
Patient transport costs	14,985	14,143	14,985	14,143
Information management expenses	21,235	18,836	21,235	18,836
Insurance	1,447	1,182	1,447	1,182
Maintenance (see Note 5 (b))	17,755	20,445	17,755	20,445
Medical and surgical supplies	55,897	45,722	55,897	45,722
Motor vehicle expenses	1,076	1,234	1,076	1,234
Postal and telephone costs	1,879	2,036	1,879	2,036
Printing and stationery	1,830	1,792	1,830	1,792
Rates and charges	860	995	860	995
Hosted services purchased from entities controlled by the immediate parent	9,667	9,735	9,667	9,735
Specialised services (dental, radiology, pathology, renal and allied health)	48,967	38,005	48,967	38,005
Staff related costs	3,542	4,281	3,542	4,281
Travel related costs	1,012	2,955	1,012	2,955
Other (see Note 5 (a))	35,343	18,192	35,343	18,192
	297,214	258,481	297,214	258,481

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Contract for patient services	20,498	2,743	20,498	2,743
Corporate support services	6,135	5,992	6,135	5,992
Courier and freight	402	645	402	645
Isolated patient travel and accommodation assistance scheme	641	731	641	731
Legal services	370	261	370	261
Membership/professional fees	344	508	344	508
Quality assurance / accreditation	109	238	109	238
Security services	223	162	223	162
Expenses relating to short-term leases	2,165	2,347	2,165	2,347
Expenses relating to leases of low-value assets	1,681	1,700	1,681	1,700
Other miscellaneous	2,775	2,865	2,775	2,865
	35,343	18,192	35,343	18,192
(b) Reconciliation of total maintenance				
Maintenance contracts	7,589	7,333	7,589	7,333
New / replacement equipment under \$10,000	5,555	8,405	5,555	8,405
Repairs maintenance / non contract	4,573	4,702	4,573	4,702
Other	38	5	38	5
Maintenance expense - contracted labour and other (non-employee related) in Note 5	17,755	20,445	17,755	20,445
Employee related/personnel services maintenance expense included in Notes 2 and 3.	2,250	2,312	2,250	2,312
	20,005	22,757	20,005	22,757

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of ISLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 28.

Insurance

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

Lease expense

ISLHD 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	22,435	20,988	22,435	20,988
Depreciation - plant and equipment	8,921	9,224	8,921	9,224
Depreciation - infrastructure systems	3,469	2,659	3,469	2,659
Depreciation - right-of-use buildings	2,103	2,592	2,103	2,592
Depreciation - right-of-use plant and equipment	2,707	2,090	2,707	2,090
Amortisation - intangible assets	37	30	37	30
	39,672	37,583	39,672	37,583

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

7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	4,166	4,224	4,166	4,224
Grants to research organisations	1,414	1,207	1,414	1,207
Grants paid to entities controlled by the immediate parent	358	321	358	321
Other grants	50	31	50	31
	5,988	5,783	5,988	5,783

Recognition and Measurement

Grants and subsidies expense generally comprise contributions of 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.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

8. Finance costs

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Interest expense from lease liabilities	288	254	288	254
Interest expense from financial liabilities at amortised cost	123	137	123	137
	411	391	411	391

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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

9. Revenue

Recognition and Measurement

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. Comments regarding the accounting policies for the recognition of income are discussed below.

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

Summary of Compliance

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Total spending authority from parliamentary appropriations, other than own source revenue	1,000,208	898,968	1,000,208	898,968
Add:				
Own source revenue on 1 July 2019	-	37,316	-	37,316
Own source money received during the year	175,026	169,016	175,026	169,016
Own source revenue balance brought forward from prior years	39,639	-	39,639	-
Less: expenditure charged against deemed appropriations	1,168,319	1,065,661	1,168,319	1,065,661
Own source revenue balance carried forward to following years	46,554	39,639	46,554	39,639

The table includes monies received from the agency's own-source income from other clusters who have different responsible ministers, as comprising part of the authority to spend.

There is some complexity and uncertainty in respect of the legal implication of monies received by the agency from an agency in another cluster who has a different responsible minister. Therefore, there is a technical risk that the actual expenditure exceeds the aggregate legal limit authorised for the receiving responsible minister(s) for the relevant reporting period; on the other hand, the paying responsible minister(s) may have unutilised legal spending authority.

The impact of this legal uncertainty means the balance of own source revenue brought forward and carried forward in the table will not necessarily be reflective of the appropriations authority available to the agency or its responsible ministers.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

10. NSW Ministry of Health allocations

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

ISLHD recognised additional NSW Ministry of Health recurrent allocations of \$70.686 million (2020: \$13.324 million) and NSW Ministry of Health capital allocations of \$2.973 million (2020: \$2.830 million) to cover costs incurred for the preparation, diagnosis and treatment of COVID-19 patients.

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

11. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale and recovery of pharmaceutical supplies	17,458	18,652	17,458	18,652
Sale of prostheses	2,526	2,859	2,526	2,859
Other	99	632	99	632
	20,083	22,143	20,083	22,143

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	39,063	37,618	39,063	37,618
- Nursing home fees	1,036	1,148	1,036	1,148
- Non inpatient fees	2,229	2,226	2,229	2,226
Department of Veterans' Affairs	9,143	10,283	9,143	10,283
Motor Accident Authority third party	3,812	4,126	3,812	4,126
Patient transport fees	-	23	-	23

Staff

Private use of motor vehicles	210	232	210	232
Salary packaging fee	364	362	364	362
Meals and accommodation	78	84	78	84
Child care fees	347	445	347	445

General community

Car parking	1,573	2,323	1,573	2,323
Clinical services (excluding clinical drug trials)	23	-	23	-
Commercial activities	858	526	858	526
Fees for conferences and training	279	257	279	257
Fees for medical records	164	146	164	146
Information retrieval	1	3	1	3

Non-NSW Health entities

Services to other organisations	367	833	367	833
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Entities controlled by the immediate parent

Hosted service revenues	542	560	542	560
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Other

Infrastructure fees - annual charge	4,547	3,679	4,547	3,679
Infrastructure fees - monthly facility charge	16,827	17,084	16,827	17,084
Other	278	349	278	349

	81,741	82,307	81,741	82,307
	101,824	104,450	101,824	104,450

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Sale of goods

Revenue from the sale of goods is recognised when ISLHD satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services

Revenue from rendering of services is recognised when ISLHD satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the NSW Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services (continued)

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Infrastructure fees	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. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 29 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 ISLHD expects to recognise the unsatisfied portion as revenue.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

12. Investment revenue

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Interest income from financial assets at amortised cost	141	196	141	196
Finance income on the net investment in the lease	68	-	68	-
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	76	266	76	266
	285	462	285	462

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).

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

13. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	3,919	-	3,919	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	1,212	1,191	1,212	1,191
Clinical trials and research grants	2,313	1,662	2,313	1,662
Commonwealth government grants received for community based services	3,015	3,038	3,015	3,038
Commonwealth government grants other	687	1,051	687	1,051
Grants from entities controlled by the ultimate parent	50	13	50	13
Other grants from entities controlled by the immediate parent	1,102	-	1,102	-
Other grants	2,605	2,553	2,605	2,553
Grants without specific performance obligations				
Grants from entities controlled by the ultimate parent	10,250	3,714	10,250	3,714
Other grants from entities controlled by the immediate parent	497	787	497	787
Donations	1,815	1,844	1,815	1,844
	27,465	15,853	27,465	15,853

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by ISLHD is recognised when ISLHD satisfies its obligations under the transfer. ISLHD 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 are recognised when ISLHD satisfies a performance obligation by transferring the promised goods or services. ISLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. ISLHD 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 29 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 ISLHD obtains control over the granted assets (e.g. cash).

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

13. Grants and other contributions

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. ISLHD 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

14. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	3,245	3,994	-	-
Long service leave provision	(3,021)	28,713	-	-
	224	32,707	-	-

The negative revenue for the long service leave provision in the current year is the result of significant changes in the actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

15. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Commissions	65	76	65	76
Insurance refunds	313	293	313	293
Rental income				
- other rental income	664	410	664	410
Property not previously recognised	-	123	-	123
Sponsorship	1	20	1	20
Other	327	2,202	327	2,202
	1,370	3,124	1,370	3,124

Recognition and Measurement

Other Income

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

16. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	16,796	3,007	16,796	3,007
Less: proceeds from disposal	664	298	664	298
Net gains / (losses) on disposal	(16,132)	(2,709)	(16,132)	(2,709)
Right-of-use assets				
Written down value of assets disposed	18	-	18	-
Less: lease liabilities extinguished	19	-	19	-
Net gains / (losses) on disposal	1	-	1	-
Assets held for sale				
Written down value of assets disposed	1,374	-	1,374	-
Less: proceeds from disposal	1,690	-	1,690	-
Net gains / (losses) on disposal	316	-	316	-
Total gains / (losses) on disposal	(15,815)	(2,709)	(15,815)	(2,709)

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

ISLHD receives various types of grants and donations from different grantors/donors, some of which may not have enforceable performance obligations. ISLHD 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 27 Restricted assets.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

18. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	22,838	16,000	22,838	16,000
Short-term deposits	23,716	23,640	23,716	23,640
	46,554	39,640	46,554	39,640

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

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

Cash and cash equivalents (per Statement of Financial Position)	46,554	39,640	46,554	39,640
	46,554	39,640	46,554	39,640

Refer to Note 40 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by ISLHD 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 ISLHD. These payments are reported as expenses and operating cash outflows in the financial statements of ISLHD.

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

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

19. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Trade receivables from contracts with customers	9,261	7,348	9,261	7,348
Intra health receivables	4,647	1,855	4,647	1,855
Goods and Services Tax	4,836	2,510	4,836	2,510
Other receivables	2,932	6,037	2,932	6,037
Sub total	21,676	17,750	21,676	17,750
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(414)	(313)	(414)	(313)
- Other receivables	(133)	(48)	(133)	(48)
Sub total	21,129	17,389	21,129	17,389
Prepayments	1,978	2,448	1,978	2,448
	23,107	19,837	23,107	19,837

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

Trade receivables from contracts with customers

Balance at the beginning of the year	(313)	(570)	(313)	(570)
Amounts written off during the year	280	854	280	854
(Increase) / decrease in allowance recognised in the net result ¹	(381)	(597)	(381)	(597)
Balance at the end of the year	(414)	(313)	(414)	(313)

Other receivables

Balance at the beginning of the year	(48)	(2)	(48)	(2)
Amounts written off during the year	5	31	5	31
(Increase) / decrease in allowance recognised in the net result	(90)	(77)	(90)	(77)
Balance at the end of the year	(133)	(48)	(133)	(48)
	(547)	(361)	(547)	(361)

¹ Includes total impairment loss of \$0.38 million (2020: \$0.6 million) recognised on receivables from contracts with customers.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

19. Receivables (continued)

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

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	703	685	703	685
Patient fees - ineligible	621	504	621	504
Patient fees - inpatient & other	6,743	4,913	6,743	4,913
	8,067	6,102	8,067	6,102

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 40.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	11,898	9,306	11,898	9,306
Total contract receivables	11,898	9,306	11,898	9,306

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

ISLHD 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

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

20. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	2,308	3,015	2,308	3,015
Medical and surgical supplies	6,155	5,756	6,155	5,756
Other including goods in transit	960	695	960	695
	9,423	9,466	9,423	9,466

The increase in medical and surgical supplies is a result of ISLHD's increased purchases to protect, test and treat suspected and confirmed COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed as part of the normal services provided by ISLHD.

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 or any loss of operating capacity due to obsolescence. 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 2021, ISLHD 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 ISLHD 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

21. Other financial assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-current				
Receivables on finance leases as lessor (Note 23)	2,337	2,268	2,337	2,268
	2,337	2,268	2,337	2,268

Refer to Note 40 for further information regarding fair value measurement, credit 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

ISLHD 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 ISLHD 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, ISLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

ISLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence, ISLHD 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.

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

22. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	953,643	100,200	106,340	1,160,183
Less: accumulated depreciation and impairment	422,108	54,180	47,652	523,940
Net carrying amount	531,535	46,020	58,688	636,243

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	531,535	46,020	58,688	636,243
Additions	29,088	9,579	218	38,885
Reclassification to assets held for sale	(1,374)	-	-	(1,374)
Disposals	-	(3,007)	-	(3,007)
Net revaluation increments less revaluation decrements	(2,118)	-	-	(2,118)
Depreciation expense	(20,988)	(9,224)	(2,659)	(32,871)
Reclassifications	400	(400)	-	-
Net carrying amount at end of year	536,543	42,968	56,247	635,758

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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

22. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	977,262	99,119	106,558	1,182,939
Less: accumulated depreciation and impairment	440,719	56,151	50,311	547,181
Net carrying amount	536,543	42,968	56,247	635,758

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	536,543	42,968	56,247	635,758
Additions	14,628	12,955	31,755	59,338
Disposals	(15,505)	(366)	(925)	(16,796)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,063	-	1,063
Net revaluation increments less revaluation decrements	33,694	-	5,882	39,576
Depreciation expense	(22,435)	(8,921)	(3,469)	(34,825)
Reclassifications	1,010	(1,010)	-	-
Net carrying amount at end of year	547,935	46,689	89,490	684,114

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	1,047,232	104,960	144,820	1,297,012
Less: accumulated depreciation and impairment	499,297	58,271	55,330	612,898
Net carrying amount	547,935	46,689	89,490	684,114

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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

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

PARENT AND CONSOLIDATION

ISLHD 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 ISLHD.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

22. 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 Infrastructure, 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 Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of ISLHD and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to ISLHD. The costs are then accordingly reflected in ISLHD financial statements. ISLHD 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 39).

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

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to ISLHD.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset.

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

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

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

22. Property, plant and equipment (continued)

Recognition and Measurement

Depreciation of property, plant and equipment (continued)

'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.

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 23.

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 participants 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 26 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. ISLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

The last comprehensive revaluation was completed on 31 December 2020 and was based on an independent assessment.

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

For other assets valued using other valuation techniques, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

22. Property, plant and equipment (continued)

Recognition and Measurement

Revaluation of property, plant and equipment (continued)

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

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

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

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

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

ISLHD 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, ISLHD estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

Derecognition of property, plant and equipment

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Leases

(a) Entity as a lessee

ISLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 15 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. ISLHD 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 ISLHD 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 \$0.68 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 \$1.88 million.

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

ISLHD 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.

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	5,611	9,015	14,626
Additions	386	3,122	3,508
Reassessments	3,588	2	3,590
Disposals	-	(18)	(18)
Depreciation expense	(2,103)	(2,707)	(4,810)
Balance at 30 June 2021	7,482	9,414	16,896

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Leases (continued)

(a) Entity as a lessee (continued)

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	7,616	5,901	13,517
Additions	578	5,204	5,782
Reassessments	9	-	9
Depreciation expense	(2,592)	(2,090)	(4,682)
Balance at 30 June 2020	5,611	9,015	14,626

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Balance at 1 July	14,978	13,517
Additions	3,508	5,782
Interest expenses	288	254
Payments	(5,194)	(4,584)
Terminations	(19)	-
Equity transfers - transfers In / (out)	(3)	-
Other adjustments	3,589	9
Balance at 30 June	17,147	14,978

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where ISLHD is the lessee:

PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	4,810	4,682
Interest expense on lease liabilities	288	254
Expenses relating to short-term leases	2,165	2,347
Expenses relating to leases of low-value assets	1,681	1,702
(Gains) / losses on disposal	(1)	-
Total amount recognised in the statement of comprehensive income	8,943	8,985

ISLHD had total cash outflows for leases of \$9.04 million for the year ended 30 June 2021 (2020: \$8.63 million).

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Leases (continued)

(a) Entity as a lessee (continued)

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

ISLHD entered into a no term year lease with the Department of Education for the use of a medical, allied and complementary health care centre. The contract specifies lease payments of \$Nil per annum. The leased premise is to be used by ISLHD to provide community health services. The community health building accounts for a small portion of the similar assets ISLHD is using for the purpose of providing community health services. Therefore it does not have a significant impact on ISLHD's operations.

Recognition and Measurement

ISLHD 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.

ISLHD 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.

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 15 years
Motor vehicles and other equipment	1 to 12 years

If ownership of the leased asset transfers to ISLHD 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. ISLHD 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, ISLHD 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Leases (continued)

(a) Entity as a lessee (continued)

ii. Lease liabilities

At the commencement date of the lease, ISLHD 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 ISLHD; and
- payments of penalties for terminating the lease, if the lease term reflects ISLHD 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. ISLHD does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, ISLHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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.

ISLHD's lease liabilities are included in borrowings in Note 30.

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

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

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Leases (continued)

(b) Entity as a lessor

WH Smith leases three retail spaces located within the District's hospitals under operating leases with rental payable monthly including a percentage of turnover. Lease payments generally contain uplift clauses to align to the market conditions.

JG Holdings also lease two retail spaces located within Wollongong Hospital under operating leases with rental payable monthly including a percentage of turnover. Lease payments generally contain uplift clauses to align to the market conditions.

Grand Pacific Health has leased the building at Scenic Drive Nowra for 30 years with a 10 year option to renew, which is treated as a finance lease receivable. No lease payments are made during the period of the lease, with the building becoming ISLHD's asset at the end of the lease term.

Reconciliation of net investment in leases

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Unguaranteed residual amounts - undiscounted	4,767	4,767
Less: unearned finance income	(2,430)	(2,499)
Net investment in finance lease	2,337	2,268

Recognition and Measurement

Lessor for finance leases

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

At the lease commencement date, ISLHD recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease (Note 21).

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Leases (continued)

(b) Entity as a lessor (continued)

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2021 are, as follows:

PARENT AND CONSOLIDATION

	2021	2020
	\$'000	\$'000
Within one year	350	407
One to two years	366	314
Two to three years	363	314
Three to four years	114	314
Four to five years	7	78
Total (excluding GST)	1,200	1,427

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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

24. Intangible assets

PARENT AND CONSOLIDATION

	Total \$000
At 1 July 2019	
Cost (gross carrying amount)	1,192
Less: accumulated amortisation and impairment	1,126
Net carrying amount	66

	Total \$000
Year ended 30 June 2020	
Net carrying amount at beginning of year	66
Additions - acquired separately	102
Amortisation (recognised in depreciation and amortisation)	(30)
Net carrying amount at end of year	138

	Total \$000
At 1 July 2020	
Cost (gross carrying amount)	1,294
Less: accumulated amortisation and impairment	1,156
Net carrying amount	138

	Total \$000
Year ended 30 June 2021	
Net carrying amount at beginning of year	138
Additions - acquired separately	102
Amortisation (recognised in depreciation and amortisation)	(37)
Net carrying amount at end of year	203

PARENT AND CONSOLIDATION

	Total \$000
At 30 June 2021	
Cost (gross carrying amount)	1,396
Less: accumulated amortisation and impairment	1,193
Net carrying amount	203

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

24. Intangible assets (continued)

Recognition and Measurement

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

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

Computer software developed or acquired by ISLHD are recognised as intangible assets. Most computer software is acquired from eHealth NSW, 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 with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

25. Non-current assets held for sale

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets held for sale				
Land and buildings	-	1,374	-	1,374
	-	1,374	-	1,374

There are no non-current assets held for sale at 30 June 2021. At 30 June 2020 there were two properties held for sale being the Kalparrin Mental Health Property at Fowlers Rd Dapto and Nowra Mental Health Group Home at Plunkett St Nowra. Both of these properties were sold during the current year.

Further details regarding fair value measurement are disclosed in Note 26.

Recognition and Measurement

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

26. 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.

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, ISLHD 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).

ISLHD 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
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	15,082	519,798	534,880
- Infrastructure systems	-	-	89,272	89,272
	-	15,082	609,070	624,152

There were no transfers between level 1 and 2 during the year ended 30 June 2021.

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

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	59,061	390,988	450,049
- Infrastructure systems	-	-	56,029	56,029
Non-current assets held for sale (Note 25)	-	1,374	-	1,374
	-	60,435	447,017	507,452

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems ISLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Solutions for the 2020-21 financial year. Opteon Solutions is an independent entity and is not an associated entity of ISLHD.

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

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

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

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

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

- For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	390,988	56,029	-	447,017
Additions	72,556	30,829	-	103,385
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	31,749	6,108	-	37,857
Transfers from Level 2	46,070	-	-	46,070
Disposals	(292)	(225)	-	(517)
Depreciation expense	(22,283)	(3,469)	-	(25,752)
Reclassification	1,010	-	-	1,010
Fair value as at 30 June 2021	519,798	89,272	-	609,070

PARENT AND CONSOLIDATION

2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	406,884	58,688	223	465,795
Additions	5,867	-	-	5,867
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets'	-	-	(9)	(9)
Transfers to Level 2	(933)	-	-	(933)
Depreciation expense	(20,830)	(2,659)	-	(23,489)
Reclassification	-	-	(214)	(214)
Fair value as at 30 June 2020	390,988	56,029	-	447,017

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

27. Restricted assets

PARENT AND CONSOLIDATION

ISLHD'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 2021.

Category	1 July 2020	Revenue	Expense	2021
	Opening			Closing
	\$000	\$000	\$000	\$000
Facility improvements	11,653	2,269	4,187	9,735
Patient welfare	3,906	1,470	1,723	3,653
Private practice disbursements (No.2 Accounts)	17,061	4,731	4,277	17,515
Public contributions	860	115	265	710
Research	2,367	1,397	1,210	2,554
Staff welfare	115	138	74	179
Training and education including conferences	1,809	55	64	1,800
	37,771	10,175	11,800	36,146

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

Category	Purpose
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

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

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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

28. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	9,288	27,878	-	-
Salaries and wages deductions	800	185	-	-
Payroll and fringe benefits tax	138	129	-	-
Accrued liability - purchase of personnel services	-	-	10,226	28,192
Creditors	16,563	16,087	16,563	16,087
Other creditors				
- Payables to entities controlled by the immediate parent	9,453	8,693	9,453	8,693
- Other	17,178	7,671	17,178	7,671
	53,420	60,643	53,420	60,643

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 40.

Recognition and Measurement

Payables represent liabilities for goods and services provided to ISLHD and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

29. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract liabilities	1,029	797	1,029	797
	1,029	797	1,029	797

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 30 June 2021 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2021. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	797	-	797	-
Transaction price allocated to the remaining performance obligations from contracts with customers	1,029	797	1,029	797

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

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Sales of goods and services from contracts with customers	1,029	-	-	-
	1,029	-	-	-

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

30. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Other loans and deposits	493	478	493	478
Lease liabilities (see Note 23)	5,568	5,186	5,568	5,186
	6,061	5,664	6,061	5,664
Non-current				
Other loans and deposits	3,282	3,775	3,282	3,775
Lease liabilities (see Note 23)	11,579	9,792	11,579	9,792
	14,861	13,567	14,861	13,567

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 30 June 2028.

Other loans still to be extinguished represent monies to be repaid to The Crown in right of the State of New South Wales, an entity controlled by the ultimate parent.

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 40.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

30. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities and other interest bearing liabilities.

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.

Borrowings are classified as current liabilities unless ISLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 40 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

ISLHD has not designated any financial liability as at fair value through profit or loss.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	4,717	-	4,717
Recognised on adoption of AASB 16	-	13,517	13,517
Adjusted 1 July 2019	4,717	13,517	18,234
Cash flows	(464)	(4,330)	(4,794)
New leases	-	5,782	5,782
Lease reassessments	-	9	9
30 June 2020	4,253	14,978	19,231
1 July 2020	4,253	14,978	19,231
Cash flows	(478)	(4,906)	(5,384)
New leases	-	3,508	3,508
Lease terminations	-	(19)	(19)
Lease reassessments	-	3,589	3,589
Non-cash changes other	-	(3)	(3)
30 June 2021	3,775	17,147	20,922

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

31. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	62,262	61,580	-	-
Annual leave - obligations expected to be settled after 12 months	33,071	25,254	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,733	1,571	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	18,999	15,626	-	-
Provision for other employee benefits	3,010	3,056	-	-
Provision for personnel services liability	-	-	119,075	107,087
Total current provisions	119,075	107,087	119,075	107,087
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	2,050	1,495	-	-
Provision for personnel services liability	-	-	2,050	1,495
Total non-current provisions	2,050	1,495	2,050	1,495
Aggregate employee benefits and related on-costs				
Provisions - current	119,075	107,087	-	-
Provisions - non-current	2,050	1,495	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	10,088	28,063	-	-
Liability - purchase of personnel services	-	-	131,213	136,645
	131,213	136,645	131,213	136,645

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

31. Provisions (continued)

Movements in provisions (other than employee benefits)

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 20.4% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.4%). ISLHD has assessed the actuarial advice based on the ISLHD'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 ISLHD does not expect to settle the liability within 12 months as ISLHD 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

ISLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. ISLHD 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by ISLHD.

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 Aware 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

31. Provisions (continued)

Recognition and Measurement (continued)

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: ISLHD 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 ISLHD 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 ISLHD has a detailed formal plan, and ISLHD 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

32. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Unearned revenue	10	-	10	-
	10	-	10	-
Non-current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	7,278	8,823	7,278	8,823
	7,278	8,823	7,278	8,823

Unearned revenue was derived from the following:

In March 2021, Vodafone Hutchison Australia Pty Ltd paid for rental of roof space at Port Kembla Hospital for the mobile telecommunications tower which included \$10 thousand in advance relating to the period ending October 2021.

PARENT AND CONSOLIDATION

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	8,823	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	7,126
<i>Add:</i> receipt of cash during the financial year	2,374	1,697
<i>Deduct:</i> income recognised during the financial year	3,919	-
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	7,278	8,823

Refer to Note 13 for a description of ISLHD's obligations under transfers received to acquire or construct non-financial assets to be controlled by ISLHD.

ISLHD 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.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

33. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	9,360	15,959	9,360	15,959
Later than one year and not later than five years	-	1,207	-	1,207
Total (including GST)	9,360	17,166	9,360	17,166

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$9.36 million as at 30 June 2021 includes input tax credits of \$0.85 million that are expected to be recoverable from the Australian Taxation Office (2020 \$1.56 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$1.32 million as at 30 June 2021 includes taxable sales of \$0.12 million that are expected to be payable to the Australian Taxation Office (2020: \$0.14 million).

34. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

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

(a) Contingent liabilities

ISLHD is not aware of any contingent liabilities at reporting date other than those disclosed in Note 33 (b).

(b) Contingent assets

Contingent assets relate to commitments for expenditure - refer Note 33 (b).

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

35. Trust funds

PARENT AND CONSOLIDATION

ISLHD holds trust funds of \$263 thousand (2020: \$218 thousand) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2020			30 June 2021
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Refundable Deposits	184	6	-	190
Private Patient Trust Funds	-	20,915	(20,915)	-
Third Party Funds	34	39	-	73
Total trust funds	218	20,960	(20,915)	263

Category	1 July 2019			30 June 2020
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Refundable Deposits	176	8	-	184
Private Patient Trust Funds	-	19,441	(19,441)	-
Third Party Funds	18	16	-	34
Total trust funds	194	19,465	(19,441)	218

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
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 41.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

36. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	69,352	45,106	69,352	45,106
Depreciation and amortisation expense	(39,672)	(37,583)	(39,672)	(37,583)
Allowance for impairment	(471)	(674)	(471)	(674)
(Increase) / decrease in unearned revenue	1,535	(1,697)	1,535	(1,697)
Decrease / (increase) in provisions	(12,543)	(11,946)	(12,543)	(11,946)
Increase / (decrease) in prepayments and other assets	3,543	(444)	3,543	(444)
Decrease / (increase) in payables	7,479	(3,276)	7,479	(3,276)
Decrease / (increase) in contract liabilities	(232)	(797)	(232)	(797)
Net gain / (loss) on sale of property, plant and equipment	(15,816)	(2,709)	(15,816)	(2,709)
Net gain / (loss) on disposal of right-of-use assets	1	-	1	-
Non-cash revenue items	-	2,268	-	2,268
Assets donated or brought to account (Note 37)	1,063	701	1,063	701
Other	-	(214)	-	(214)
Net result	14,239	(11,265)	14,239	(11,265)

37. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	1,063	701	1,063	701
Property, plant and equipment acquired by a lease	3,508	5,782	3,508	5,782
Other	-	(214)	-	(214)
	4,571	6,269	4,571	6,269

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

38. 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). ISLHD'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, ISLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between ISLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

PARENT AND CONSOLIDATION

Net result

The actual Net Result was lower than adjusted budget by \$19 million, primarily due to:

- Unbudgeted COVID costs accounted for \$7.9 million (with base costs variance \$7.4m and incremental cost variance \$0.5m) of the \$10.5 million unfavourable expense budget variance.

- Increased Employee Related expenses of \$15.3 million includes additional COVID related employee costs of \$6.7 million, agency medical costs of \$6.1 million, \$6.3 million additional annual leave and \$5.6 million additional overtime costs related to nursing and JMOs. Goods and Services costs (the main component of Other Expenses) had a \$6.8 million favourable variance to budget with savings in pathology, reduced spend in TESL/education and travel, high cost drugs, motor vehicle costs and prosthesis costs.

- Write off of capital costs relating to no longer proceeding Shellharbour Hospital Redevelopment Brownfields Project was \$16.1 million which was not budgeted.

- Revenue was favourable to budget by \$7.8 million with an additional \$11.6 million received in Ministry of Health Recurrent Allocations. Own source revenue sources was \$3.0 million below budget which was primarily related to reduced activity regarding DVA and MAA admissions, sales of pharmacy supplies and decreased revenue from car parking.

Assets and liabilities

Current assets are \$16.0 million above budget. Cash is \$14.1 million above budget which primarily relates to \$8.7 million funds transfer from RFA/CTF to general fund at year end. RFA bank account funds also increased by \$7.8m. Non current assets are \$17.2 million above budget, with the variance being in property plant & equipment. This is primarily related to the purchase of the IRT share of Bulli ACCE which was not budgeted.

Total liabilities are \$12.6 million above budget of which \$10.5 million relates to increase in payables. Payables is over budget due to additional accrued creditors that were not budgeted such as outsourced surgery, purchase of AV equipment and dental vouchers. Provisions are \$5.6 million above budget primarily due to the increase in annual leave with less leave taken during the COVID-19 pandemic and year end actuarial adjustments.

Cash flows

Net cash flow from operating activities is \$10.2 million favourable to budget. An additional \$11.6 million in NSW Ministry of Health Recurrent Allocation funding is offset by additional \$9.8 million in employee related payments. Savings in goods and services of \$16.0 million is offset by unfavourable variance in sales of goods and services of \$6.4 million.

Cash outflows from investment activities is favourable to variance by \$6.1 million. Repayments for right of use lease liabilities was above budget by \$2.2 million which is related to additional property and medical imaging leases that were not originally budgeted.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

38. Adjusted budget review (continued)

ISLHD was issued with an interim Initial Allocation in July 2020 with a final budget issued in November 2020 as a result of a delay due to COVID 19. Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the final allocation on 17 November 2020 are as follows:

	\$000
Initial allocation, 17 November 2020	853,437
Award increases	1,723
Special projects	
2020/21 Budget Relief - COVID 19 Response	62,478
Comprehensive Palliative Care in Aged Care Measure (CPCIAC)	150
COVID 19 Mental Health Budget	919
COVID 19 Virtual Mental Health Enhancement	1,120
COVID 19 Budget Relief Response (Special Leave)	185
COVID 19 Climate Controlled Storage at Wollongong Hospital	840
COVID 19 Minor Works and Equipment	2,525
Virtual Mental Health Enhancement	120
NSW Aged Care Assessment Program (ACAP)	155
Nursing and Midwifery	768
Organ and Tissue Donation Funding	150
Translational Research Grants Scheme - Post Operative Delirium	283
Translational Research Grants Rollovers from FY19/20	204
Translational Research Grants Rollovers from FY20/21 to FY21/22	(170)
Revised Funding for Oral Health including Child Dental Benefits Scheme (CDBS)	(95)
Readiness funding for Aboriginal Sexual Assault Service workforce and Safe Wayz Program	186
HIV and Related Programs (HARP) Health Promotions Unit transferred from South Eastern Sydney LHD	461
Extra funding for projects and programs under \$100,000 each	281
Wellbeing and Health In-reach Nurse (WHIN) Coordinator Program	195
Integrated Care Initiative - Figtree Integrated Care Centre	275
Retraction - Towards Zero Suicides & Bushfire Recovery Clinicians	(875)
Carry Forward of Commonwealth National Partnership Agreement Funding to FY21/22	(154)
Salaries Accrual Year End Adjustment	21,048
Other	
2020-21 Defined Benefits Superannuation	524
2020-21 Hospitalist Skills Program Education Support	134
Workplace Culture and Safety	221
Oral Health Minor Works Capital budget	200
Rural Generalist Medical and GP Procedural Training Program	398
High Cost Drug S100 Co-payment	239
Critical Fire Safety Works	710
Extra funding for projects and programs under \$100,000 each	124
Voluntary Redundancy	1,197
Additional Funding to Support Access Performance	278
Isolated Patients Travel and Accommodation Assistance Scheme (ITPAAS)	449
High Cost Patient Pool	173
Balance as per Statement of Comprehensive Income	950,856

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

39. Equity

Revaluation surplus

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

Accumulated funds

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

Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

Equity transfers effected in the 2020/21 year were:

- (a) As at the 30 June 2021, a fleet lease was transferred to eHNSW from ISLHD at \$4 thousand consideration, an entity of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

Equity transfers effected in the 2019/20 year were:

- (b) Nil

Equity transfers effected comprised:

	2021 \$000	2020 \$000
(a) Transfer of motor vehicle fleet leases	(4)	-
	(4)	-

Assets and Liabilities transferred are as follows:

	2021 \$000	2020 \$000
Liabilities		
(a) Lease liabilities	4	-
Increase / (Decrease) in Net Assets From Equity Transfers	4	-

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Equity (continued)

Recognition and Measurement

Equity transfers

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

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Financial instruments

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

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

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount	Carrying Amount
		2021	2020
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 18)	Amortised cost	46,554	39,640
Receivables (Note 19) ¹	Amortised cost	16,293	14,879
Other financial assets (Note 21)	Amortised cost	2,337	2,268
Total financial assets		65,184	56,787
Financial liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	20,922	19,231
Payables (Note 28) ²	Financial liabilities measured at amortised cost	53,282	60,514
Total financial liabilities		74,204	79,745

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).

ISLHD 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:

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Financial instruments (continued)

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

When ISLHD 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 ISLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of ISLHD's continuing involvement in the asset. In that case, ISLHD 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 ISLHD. 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 ISLHD, including cash, receivables and authority deposits. No collateral is held by ISLHD. ISLHD has not granted any financial guarantees.

Credit risk associated with ISLHD'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.

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

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: 0.95%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.10%) in the previous year. The TCorpIM Cash Fund is discussed in market risk below.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets

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

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

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

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

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

Trade receivables, other receivables, contract assets and lease receivables 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, contract assets and lease receivables as at 30 June 2021 and 30 June 2020 was determined as follows:

PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.89%	2.56%	6.53%	14.64%	16.14%	3.76%
Estimated total gross carrying amount ¹	10,948	703	291	321	2,267	14,530
Expected credit loss	97	18	19	47	366	547
30 June 2020	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.57%	1.81%	4.33%	10.19%	10.26%	2.31%
Estimated total gross carrying amount ¹	12,183	608	208	412	2,242	15,653
Expected credit loss	69	11	9	42	230	361

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 19.

ISLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 30 June 2020.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Other Financial Assets - Authority Deposits

ISLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. ISLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2021 (2020: \$Nil).

ii. Liquidity risk

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

ISLHD 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. ISLHD's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

ISLHD 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 ISLHD 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2021								
Payables:								
- Creditors ²		53,282	-	-	53,282	53,282	-	-
Borrowings:								
- Other loans and deposits	2.97%	4,209	4,209	-	-	601	2,405	1,203
- Lease liabilities	1.81%	17,233	17,233	-	-	4,757	9,968	2,508
		74,724	21,442	-	53,282	58,640	12,373	3,711
2020								
Payables:								
- Creditors ²		60,514	-	-	60,514	60,514	-	-
Borrowings:								
- Other loans and deposits	2.97%	4,810	4,810	-	-	601	2,405	1,804
- Lease liabilities	1.86%	15,543	15,543	-	-	5,243	8,564	1,736
		80,867	20,353	-	60,514	66,358	10,969	3,540

Notes:

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. 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. ISLHD's exposures to market risk are primarily through interest rate risk on ISLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. ISLHD 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 ISLHD 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 2020. 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 ISLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. ISLHD does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. 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, ISLHD 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:

PARENT AND CONSOLIDATION

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(280)	280	(227)	227
Equity	(280)	280	(227)	227

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. 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. ISLHD has no direct equity investments. ISLHD holds units in the following TCorpIM Funds trusts:

Facility	Investment Sectors	Investment Horizon	2021 \$000	2020 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	23,716	23,640

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 ISLHD'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, which is used to demonstrate the impact on the funds' net assets as a result of changes in unit price. This impact is based on a sensitivity rate of 10%, multiplied by the redemption value as at the 30 June each year for each facility (balance from TCorpIM Funds statement). Actual movements in the price risk variables may differ to the sensitivity rates used due to a number of factors. TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

	Change in unit price		Impact on net result	
	2021 %	2020 %	2021 \$000	2020 \$000
TCorpIM Cash Fund	10%	10%	2,372	2,364

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

40. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

ii. Fair value recognised in the Statement of Financial Position

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2021 Total \$'000
TCorpIM Funds	-	23,716	-	23,716

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2020 Total \$'000
TCorpIM Funds	-	23,640	-	23,640

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

There were no transfers between level 1 and 2 during the period ended 30 June 2021.

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

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

41. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021 \$000	2020 \$000
Short-term employee benefits	723	573
Post-employment benefits	67	53
	790	626

During the financial year, Illawarra Shoalhaven Local Health District obtained key management personnel services from the immediate parent and incurred \$381 thousand (2020: \$394 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

ISLHD's key management personnel comprise its board members and chief executive.

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 (2020: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2020: \$Nil).

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

During the financial year and comparative year, ISLHD 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 (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) 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.
- Health Administration Corporation provides hosted services which includes patient billing and ICT core charges.

Illawarra Shoalhaven Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

41. Related party disclosures

(d) Transactions ISLHD 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
- Insurance costs

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
- Commercial activities revenue in respect of medical imaging

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)
- Interest income on TCorpIM Funds Investment facilities
- Patient revenue relating to Transitional Aged Care Program and Regional Assessment Scheme

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with The Crown in right of the State of New South Wales
- 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.

42. Events after the reporting period

On 28 June 2021, the NSW Government put in place Public Health (COVID-19 Temporary Movement and Gathering Restrictions) Order 2021 under the Public Health Act 2010 to contain the spread of COVID-19 and to prioritise the health and safety of the community. The Public Health Order 2021 placed various restrictions on Greater Sydney and impacted the way ISLHD operates since reporting date. A number of our major hospitals have suspended certain categories of non-urgent surgery in some specialty areas progressively since 23 August. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of COVID-19 on ISLHD after reporting date.

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

END OF AUDITED FINANCIAL STATEMENTS