



## INDEPENDENT AUDITOR'S REPORT

### Northern NSW Local Health District

To the Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Northern NSW 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 35. 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf) OR [www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf) . The description forms part of my auditor's report.

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

- that the District 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

# Northern NSW Local Health District

## Statement by the Accountable Authority

for the year ended 30 June 2021



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

1. The financial statements of the Northern NSW 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 the Northern NSW 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, appearing to read 'Lynne Weir'.

Lynne Weir  
**Acting Chief Executive**  
13 October 2021

# Northern NSW Local Health District

## Statement of Comprehensive Income for the year ended 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	569,518	574,868	560,090	-	-
Personnel services	3	-	-	-	569,033	537,819
Visiting medical officers	4	84,966	84,506	87,635	84,966	87,635
Other expenses	5	254,905	250,099	220,756	254,905	220,756
Depreciation and amortisation	6	37,491	37,455	35,189	37,491	35,189
Grants and subsidies	7	4,490	4,463	5,255	4,490	5,255
Finance costs	8	334	338	270	334	270
<b>Total expenses excluding losses</b>		<b>951,704</b>	<b>951,729</b>	<b>909,195</b>	<b>951,219</b>	<b>886,924</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	10	839,770	841,937	762,749	839,770	762,749
NSW Ministry of Health capital allocations	10	90,821	97,594	68,128	90,821	68,128
Acceptance by the Crown <sup>2</sup> of employee benefits	14	485	484	22,271	-	-
Sale of goods and services from contracts with customers	11	63,643	66,954	68,007	63,643	68,007
Investment revenue	12	166	333	271	166	271
Grants and other contributions	13	25,246	24,732	57,290	25,246	57,290
Other income	15	1,721	4,408	1,155	1,721	1,155
<b>Total revenue</b>		<b>1,021,852</b>	<b>1,036,442</b>	<b>979,871</b>	<b>1,021,367</b>	<b>957,600</b>
<b>Operating result</b>		<b>70,148</b>	<b>84,713</b>	<b>70,676</b>	<b>70,148</b>	<b>70,676</b>
Gains / (losses) on disposal	16	328	(5)	(200)	328	(200)
Impairment losses on financial assets	19	(161)	(297)	(63)	(161)	(63)
<b>Net result from continuing operations</b>	<b>33</b>	<b>70,315</b>	<b>84,411</b>	<b>70,413</b>	<b>70,315</b>	<b>70,413</b>
<b>Net result</b>		<b>70,315</b>	<b>84,411</b>	<b>70,413</b>	<b>70,315</b>	<b>70,413</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	-	-	22,326	-	22,326
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>22,326</b>	<b>-</b>	<b>22,326</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>70,315</b>	<b>84,411</b>	<b>92,739</b>	<b>70,315</b>	<b>92,739</b>

<sup>1</sup> Unaudited adjusted budget, see Note 35.

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

**Northern NSW Local Health District**  
**Statement of Financial Position as at 30 June 2021**

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	18	19,974	15,805	16,528	19,974	16,528
Receivables	19	16,306	13,802	14,163	16,306	14,163
Contract assets	20	1,158	844	844	1,158	844
Inventories	21	1,407	1,896	1,896	1,407	1,896
<b>Total current assets</b>		<b>38,845</b>	<b>32,347</b>	<b>33,431</b>	<b>38,845</b>	<b>33,431</b>
<b>Non-current assets</b>						
Property, plant & equipment	22					
- Land and buildings		829,826	813,950	749,050	829,826	749,050
- Plant and equipment		37,103	54,224	44,390	37,103	44,390
- Infrastructure systems		22,871	23,235	23,861	22,871	23,861
Total property, plant & equipment		889,800	891,409	817,301	889,800	817,301
Right-of-use assets	23	11,181	11,230	12,185	11,181	12,185
<b>Total non-current assets</b>		<b>900,981</b>	<b>902,639</b>	<b>829,486</b>	<b>900,981</b>	<b>829,486</b>
<b>Total assets</b>		<b>939,826</b>	<b>934,986</b>	<b>862,917</b>	<b>939,826</b>	<b>862,917</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	26	47,831	37,244	53,080	47,831	53,080
Contract liabilities	27	205	180	180	205	180
Borrowings	28	4,807	1,385	4,560	4,807	4,560
Provisions	29	87,810	82,139	77,504	87,810	77,504
Other current liabilities	30	850	-	359	850	359
<b>Total current liabilities</b>		<b>141,503</b>	<b>120,948</b>	<b>135,683</b>	<b>141,503</b>	<b>135,683</b>
<b>Non-current liabilities</b>						
Borrowings	28	10,457	13,803	12,281	10,457	12,281
Provisions	29	1,460	1,460	1,073	1,460	1,073
Other non-current liabilities	30	4,358	2,631	2,147	4,358	2,147
<b>Total non-current liabilities</b>		<b>16,275</b>	<b>17,894</b>	<b>15,501</b>	<b>16,275</b>	<b>15,501</b>
<b>Total liabilities</b>		<b>157,778</b>	<b>138,842</b>	<b>151,184</b>	<b>157,778</b>	<b>151,184</b>
<b>Net assets</b>		<b>782,048</b>	<b>796,144</b>	<b>711,733</b>	<b>782,048</b>	<b>711,733</b>
<b>EQUITY</b>						
Reserves		72,469	73,753	73,753	72,469	73,753
Accumulated funds		709,579	722,391	637,980	709,579	637,980
<b>Total Equity</b>		<b>782,048</b>	<b>796,144</b>	<b>711,733</b>	<b>782,048</b>	<b>711,733</b>

<sup>1</sup> Unaudited adjusted budget, see Note 35.

The accompanying notes form part of these financial statements.

**Northern NSW 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
<b>Balance at 1 July 2020</b>		637,980	73,753	711,733
<b>Net result for the year</b>		70,315	-	70,315
<b>Other comprehensive income:</b>				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,284	(1,284)	-
<b>Total other comprehensive income</b>		1,284	(1,284)	-
<b>Total comprehensive income for the year</b>		71,599	(1,284)	70,315
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	36	-	-	-
<b>Balance at 30 June 2021</b>		709,579	72,469	782,048

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2019</b>		582,900	42,429	625,329
Changes in accounting policy - initial application of AASB 1058		(6,335)	-	(6,335)
<b>Balance at 1 July 2019</b>		576,565	42,429	618,994
<b>Net result for the year</b>		70,413	-	70,413
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	22	-	22,326	22,326
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(8,998)	8,998	-
<b>Total other comprehensive income</b>		(8,998)	31,324	22,326
<b>Total Comprehensive Income for the Year</b>		61,415	31,324	92,739
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	36	-	-	-
<b>Balance at 30 June 2020</b>		637,980	73,753	711,733

The accompanying notes form part of these financial statements.

**Northern NSW Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2021**

		Consolidated	Consolidated	Consolidated	Parent	Parent
	Notes	Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2021	2021	2020	2021	2020
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(582,202)	(595,080)	(537,176)	-	-
Suppliers for goods and services		(365,242)	(365,514)	(339,874)	(365,242)	(339,874)
Grants and subsidies		(4,941)	(4,913)	(5,820)	(4,941)	(5,820)
Finance costs		(334)	(338)	(270)	(334)	(270)
Personnel services		-	-	-	(582,202)	(537,176)
<b>Total payments</b>		<b>(952,719)</b>	<b>(965,845)</b>	<b>(883,140)</b>	<b>(952,719)</b>	<b>(883,140)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		839,770	841,937	762,749	839,770	762,749
NSW Ministry of Health capital allocations		90,821	97,594	68,128	90,821	68,128
Reimbursements from the Crown <sup>2</sup>		9,111	9,111	10,131	9,111	10,131
Sale of goods and services		61,886	67,510	73,360	61,886	73,360
Interest received		166	333	271	166	271
Grants and other contributions		29,114	26,118	55,772	29,114	55,772
Other		32,475	34,499	29,038	32,475	29,038
<b>Total receipts</b>		<b>1,063,343</b>	<b>1,077,102</b>	<b>999,449</b>	<b>1,063,343</b>	<b>999,449</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	33	<b>110,624</b>	<b>111,257</b>	<b>116,309</b>	<b>110,624</b>	<b>116,309</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		2,701	936	28	2,701	28
Purchases of property, plant and equipment		(104,791)	(107,738)	(112,642)	(104,791)	(112,642)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(102,090)</b>	<b>(106,802)</b>	<b>(112,614)</b>	<b>(102,090)</b>	<b>(112,614)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of borrowings and advances		(698)	(698)	(681)	(698)	(681)
Payment of principal portion of lease liabilities		(4,390)	(4,480)	(3,111)	(4,390)	(3,111)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(5,088)</b>	<b>(5,178)</b>	<b>(3,792)</b>	<b>(5,088)</b>	<b>(3,792)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,446</b>	<b>(723)</b>	<b>(97)</b>	<b>3,446</b>	<b>(97)</b>
Opening cash and cash equivalents	18	16,528	16,528	16,625	16,528	16,625
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	18	<b>19,974</b>	<b>15,805</b>	<b>16,528</b>	<b>19,974</b>	<b>16,528</b>

<sup>1</sup> Unaudited adjusted budget, see Note 35.

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

# Northern NSW 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

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

The District 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.

The District, 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 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Northern NSW Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District 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 Acting Chief Executive on 13 October 2021.

#### b) Basis of preparation

The District'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 the District have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of the Northern NSW Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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, the District 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.



**Northern NSW 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**

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.

The District has received an additional \$43.13 million (2020: \$12.81 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.
- \* The District 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.
- \* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment and financial assets at fair value 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 the District's presentation and functional currency.

**c) Statement of Compliance**

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

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

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

- \* amount of GST incurred by the District 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.

**Northern NSW 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:

- \* The District 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 the District.

**AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for the District 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.

The adoption of AASB 1059 and the withdrawal of TPP 06-8 did not have an impact on the financial statements of the District.

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

The COVID-19 pandemic has resulted in significant changes in the District 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 21 Inventories
- \* Note 24 Fair value measurement of non-financial assets

**Northern NSW 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)	512,381	485,905	-	-
Superannuation - defined benefit plans	2,509	3,182	-	-
Superannuation - defined contribution plans	45,397	42,932	-	-
Long service leave	779	20,024	-	-
Redundancies	105	138	-	-
Workers' compensation insurance	8,309	7,886	-	-
Fringe benefits tax	38	23	-	-
	<b>569,518</b>	<b>560,090</b>	-	-

Employee related costs of \$1.25 million (2020: \$1.74 million) have been capitalised in property, plant and equipment 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)	-	-	512,381	485,905
Superannuation - defined contribution plans	-	-	45,397	42,932
Long service leave	-	-	2,803	935
Redundancies	-	-	105	138
Workers' compensation insurance	-	-	8,309	7,886
Fringe benefits tax	-	-	38	23
	-	-	<b>569,033</b>	<b>537,819</b>

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

Personnel services of \$1.25 million (2020: \$1.74 million) have been capitalised in property, plant and equipment assets and are excluded from the above.

**4. Visiting medical officers**

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the District's hospitals. VMO expenses of \$84.97 million (2020: \$87.64 million) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**5. Other expenses**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Advertising	136	76	136	76
Auditor's remuneration - audit of financial statements	141	133	141	133
Blood and blood products	4,782	4,052	4,782	4,052
Consultancies	861	234	861	234
Contractors	938	681	938	681
Domestic supplies and services	11,511	10,718	11,511	10,718
Drug supplies	16,704	16,914	16,704	16,914
Food supplies	17,466	17,110	17,466	17,110
Fuel, light and power	7,295	7,195	7,295	7,195
Patient transport costs	11,707	11,122	11,707	11,122
Information management expenses	17,690	14,137	17,690	14,137
Insurance	1,051	1,007	1,051	1,007
Maintenance (see Note 5 (b))	24,153	23,322	24,153	23,322
Medical and surgical supplies	50,798	40,129	50,798	40,129
Motor vehicle expenses	1,333	1,376	1,333	1,376
Postal and telephone costs	1,840	1,975	1,840	1,975
Printing and stationery	1,894	1,487	1,894	1,487
Rates and charges	1,383	1,280	1,383	1,280
Hosted services purchased from entities controlled by the immediate parent	859	949	859	949
Specialised services (dental, radiology, pathology and allied health)	49,323	36,938	49,323	36,938
Staff related costs	5,361	5,207	5,361	5,207
Travel related costs	2,844	3,858	2,844	3,858
Other (see Note 5 (a))	24,835	20,856	24,835	20,856
	<b>254,905</b>	<b>220,756</b>	<b>254,905</b>	<b>220,756</b>

Part of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the District.

**Northern NSW 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
<b>(a) Other</b>				
Contract for patient services	4,239	483	4,239	483
Corporate support services	8,497	8,119	8,497	8,119
Courier and freight	546	450	546	450
Isolated patient travel and accommodation assistance scheme	1,568	1,893	1,568	1,893
Legal services	473	328	473	328
Membership/professional fees	157	141	157	141
Quality assurance / accreditation	171	186	171	186
Security services	1,710	1,101	1,710	1,101
Expenses relating to short-term leases	3,193	3,180	3,193	3,180
Expenses relating to leases of low-value assets	181	170	181	170
Variable lease payments, not included in lease liabilities	5	-	5	-
Other miscellaneous	4,095	4,805	4,095	4,805
	<b>24,835</b>	<b>20,856</b>	<b>24,835</b>	<b>20,856</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	8,177	7,405	8,177	7,405
New / replacement equipment under \$10,000	7,815	9,031	7,815	9,031
Repairs maintenance / non contract	8,155	6,881	8,155	6,881
Other	6	5	6	5
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>24,153</b>	<b>23,322</b>	<b>24,153</b>	<b>23,322</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	2,571	2,825	2,571	2,825
	<b>26,724</b>	<b>26,147</b>	<b>26,724</b>	<b>26,147</b>

**5. Other expenses (continued)**

**Recognition and Measurement**

***Maintenance expense***

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

***Operating expenses***

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 26.

***Insurance***

The District'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***

The District recognises the lease payments associated with the following types of leases as an expense on a straight-line

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

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**6. Depreciation and amortisation**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Depreciation - buildings	25,632	23,593	25,632	23,593
Depreciation - plant and equipment	6,354	7,357	6,354	7,357
Depreciation - infrastructure systems	990	932	990	932
Depreciation - right-of-use buildings	1,228	934	1,228	934
Depreciation - right-of-use plant and equipment	3,287	2,373	3,287	2,373
	<b>37,491</b>	<b>35,189</b>	<b>37,491</b>	<b>35,189</b>

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

**7. Grants and subsidies**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Non-government organisations	2,208	2,447	2,208	2,447
Grants paid to entities controlled by the immediate parent	36	36	36	36
Other grants	2,246	2,772	2,246	2,772
	<b>4,490</b>	<b>5,255</b>	<b>4,490</b>	<b>5,255</b>

**Recognition and Measurement**

Grants and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**8. Finance costs**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Interest expense from lease liabilities	227	145	227	145
Interest expense from financial liabilities at amortised cost	107	125	107	125
	<b>334</b>	<b>270</b>	<b>334</b>	<b>270</b>

**Recognition and Measurement**

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



**Northern NSW 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, the District's own source revenue (which includes but is not limited to receipts from operating activities 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
Opening balance	16,528	-	16,528	-
Add: Appropriations deemed on 1 July 2019	-	16,625	-	16,625
Add: additions of own source revenue	135,453	168,600	135,453	168,600
Less: expenditure charged against own source revenue	132,007	168,697	132,007	168,697
	<b>19,974</b>	<b>16,528</b>	<b>19,974</b>	<b>16,528</b>

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.

**10. NSW Ministry of Health allocations**

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

The District recognised additional NSW Ministry of Health recurrent allocations of \$41.97 million (2020: \$12.31 million) and NSW Ministry of Health capital allocations of \$1.16 million (2020: \$0.50 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination 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.

**Northern NSW 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	3,105	4,807	3,105	4,807
Sale of prostheses	1,278	1,433	1,278	1,433
Other	64	106	64	106
	<b>4,447</b>	<b>6,346</b>	<b>4,447</b>	<b>6,346</b>

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

<b>Patients</b>				
Patient Fees:				
- Inpatient fees	21,785	23,417	21,785	23,417
- Nursing home fees	1,510	1,531	1,510	1,531
- Non inpatient fees	2,405	2,383	2,405	2,383
Department of Veterans' Affairs	8,555	9,728	8,555	9,728
Motor Accident Authority third party	4,574	4,376	4,574	4,376
Multi Purpose Service Centre fees	5,346	5,065	5,346	5,065
Patient transport fees	56	99	56	99
<b>Staff</b>				
Private use of motor vehicles	20	24	20	24
Salary packaging fee	215	182	215	182
Meals and accommodation	82	125	82	125
<b>General community</b>				
Cafeteria / kiosk	15	12	15	12
Car parking	274	547	274	547
Clinical services (excluding clinical drug trials)	1,874	2,463	1,874	2,463
Commercial activities	-	4	-	4
Fees for conferences and training	-	7	-	7
Fees for medical records	144	145	144	145
Information retrieval	-	4	-	4
<b>Non-NSW Health entities</b>				
Services to other organisations	48	73	48	73
<b>Entities controlled by the immediate parent</b>				
Hosted service revenues	2,099	2,148	2,099	2,148
<b>Other</b>				
Infrastructure fees - annual charge	432	295	432	295
Infrastructure fees - monthly facility charge	9,413	8,628	9,413	8,628
Other	349	405	349	405
	<b>59,196</b>	<b>61,661</b>	<b>59,196</b>	<b>61,661</b>
	<b>63,643</b>	<b>68,007</b>	<b>63,643</b>	<b>68,007</b>

**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 the District satisfies a performance obligation by transferring the promised goods.

<b>Type of good</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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.

**Northern NSW 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 the District satisfies the performance obligation by transferring the promised services.

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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.

**Northern NSW 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)**

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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 doctors and 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 27 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the District expects to recognise the unsatisfied portion as revenue.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**12. Investment revenue**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	166	271	166	271
	<b>166</b>	<b>271</b>	<b>166</b>	<b>271</b>

**Recognition and Measurement**

***Interest income***

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

**Northern NSW 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
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
Grants to acquire / construct non-financial asset	-	200	-	200
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	6,119	5,830	6,119	5,830
Clinical trials and research grants	704	1,021	704	1,021
Commonwealth government grants received for community based services	3,785	3,740	3,785	3,740
Grants from entities controlled by the ultimate parent	169	316	169	316
Other grants from entities controlled by the immediate parent	288	58	288	58
Other grants	3,675	4,249	3,675	4,249
<b>Grants without specific performance obligations</b>				
Grants from entities controlled by the ultimate parent	8,727	40,004	8,727	40,004
Other grants from entities controlled by the immediate parent	450	240	450	240
Donations	1,329	1,632	1,329	1,632
	<b>25,246</b>	<b>57,290</b>	<b>25,246</b>	<b>57,290</b>

**Recognition and Measurement**

**Grants and other contributions**

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the District are recognised when the District satisfies its obligations under the transfer. The District 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 the District satisfies a performance obligation by transferring the promised goods or services. The District typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The District 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 27 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

**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. The District receives volunteer services for the below activities:

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

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



**Northern NSW 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	2,509	3,182	-	-
Long service leave provision	(2,024)	19,089	-	-
	<b>485</b>	<b>22,271</b>	-	-

**15. Other income**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Commissions	44	44	44	44
Discounts	4	10	4	10
Insurance refunds	826	98	826	98
Rental income				
- other rental income	356	469	356	469
Other	491	534	491	534
	<b>1,721</b>	<b>1,155</b>	<b>1,721</b>	<b>1,155</b>

**Recognition and Measurement**

***Other Income***

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

**Northern NSW 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
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	2,373	228	2,373	228
Less: proceeds from disposal	2,701	28	2,701	28
<b>Net gains / (losses) on disposal</b>	<b>328</b>	<b>(200)</b>	<b>328</b>	<b>(200)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	-	2	-	2
Less: proceeds from disposal	-	-	-	-
Less: lease liabilities extinguished	-	2	-	2
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total gains / (losses) on disposal</b>	<b>328</b>	<b>(200)</b>	<b>328</b>	<b>(200)</b>

**Recognition and Measurement**

*Impairment losses on non-financial assets*

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

- Note 19 Receivables
- Note 20 Contract assets
- Note 22 Property, plant and equipment
- Note 23 Leases

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

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District 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 25 Restricted assets.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**18. Cash and cash equivalents**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash at bank and on hand	19,974	16,528	19,974	16,528
	<b>19,974</b>	<b>16,528</b>	<b>19,974</b>	<b>16,528</b>

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

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

Cash and cash equivalents (per Statement of Financial Position)	19,974	16,528	19,974	16,528
	<b>19,974</b>	<b>16,528</b>	<b>19,974</b>	<b>16,528</b>

Refer to Note 37 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

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

**Northern NSW 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
<b>Current</b>				
Trade receivables from contracts with customers	6,555	6,616	6,555	6,616
Intra health receivables	2,530	1,116	2,530	1,116
Goods and Services Tax	5,523	4,630	5,523	4,630
Other receivables	552	333	552	333
<b>Sub total</b>	<b>15,160</b>	<b>12,695</b>	<b>15,160</b>	<b>12,695</b>
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(305)	(329)	(305)	(329)
- Other receivables	(15)	(30)	(15)	(30)
<b>Sub total</b>	<b>14,840</b>	<b>12,336</b>	<b>14,840</b>	<b>12,336</b>
Prepayments	1,466	1,827	1,466	1,827
	<b>16,306</b>	<b>14,163</b>	<b>16,306</b>	<b>14,163</b>

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

	Consolidated	Consolidated	Parent	Parent
<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(329)	(434)	(329)	(434)
Amounts written off during the year	174	134	174	134
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(150)	(29)	(150)	(29)
<b>Balance at the end of the year</b>	<b>(305)</b>	<b>(329)</b>	<b>(305)</b>	<b>(329)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	(30)	(29)	(30)	(29)
Amounts written off during the year	26	33	26	33
(Increase) / decrease in allowance recognised in the net result	(11)	(34)	(11)	(34)
<b>Balance at the end of the year</b>	<b>(15)</b>	<b>(30)</b>	<b>(15)</b>	<b>(30)</b>
	<b>(320)</b>	<b>(359)</b>	<b>(320)</b>	<b>(359)</b>

<sup>1</sup> Includes total impairment loss of \$0.15 million (2020: \$0.03 million) recognised on receivables from contracts with customers.

**Northern NSW 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	717	629	717	629
Patient fees - ineligible	494	460	494	460
Patient fees - inpatient & other	3,536	2,766	3,536	2,766
	<b>4,747</b>	<b>3,855</b>	<b>4,747</b>	<b>3,855</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 37.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	9,044	7,751	9,044	7,751
<b>Total contract receivables</b>	<b>9,044</b>	<b>7,751</b>	<b>9,044</b>	<b>7,751</b>

**Recognition and Measurement**

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

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**Subsequent measurement**

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

**Impairment**

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

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**20. Contract assets**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract assets	1,158	844	1,158	844
	<b>1,158</b>	<b>844</b>	<b>1,158</b>	<b>844</b>

**Recognition and Measurement**

Contract assets relate to the District's right to consideration in exchange for goods and services transferred to customers / works completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the District issues an invoice to the customer. The balance of the contract assets relates to grants and other contributions for work completed but not yet invoiced as future work is required to be completed before the District has the rights to invoice. Once all performance obligations are met and the District has rights to invoice for the payment to be made, the contract asset is transferred to receivables.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**21. Inventories**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Current</b>				
Drug supplies	1,255	1,723	1,255	1,723
Medical and surgical supplies	152	173	152	173
	<b>1,407</b>	<b>1,896</b>	<b>1,407</b>	<b>1,896</b>

**Recognition and Measurement**

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount 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, the District has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

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

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

**Northern NSW 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 <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	1,048,093	84,732	35,519	1,168,344
Less: accumulated depreciation and impairment	389,443	45,777	14,553	449,773
<b>Net carrying amount</b>	<b>658,650</b>	<b>38,955</b>	<b>20,966</b>	<b>718,571</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	658,650	38,955	20,966	718,571
Additions	96,190	12,266	-	108,456
Disposals	(1)	(227)	-	(228)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	58	-	58
Net revaluation increments less revaluation decrements	19,505	-	2,821	22,326
Depreciation expense	(23,593)	(7,357)	(932)	(31,882)
Reclassifications	(1,701)	695	1,006	-
<b>Net carrying amount at end of year</b>	<b>749,050</b>	<b>44,390</b>	<b>23,861</b>	<b>817,301</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.



**Northern NSW 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 <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	1,143,612	88,537	39,612	1,271,761
Less: accumulated depreciation and impairment	394,562	44,147	15,751	454,460
<b>Net carrying amount</b>	<b>749,050</b>	<b>44,390</b>	<b>23,861</b>	<b>817,301</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	749,050	44,390	23,861	817,301
Additions	101,110	6,450	-	107,560
Disposals	(2,062)	(311)	-	(2,373)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	288	-	288
Depreciation expense	(25,632)	(6,354)	(990)	(32,976)
Reclassifications	7,360	(7,360)	-	-
<b>Net carrying amount at end of year</b>	<b>829,826</b>	<b>37,103</b>	<b>22,871</b>	<b>889,800</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	1,248,070	81,043	39,612	1,368,725
Less: accumulated depreciation and impairment	418,244	43,940	16,741	478,925
<b>Net carrying amount</b>	<b>829,826</b>	<b>37,103</b>	<b>22,871</b>	<b>889,800</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

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

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

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

#### **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 the District and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to the District. The costs are then accordingly reflected in the District financial statements. The District 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.

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

##### ***Capitalisation thresholds***

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

##### ***Major inspection costs***

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

##### ***Restoration costs***

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

##### ***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 the District.

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

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

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

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

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

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

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

***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. The District 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 24 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District 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 2019 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The District uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed for the period 31 December 2019 to 30 June 2021. A cumulative increase in indicators of 0-5% for specialised and commercial land, 6-9% for non-specialised land and 3.75% for buildings and infrastructure were noted. The District used an external professionally qualified valuer to conduct the interim revaluation. No adjustment was made to the book values of property, plant and equipment as the impact of the above indicators provided by CBRE Valuation & Advisory Services were deemed to be immaterial.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

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

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

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

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

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

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

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

***Impairment of property, plant and equipment***

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

The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District 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.

**Northern NSW 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**

The District leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The District does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the District 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 \$0.3 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

The District 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**

	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2020	2,423	9,762	12,185
Additions	926	2,373	3,299
Reassessments	193	32	225
Depreciation expense	(1,228)	(3,287)	(4,515)
Equity transfers - transfers In / (out)	-	(13)	(13)
<b>Balance at 30 June 2021</b>	<b>2,314</b>	<b>8,867</b>	<b>11,181</b>

**PARENT AND CONSOLIDATION**

	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	2,583	5,290	7,873
Additions	774	6,847	7,621
Disposals	-	(2)	(2)
Depreciation expense	(934)	(2,373)	(3,307)
<b>Balance at 30 June 2020</b>	<b>2,423</b>	<b>9,762</b>	<b>12,185</b>

**Northern NSW 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)**

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

	2021 \$000	2020 \$000
Balance at 1 July	12,381	7,873
Additions	3,299	7,621
Interest expenses	227	145
Payments	(4,617)	(3,256)
Terminations	-	(2)
Equity transfers - transfers In / (out)	(13)	-
Other adjustments	225	-
<b>Balance at 30 June</b>	<b>11,502</b>	<b>12,381</b>

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

**PARENT AND CONSOLIDATION**

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	4,515	3,307
Interest expense on lease liabilities	227	145
Expenses relating to short-term leases	3,193	3,180
Expenses relating to leases of low-value assets	181	174
Variable lease payments, not included in the measurement of lease liabilities	5	-
<b>Total amount recognised in the statement of comprehensive income</b>	<b>8,121</b>	<b>6,806</b>

The District had total cash outflows for leases of \$8.00 million for the year ended 30 June 2021 (2020: \$6.61 million).

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

The District entered into a 40 year lease with the Tweed Shire Council for the use of a community health building. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by the District to provide different community health services. The community health buildings account for a small portion of the similar assets the District is using for the purpose of providing community health services. Therefore it does not have a significant impact on the District's operations.

**Recognition and Measurement**

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

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

**23. Leases (continued)**

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

*i. Right-of-use assets*

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

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

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

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

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

*ii. Lease liabilities*

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The District 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, the District is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

**23. Leases (continued)**

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

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

The District's lease liabilities are included in borrowings in Note 28.

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

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

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

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



**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**24. 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, the District categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

The District 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
<b>2021</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Property, plant and equipment (Note 22)				
- Land and buildings	-	18,321	542,417	560,738
- Infrastructure systems	-	-	21,988	21,988
	-	<b>18,321</b>	<b>564,405</b>	<b>582,726</b>

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
<b>2020</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Property, plant and equipment (Note 22)				
- Land and buildings	-	21,001	565,170	586,171
- Infrastructure systems	-	-	22,955	22,955
	-	<b>21,001</b>	<b>588,125</b>	<b>609,126</b>

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

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

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

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

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

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

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

- For land, the valuation by the valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.  
All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs although these lands are not identical.  
All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.
- For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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

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

**PARENT AND CONSOLIDATION**

<b>2021</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2020</b>	565,170	22,955	-	588,125
Depreciation expense	(22,753)	(967)	-	(23,720)
<b>Fair value as at 30 June 2021</b>	<b>542,417</b>	<b>21,988</b>	-	<b>564,405</b>

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

<b>2020</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2019</b>	345,586	16,213	-	361,799
Additions	218,511	4,779	-	223,290
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	20,310	2,821	-	23,131
Disposals	(1)	-	-	(1)
Depreciation expense	(19,236)	(858)	-	(20,094)
<b>Fair value as at 30 June 2020</b>	<b>565,170</b>	<b>22,955</b>	-	<b>588,125</b>

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**25. Restricted assets**

**PARENT AND CONSOLIDATION**

The District'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.

<b>Category</b>	<b>1 July 2020 Opening \$000</b>	<b>Revenue \$000</b>	<b>Expense \$000</b>	<b>2021 Closing \$000</b>
Community welfare	727	7	3	732
Facility improvements	6,601	4,279	1,096	9,784
Patient welfare	52	2	2	52
Private practice disbursements (No.2 Accounts)	3,508	464	192	3,780
Public contributions	310	102	126	286
Research	85	1	0	86
Staff welfare	82	1	0	83
Training and education including conferences	2,260	43	85	2,218
	<b>13,625</b>	<b>4,898</b>	<b>1,503</b>	<b>17,021</b>

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

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

**Unclaimed monies**

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

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**26. Payables**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	7,888	21,936	-	-
Salaries and wages deductions	84	89	-	-
Payroll and fringe benefits tax	81	19	-	-
Accrued liability - purchase of personnel services	-	-	8,053	22,044
Creditors	19,792	16,232	19,792	16,232
Other creditors				
- Capital works	3,904	1,137	3,904	1,137
- Payables to entities controlled by the immediate parent	6,328	5,450	6,328	5,450
- Other	9,754	8,217	9,754	8,217
	<b>47,831</b>	<b>53,080</b>	<b>47,831</b>	<b>53,080</b>

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 37.

**Recognition and Measurement**

Payables represent liabilities for goods and services provided to the District 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.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**27. Contract liabilities**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract liabilities	205	180	205	180
	<b>205</b>	<b>180</b>	<b>205</b>	<b>180</b>

**Recognition and Measurement**

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 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 payments 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	180	44	180	44
Revenue recognised from performance obligations satisfied in previous periods	-	833	-	833
Transaction price allocated to the remaining performance obligations from contracts with customers	14,409	3,260	14,409	3,260

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

<b>Specific revenue class</b>	<b>2022 \$'000</b>	<b>2023 \$'000</b>	<b>2024 \$'000</b>	<b>≥ 2025 \$'000</b>
Grants and other contributions	6,919	3,758	3,512	220
	<b>6,919</b>	<b>3,758</b>	<b>3,512</b>	<b>220</b>

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**28. Borrowings**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Other loans and deposits	716	698	716	698
Lease liabilities (see Note 23)	4,091	3,862	4,091	3,862
	<b>4,807</b>	<b>4,560</b>	<b>4,807</b>	<b>4,560</b>
<b>Non-current</b>				
Other loans and deposits	3,046	3,762	3,046	3,762
Lease liabilities (see Note 23)	7,411	8,519	7,411	8,519
	<b>10,457</b>	<b>12,281</b>	<b>10,457</b>	<b>12,281</b>

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

Final repayment of loan is scheduled for 30 June 2026.

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 37.

**Recognition and Measurement**

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation and lease 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 the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 37 (b) for derecognition policy.

**Changes in liabilities arising from financing activities**

**PARENT AND CONSOLIDATION**

	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2019</b>	-	5,141	-	5,141
Recognised on adoption of AASB 16	-	-	7,873	7,873
<b>Adjusted 1 July 2019</b>	-	<b>5,141</b>	<b>7,873</b>	<b>13,014</b>
Cash flows	-	(681)	(3,111)	(3,792)
New leases	-	-	7,621	7,621
Lease terminations	-	-	(2)	(2)
<b>30 June 2020</b>	-	<b>4,460</b>	<b>12,381</b>	<b>16,841</b>
Cash flows	-	(698)	(4,390)	(5,088)
New leases	-	-	3,299	3,299
Lease reassessments	-	-	225	225
Non-cash changes other	-	-	(13)	(13)
<b>30 June 2021</b>	-	<b>3,762</b>	<b>11,502</b>	<b>15,264</b>

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**29. Provisions**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	47,077	46,454	-	-
Annual leave - obligations expected to be settled after 12 months	23,750	16,452	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,356	1,252	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	13,402	11,090	-	-
Provision for other employee benefits	2,225	2,256	-	-
Provision for personnel services liability	-	-	87,810	77,504
<b>Total current provisions</b>	<b>87,810</b>	<b>77,504</b>	<b>87,810</b>	<b>77,504</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	1,460	1,073	-	-
Provision for personnel services liability	-	-	1,460	1,073
<b>Total non-current provisions</b>	<b>1,460</b>	<b>1,073</b>	<b>1,460</b>	<b>1,073</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	87,810	77,504	-	-
Provisions - non-current	1,460	1,073	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 26)	7,972	22,025	-	-
Liability - purchase of personnel services	-	-	97,242	100,602
	<b>97,242</b>	<b>100,602</b>	<b>97,242</b>	<b>100,602</b>

**Recognition and Measurement**

**Employee benefits and other provisions**

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 20.38% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.7%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the District does not expect to settle the liability within 12 months as the District 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.



**29. Provisions (continued)**

**Recognition and Measurement (continued)**

***Long service leave and superannuation***

The District'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. The District 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 the District.

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.

***Consequential on-costs***

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

***Other provisions***

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

Any provisions for restructuring are recognised only when the District has a detailed formal plan, and the District 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.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**30. Other liabilities**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	850	359	850	359
	<b>850</b>	<b>359</b>	<b>850</b>	<b>359</b>
<b>Non-current</b>				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,310	2,084	4,310	2,084
Other	48	63	48	63
	<b>4,358</b>	<b>2,147</b>	<b>4,358</b>	<b>2,147</b>

**PARENT AND CONSOLIDATION**

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	2,443	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	6,335
<i>Add:</i> receipt of cash during the financial year	2,717	(3,692)
<i>Deduct:</i> income recognised during the financial year	-	200
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>5,160</b>	<b>2,443</b>

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

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**31. Commitments**

**(a) Capital commitments**

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment and infrastructure systems, contracted for at balance date and not provided for:

	<b>Consolidated 2021 \$000</b>	<b>Consolidated 2020 \$000</b>	<b>Parent 2021 \$000</b>	<b>Parent 2020 \$000</b>
Within one year	187,777	20,337	187,777	20,337
Later than one year and not later than five years	211,550	2,319	211,550	2,319
<b>Total (including GST)</b>	<b>399,327</b>	<b>22,656</b>	<b>399,327</b>	<b>22,656</b>

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

The total 'Capital expenditure commitments' of \$399.33 million as at 30 June 2021 includes input tax credits of \$36.30 million that are expected to be recoverable from the Australian Taxation Office (2020 \$2.06 million).

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**32. Trust funds**

**PARENT AND CONSOLIDATION**

The District holds trust funds of \$1.6 million (2020: \$1.8 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

<b>Category</b>	<b>1 July 2020 Opening equity \$'000</b>	<b>Revenue \$000</b>	<b>Expense \$000</b>	<b>30 June 2021 Closing equity \$'000</b>
Patient Trust	140	1,122	(1,126)	136
Private Patient Trust Funds	473	5,814	(5,887)	399
Third Party Funds	1,155	2,134	(2,272)	1,016
<b>Total trust funds</b>	<b>1,768</b>	<b>9,069</b>	<b>(9,285)</b>	<b>1,552</b>

<b>Category</b>	<b>1 July 2019 Opening equity \$'000</b>	<b>Revenue \$000</b>	<b>Expense \$000</b>	<b>30 June 2020 Closing equity \$'000</b>
Patient Trust	150	1,242	(1,251)	140
Private Patient Trust Funds	474	5,645	(5,647)	473
Third Party Funds	1,309	3,689	(3,843)	1,155
<b>Total trust funds</b>	<b>1,933</b>	<b>10,576</b>	<b>(10,741)</b>	<b>1,768</b>

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

<b>Category</b>	<b>Purpose</b>
Patient Trust	The safe custody of patients' valuables including monies.
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 38.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**33. 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:

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Net cash used on operating activities	110,624	116,309	110,624	116,309
Depreciation and amortisation expense	(37,491)	(35,189)	(37,491)	(35,189)
Allowance for impairment	(161)	(63)	(161)	(63)
(Increase) / decrease in unearned revenue	(2,716)	3,891	(2,716)	3,891
Decrease / (increase) in provisions	(10,695)	(7,761)	(10,695)	(7,761)
Increase / (decrease) in prepayments and other assets	1,858	(9,796)	1,858	(9,796)
Increase / (decrease) in contract assets	315	844	315	844
Decrease / (increase) in payables	7,991	2,456	7,991	2,456
Decrease / (increase) in contract liabilities	(26)	(136)	(26)	(136)
Net gain / (loss) on sale of property, plant and equipment	328	(200)	328	(200)
Assets donated or brought to account (Note 34)	288	58	288	58
<b>Net result</b>	<b>70,315</b>	<b>70,413</b>	<b>70,315</b>	<b>70,413</b>

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

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Assets donated or brought to account	288	58	288	58
Property, plant and equipment acquired by a lease	3,299	7,621	3,299	7,621
	<b>3,587</b>	<b>7,679</b>	<b>3,587</b>	<b>7,679</b>

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**35. Adjusted budget review**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The District's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the District's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the District 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 \$14 million, primarily due to:

The lower than budget Revenues of \$14.6 million was represented by lower Capital Appropriations \$6.8 million, NSW Ministry of Health recurrent allocations \$2.2 million and Revenue from Contracts with Customers \$3.3 million.

The lower NSW Ministry of Health capital allocations of \$6.8 million is due to delays in capital projects associated with the impacts of COVID-19 on the Asset Refurbishment/Replacement Strategy project.

The lower than budgeted Sale of Goods and Services from contracts with customers is primarily associated with lower Patients Fees \$2.7 million.

**Assets and liabilities**

Current Assets were \$6.5 million higher than budget. This was due mainly to higher than budget Cash & Cash Equivalents \$4.2 million and Receivables \$2.5 million. The higher than budget Cash & Cash Equivalents relates to higher Restricted Financial Asset's \$3.4 million due primarily to Cancer Australia Grants of \$2.6 million. Receivables were higher than budget by \$2.5 million which reflects receivables for asset sale proceeds of \$1.7 million.

Current Liabilities were higher than budget by \$20.6 million. This reflect higher Payables \$10.6 million, Borrowings \$3.6 million and Provisions \$5.7 million. The higher than budget Payables and Provisions reflects increase COVID-19 expenditure, higher Elective Surgery levels and increase patient activity and expenditure. Higher Provisions balances also reflect award increase and higher Staffing levels.

**Cash flows**

Investing Activities - Net cash outflows were lower than budget by \$4.7 million. Purchases of Property, Plant & Equipment were lower than budget by \$2.9 million and Proceeds from Sale of Property, Plant & Equipment were \$1.8 million higher than budget.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**35. Adjusted budget review (continued)**

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 17 November 2020 are as follows:

	<b>\$000</b>
<b>Initial allocation, 17 November 2020</b>	779,927
<b>Special projects</b>	
Aboriginal Health	226
Aged Care Program	331
Dental & Oral Health Program	744
High Cost Drugs	57
Integrated Care Program	590
IPTAAS	171
Mental Health Programs	(902)
Special Projects	207
<b>Other</b>	
Cash Provided for 27th fortnight pay period	17,417
Covid19 Response	39,411
Medical Training & Research Position	842
Nursing & Midwifery Enhancements	759
Organ and Tissue Donation	274
Other	484
Emergency Access Performance	345
Redundancies	116
Regional Workforce	937
<b>Balance as per Statement of Comprehensive Income</b>	<b>841,937</b>

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**36. Equity**

**Revaluation surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District'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 number of fleet leases were transferred from Northern NSW Local Health District to Mid North Coast Local Health District at \$Nil 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	-	-
	-	-

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

	2021 \$000	2020 \$000
<b>Assets</b>		
(a) Right-of-use assets	(13)	-
<b>Liabilities</b>		
(a) Lease liabilities	13	-
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	<b>-</b>	<b>-</b>

**Recognition and Measurement**

**Equity transfers**

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

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

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



**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**37. Financial instruments**

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

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

The Chief Executive and the Board of the District have overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the District, 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	Carrying
		Amount	Amount
		2021	2020
		\$000	\$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 18)	Amortised cost	19,974	16,528
Receivables (Note 19) <sup>1</sup>	Amortised cost	9,317	7,706
Contract assets (Note 20) <sup>3</sup>	Amortised cost	1,158	844
<b>Total financial assets</b>		<b>30,449</b>	<b>25,078</b>
<b>Financial liabilities</b>			
Borrowings (Note 28)	Financial liabilities measured at amortised cost	15,264	16,841
Payables (Note 26) <sup>2</sup>	Financial liabilities measured at amortised cost	47,750	53,061
Other liabilities (Note 30)	Financial liabilities measured at amortised cost	48	63
<b>Total financial liabilities</b>		<b>63,062</b>	<b>69,965</b>

**Notes**

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

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

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

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

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

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

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

**37. Financial instruments (continued)**

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

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

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

**(c) Offsetting financial instruments**

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

**(d) Financial risk**

**i. Credit risk**

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

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

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

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

**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.

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

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

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

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

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**37. Financial instruments (continued)**

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

**i. Credit risk (continued)**

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

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

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

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2021 and 30 June 2020 was determined as follows:

**PARENT AND CONSOLIDATION**

	<b>Current</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt;91 days</b>	<b>Total</b>
<b>30 June 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected credit loss rate	0.50%	5.42%	6.93%	4.35%	32.86%	3.87%
Estimated total gross carrying amount <sup>1</sup>	6,958	240	202	92	773	8,265
Expected credit loss	35	13	14	4	254	320
<b>30 June 2020</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected credit loss rate	0.41%	1.30%	3.65%	23.44%	35.84%	4.61%
Estimated total gross carrying amount <sup>1</sup>	6,147	539	192	64	851	7,793
Expected credit loss	25	7	7	15	305	359

**Notes**

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 19 and the contract assets total in Note 20.

The District 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.

**37. Financial instruments (continued)**

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

**ii. Liquidity risk**

Liquidity risk is the risk that the District will be unable to meet its payment obligations when they fall due. The District 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 loans and other advances.

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The District's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The District has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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.

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**37. Financial instruments (continued)**

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

**ii. Liquidity risk (continued)**

**PARENT AND CONSOLIDATION**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2021</b>								
Payables:								
- Creditors <sup>2</sup>		47,750	-	-	47,750	47,750	-	-
Borrowings:								
- Other loans and deposits	2.50%	4,026	4,026	-	-	805	3,221	-
- Lease liabilities	1.83%	11,752	11,752	-	-	4,075	6,740	937
- Other		48	-	-	48	48	-	-
		<b>63,576</b>	<b>15,778</b>	-	<b>47,798</b>	<b>52,678</b>	<b>9,961</b>	<b>937</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		53,061	-	-	53,061	53,061	-	-
Borrowings:								
- Other loans and deposits	2.50%	4,831	4,831	-	-	805	3,221	805
- Lease liabilities	1.86%	12,835	12,835	-	-	3,953	7,189	1,693
- Other		63	-	-	63	63	-	-
		<b>70,790</b>	<b>17,666</b>	-	<b>53,124</b>	<b>57,882</b>	<b>10,410</b>	<b>2,498</b>

**Notes:**

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

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

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

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**37. Financial instruments (continued)**

**iii. Market risk**

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District 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 the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District 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, the District 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	(47)	47	4	(4)
Equity	(47)	47	4	(4)

**Northern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**38. Related party disclosures**

**PARENT AND CONSOLIDATION**

**(a) Key management personnel compensation**

Key management personnel compensation is as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	1,165	1,182
Post-employment benefits	71	74
	<b>1,236</b>	<b>1,256</b>

During the financial year, Northern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$367 thousand (2020: \$374 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the NSW Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

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

There were no transactions with key management personnel and their close family members (2020: \$Nil).

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

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

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

During the financial year and comparative year, the District entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the [immediate/senior] 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/senior] 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.
- Various grants and subsidies towards research and other projects.

**38. Related party disclosures**

**(d) Transactions the District 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
- Utilities, including electricity, gas and water expenses
- Insurance costs
- Various grants and subsidies towards research and other projects

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

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

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit superannuation

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Energy Efficient Government Program loans are held with the Crown
- 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.

**39. 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. Since this date various amendments to the Public Health Order 2021 (now known as Public Health (COVID-19 Additional Restrictions for Delta Outbreak) Order 2021) have been issued which place numerous restrictions on New South Wales and have impacted the way the District operates since reporting date. Elective surgery was monitored in public hospitals as they prepared for surges in COVID-19 presentations. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of COVID-19 on the District 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**