



## INDEPENDENT AUDITOR'S REPORT

### South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the South Eastern Sydney Local Health District (the District), which comprises the Statement of 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 of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- 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 financial position, financial performance and cash flows of the District and the consolidated entity.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Presentation of Budget Information**

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

## **The Chief Executive's Responsibilities for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

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

- that the District or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



David Daniels  
Directors, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 October 2021  
SYDNEY

# South Eastern Sydney Local Health District

## Statement of Accountable Authority

for the year ended 30 June 2021



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

1. The financial statements of the South Eastern Sydney 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 South Eastern Sydney 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 black ink signature of Tobi Wilson, consisting of a series of fluid, overlapping loops and lines.

Tobi Wilson  
**Chief Executive**  
15 October 2021

A purple ink signature of Payal Kapoor, written in a cursive, handwritten style.

Payal Kapoor  
**Director of Finance**  
15 October 2021

**South Eastern Sydney Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2021**

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual Restated 2020 \$000	Parent Actual 2021 \$000	Parent Actual Restated 2020 \$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	1,256,998	1,250,803	1,279,653	-	-
Personnel services	3	-	-	-	1,262,043	1,221,613
Visiting medical officers	4	68,858	65,758	62,485	68,858	62,485
Other expenses	5	552,484	554,362	480,996	552,484	480,996
Depreciation and amortisation	6	82,050	80,557	80,957	82,050	80,957
Grants and subsidies	7	18,469	18,944	17,892	18,469	17,892
Finance costs	8	496	229	416	496	416
Payments to Affiliated Health Organisations	9	58,535	58,809	54,469	58,535	54,469
<b>Total expenses excluding losses</b>		<b>2,037,890</b>	<b>2,029,462</b>	<b>1,976,868</b>	<b>2,042,935</b>	<b>1,918,828</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	11	1,643,843	1,642,524	1,523,026	1,643,843	1,523,026
NSW Ministry of Health capital allocations	11	215,279	214,094	116,204	215,279	116,204
Acceptance by the Crown <sup>2</sup> of employee benefits	15	(5,045)	(4,920)	58,040	-	-
Sale of goods and services from contracts with customers	12	252,959	262,489	248,258	252,959	248,258
Investment revenue	13	941	2,376	1,646	941	1,646
Grants and other contributions	14	51,276	50,084	54,719	51,276	54,719
Other income	16	16,107	29,800	14,205	16,107	14,205
<b>Total revenue</b>		<b>2,175,360</b>	<b>2,196,447</b>	<b>2,016,098</b>	<b>2,180,405</b>	<b>1,958,058</b>
<b>Operating result</b>		<b>137,470</b>	<b>166,985</b>	<b>39,230</b>	<b>137,470</b>	<b>39,230</b>
Gains / (losses) on disposal	17	(1,388)	-	12	(1,388)	12
Impairment losses on financial assets	20	(2,309)	(2,658)	(3,662)	(2,309)	(3,662)
<b>Net result from continuing operations</b>	<b>37</b>	<b>133,773</b>	<b>164,327</b>	<b>35,580</b>	<b>133,773</b>	<b>35,580</b>
<b>Net result</b>		<b>133,773</b>	<b>164,327</b>	<b>35,580</b>	<b>133,773</b>	<b>35,580</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	24	89,418	-	(1,522)	89,418	(1,522)
<b>Total other comprehensive income</b>		<b>89,418</b>	<b>-</b>	<b>(1,522)</b>	<b>89,418</b>	<b>(1,522)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>223,191</b>	<b>164,327</b>	<b>34,058</b>	<b>223,191</b>	<b>34,058</b>

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

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

See Note 1(f) for details regarding restated prior year balances for SESLHD.

The accompanying notes form part of these financial statements.

**South Eastern Sydney Local Health District**  
**Statement of Financial Position as at 30 June 2021**

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual
		2021	2021	Restated	Restated	2021	Restated	Restated
	Notes	\$000	\$000	2020	1 July 2019	2021	2020	1 July 2019
				\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	19	61,964	52,577	69,067	55,607	61,964	69,067	55,607
Receivables	20	90,759	49,881	58,372	79,591	90,759	58,372	79,591
Inventories	21	25,383	24,580	24,579	23,103	25,383	24,579	23,103
Financial assets at fair value	22	44,473	44,061	44,061	43,377	44,473	44,061	43,377
Other financial assets	23	-	-	-	9,856	-	-	9,856
<b>Total current assets</b>		<b>222,579</b>	<b>171,099</b>	<b>196,079</b>	<b>211,534</b>	<b>222,579</b>	<b>196,079</b>	<b>211,534</b>
<b>Non-current assets</b>								
Receivables	20	559	1,883	1,885	7,265	559	1,885	7,265
Other financial assets	23	7,713	7,486	7,486	-	7,713	7,486	-
Property, plant & equipment	24							
- Land and buildings		1,909,816	1,823,618	1,667,344	1,581,433	1,909,816	1,667,344	1,581,433
- Plant and equipment		105,148	110,444	101,472	117,715	105,148	101,472	117,715
- Infrastructure systems		57,934	54,792	59,487	64,184	57,934	59,487	64,184
<b>Total property, plant &amp; equipment</b>		<b>2,072,898</b>	<b>1,988,854</b>	<b>1,828,303</b>	<b>1,763,332</b>	<b>2,072,898</b>	<b>1,828,303</b>	<b>1,763,332</b>
Right-of-use assets	25	23,788	26,253	24,129	21,627	23,788	24,129	21,627
Intangible assets	26	212	212	255	81	212	255	81
<b>Total non-current assets</b>		<b>2,105,170</b>	<b>2,024,688</b>	<b>1,862,058</b>	<b>1,792,305</b>	<b>2,105,170</b>	<b>1,862,058</b>	<b>1,792,305</b>
<b>Total assets</b>		<b>2,327,749</b>	<b>2,195,787</b>	<b>2,058,137</b>	<b>2,003,839</b>	<b>2,327,749</b>	<b>2,058,137</b>	<b>2,003,839</b>

**South Eastern Sydney Local Health District**  
**Statement of Financial Position as at 30 June 2021 (continued)**

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual
		2021	2021	Restated	Restated	2021	Restated	Restated
Notes		\$000	\$000	2020	1 July 2019	\$000	\$000	1 July 2019
				\$000	\$000			\$000
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Payables	29	101,524	68,279	100,883	114,811	101,524	100,883	114,811
Contract liabilities	30	371	442	442	1,350	371	442	1,350
Borrowings	31	5,424	4,535	4,823	4,320	5,424	4,823	4,320
Provisions	32	256,740	233,454	226,148	205,897	256,740	226,148	205,897
Other current liabilities	33	43,486	24,833	24,592	10,550	43,486	24,592	10,550
<b>Total current liabilities</b>		<b>407,545</b>	<b>331,543</b>	<b>356,888</b>	<b>336,928</b>	<b>407,545</b>	<b>356,888</b>	<b>336,928</b>
<b>Non-current liabilities</b>								
Borrowings	31	19,230	22,293	19,816	17,307	19,230	19,816	17,307
Provisions	32	4,557	4,340	3,136	2,870	4,557	3,136	2,870
Other non-current liabilities	33	7,923	8,292	13,303	15,798	7,923	13,303	15,798
<b>Total non-current liabilities</b>		<b>31,710</b>	<b>34,925</b>	<b>36,255</b>	<b>35,975</b>	<b>31,710</b>	<b>36,255</b>	<b>35,975</b>
<b>Total liabilities</b>		<b>439,255</b>	<b>366,468</b>	<b>393,143</b>	<b>372,903</b>	<b>439,255</b>	<b>393,143</b>	<b>372,903</b>
<b>Net assets</b>		<b>1,888,494</b>	<b>1,829,319</b>	<b>1,664,994</b>	<b>1,630,936</b>	<b>1,888,494</b>	<b>1,664,994</b>	<b>1,630,936</b>
<b>EQUITY</b>								
Reserves		368,771	278,457	278,841	281,240	368,771	278,841	281,240
Accumulated funds		1,519,723	1,550,862	1,386,153	1,349,696	1,519,723	1,386,153	1,349,696
<b>Total Equity</b>		<b>1,888,494</b>	<b>1,829,319</b>	<b>1,664,994</b>	<b>1,630,936</b>	<b>1,888,494</b>	<b>1,664,994</b>	<b>1,630,936</b>

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

See Note 1(f) for details regarding restated prior year balances for SESLHD.

The accompanying notes form part of these financial statements.

**South Eastern Sydney Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2021**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2020</b>		<b>1,386,153</b>	<b>278,841</b>	<b>1,664,994</b>
<b>Net result for the year</b>		<b>133,773</b>	<b>-</b>	<b>133,773</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	24	-	89,418	89,418
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(512)	512	-
<b>Total other comprehensive income</b>		<b>(512)</b>	<b>89,930</b>	<b>89,418</b>
<b>Total comprehensive income for the year</b>		<b>133,261</b>	<b>89,930</b>	<b>223,191</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	40	309	-	309
<b>Balance at 30 June 2021</b>		<b>1,519,723</b>	<b>368,771</b>	<b>1,888,494</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2019</b>		<b>1,347,811</b>	<b>280,678</b>	<b>1,628,489</b>
Changes in accounting policy - initial application of AASB 1059	1(f)	9,115	427	9,542
Changes in accounting policy - withdrawal of TPP 06-8	1(f)	700	135	835
Changes in accounting policy - initial application of AASB 1058		(7,930)	-	(7,930)
<b>Balance at 1 July 2019</b>		<b>1,349,696</b>	<b>281,240</b>	<b>1,630,936</b>
<b>Net result for the year</b>		<b>35,580</b>	<b>-</b>	<b>35,580</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	24	-	(1,522)	(1,522)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		877	(877)	-
<b>Total other comprehensive income</b>		<b>877</b>	<b>(2,399)</b>	<b>(1,522)</b>
<b>Total Comprehensive Income for the Year</b>		<b>36,457</b>	<b>(2,399)</b>	<b>34,058</b>
<b>Balance at 30 June 2020</b>		<b>1,386,153</b>	<b>278,841</b>	<b>1,664,994</b>

The accompanying notes form part of these financial statements.

**South Eastern Sydney Local Health District**  
**Statement of Cash Flows for the year ended 30 June 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>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(1,274,777)	(1,286,813)	(1,216,231)	-	-
Suppliers for goods and services		(652,659)	(681,911)	(632,220)	(652,659)	(632,220)
Grants and subsidies		(83,662)	(84,410)	(80,408)	(83,662)	(80,408)
Finance costs		(496)	(229)	(416)	(496)	(416)
Personnel services		-	-	-	(1,274,777)	(1,216,231)
<b>Total payments</b>		<b>(2,011,594)</b>	<b>(2,053,363)</b>	<b>(1,929,275)</b>	<b>(2,011,594)</b>	<b>(1,929,275)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		1,643,843	1,642,524	1,523,026	1,643,843	1,523,026
NSW Ministry of Health capital allocations		215,279	214,094	116,204	215,279	116,204
Reimbursements from the Crown <sup>2</sup>		17,049	17,049	19,753	17,049	19,753
Sale of goods and services		238,141	269,320	278,616	238,141	278,616
Interest received		643	2,149	1,457	643	1,457
Grants and other contributions		56,226	56,901	59,741	56,226	59,741
Other		70,369	74,118	81,100	70,369	81,100
<b>Total receipts</b>		<b>2,241,550</b>	<b>2,276,155</b>	<b>2,079,897</b>	<b>2,241,550</b>	<b>2,079,897</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	37	<b>229,956</b>	<b>222,792</b>	<b>150,622</b>	<b>229,956</b>	<b>150,622</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		100	-	159	100	159
Purchases of property, plant and equipment and intangibles		(231,499)	(236,121)	(132,370)	(231,499)	(132,370)
Purchases of financial assets		(352)	-	(684)	(352)	(684)
Other		-	906	-	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(231,751)</b>	<b>(235,215)</b>	<b>(132,895)</b>	<b>(231,751)</b>	<b>(132,895)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of principal portion of lease liabilities		(5,308)	(4,067)	(4,267)	(5,308)	(4,267)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(5,308)</b>	<b>(4,067)</b>	<b>(4,267)</b>	<b>(5,308)</b>	<b>(4,267)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(7,103)</b>	<b>(16,490)</b>	<b>13,460</b>	<b>(7,103)</b>	<b>13,460</b>
Opening cash and cash equivalents	19	69,067	69,067	55,607	69,067	55,607
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	19	<b>61,964</b>	<b>52,577</b>	<b>69,067</b>	<b>61,964</b>	<b>69,067</b>

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

<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.



# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

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

The SESLHD is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

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

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

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

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

#### b) Basis of preparation

The SESLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- \* applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- \* the requirements of the *Government Sector Finance Act 2018* ('the Act'); and
- \* Treasurer's Directions issued under the Act.

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

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

The Novel Coronavirus (COVID-19) pandemic in late February 2020 saw a decline in expected hospital activities at the SESLHD. 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. On-going critical resources in 2021 have been reassigned to prepare, test and treat for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State Governments to contain the spread of COVID-19, have placed the economy and health sector in strong positions.

In February 2021, the Australian Government commenced a free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders. The COVID-19 vaccines will be accessible on a rolling basis, dependent on vaccine delivery schedules and the identification of groups for most urgent vaccination. The Australian and State governments, including NSW are working collaboratively to deliver the COVID-19 vaccinations.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

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

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The SESLHD has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- \* The SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
- \* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The SESLHD is subject to additional NSW Ministry of Health recurrent and capital allocations (see Note 11) to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment and certain financial assets and liabilities are measured 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 SESLHD's presentation and functional currency.

#### c) Statement of Compliance

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

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

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

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

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

#### e) Comparative Information

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

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

# South Eastern Sydney 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:

- \* SESLHD 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 SESLHD.

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

AASB 1059 is effective for the SESLHD 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 SESLHD has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

The effect of adopting AASB 1059 is as follows:

##### **PARENT AND CONSOLIDATED**

Impact on the Statement of Comprehensive Income (increase / (decrease)) for the year ended 30 June 2020 is as follows:

		30 June 2020 AASB 1059	30 June 2020 Without adoption of AASB 1059	30 June 2020 Impact of AASB 1059
	Notes	\$000	\$000	\$000
<b>Revenue</b>				
Sale of goods and services from contracts with customers	(a)	248,086	249,003	(917)
Other income	(a)	15,164	12,733	2,431
<b>Total revenue</b>		<b>2,016,756</b>	<b>2,015,242</b>	<b>1,514</b>
<b>Expenses</b>				
Depreciation and amortisation	(a)	80,957	77,906	3,051
<b>Total expenses</b>		<b>1,976,868</b>	<b>1,973,817</b>	<b>3,051</b>
<b>Operating result</b>		<b>39,888</b>	<b>41,425</b>	<b>(1,537)</b>
<b>Net Result</b>		<b>39,888</b>	<b>41,425</b>	<b>(1,537)</b>

**Note:** The above table is an extract only, showing only those financial statement line items affected by the introduction of AASB 1059.

# South Eastern Sydney 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

Impact on the Statement of Financial Position (increase / (decrease)) as at 1 July 2019:

#### PARENT AND CONSOLIDATED

	Notes	01 July 2019 AASB 1059 \$000	01 July 2019 Without adoption of AASB 1059 \$000	01 July 2019 Impact of AASB 1059 \$000
<b>Assets</b>				
Property, plant and equipment	(a)	1,763,332	1,703,836	59,496
Other assets	(a)	9,021	48,983	(39,962)
<b>Total assets</b>		<b>1,981,377</b>	<b>1,961,843</b>	<b>19,534</b>
<b>Liabilities</b>				
Other liabilities	(a)	19,768	9,776	9,992
<b>Total liabilities</b>		<b>372,903</b>	<b>333,354</b>	<b>9,992</b>
<b>Net assets</b>		<b>1,638,031</b>	<b>1,628,489</b>	<b>9,542</b>
<b>Equity</b>				
Asset revaluation surplus	(a)	281,105	280,678	427
Accumulated funds	(a)	1,356,926	1,347,811	9,115
<b>Total adjustments to equity</b>		<b>1,608,474</b>	<b>1,628,489</b>	<b>9,542</b>

**Note:** The above table is an extract only, showing only those financial statement line items affected by the introduction of AASB 1059.

Impact on the Statement of Financial Position (increase / (decrease)) as at 30 June 2020:

#### PARENT AND CONSOLIDATED

	Notes	30 June 2020 AASB 1059 \$000	30 June 2020 Without adoption of AASB 1059 \$000	30 June 2020 Impact of AASB 1059 \$000
<b>Assets</b>				
Property, plant and equipment	(a)	1,828,303	1,771,858	56,445
Other assets	(a)	-	41,500	(41,500)
<b>Total assets</b>		<b>2,058,137</b>	<b>2,043,192</b>	<b>14,945</b>
<b>Liabilities</b>				
Other liabilities	(a)	37,895	30,955	6,940
<b>Total liabilities</b>		<b>393,143</b>	<b>386,203</b>	<b>6,940</b>
<b>Net assets</b>		<b>1,664,994</b>	<b>1,656,989</b>	<b>8,005</b>
<b>Equity</b>				
Asset revaluation surplus		278,883	278,456	427
Accumulated funds	(a)	1,386,111	1,378,533	7,578
<b>Total adjustments to equity</b>		<b>1,664,994</b>	<b>1,656,989</b>	<b>8,005</b>

**Note:** The above table is an extract only, showing only those financial statement line items affected by the introduction of AASB 1059.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

The adoption of AASB 1059 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the SESLHD for the financial year.

The nature of these adjustments is described below:

- (a) A number of existing arrangements are now accounted as per the requirements of AASB 1059. The adoption of AASB 1059 has led to the following material impacts:
- New assets were recognised as service concession assets under property, plant and equipment with corresponding GORTO liabilities recorded under other liabilities
  - Existing emerging asset balances under other assets were derecognised
  - Statement of comprehensive income was respectively impacted with increased revenue and expenses arising from higher assets and liabilities
  - Other comprehensive income was mainly impacted due to reversal of revaluation movements for emerging assets

#### **Withdrawal of TPP 06-8 Accounting for Privately Financed Projects (TPP 06-8)**

The Sydney Eye Hospital Carpark arrangement was previously accounted for under TPP 06-8 Accounting for Privately Financed Projects (TPP 06-8). TPP 06-8 has been withdrawn from 1 July 2020 following the introduction of AASB 1059 Service Concession Arrangements (AASB 1059). This is because many arrangements to which TPP 06-8 applied, now fall within the scope of AASB 1059. However, based on the SESLHD's assessment, this arrangement is outside the scope of AASB 1059.

Upon the withdrawal of TPP 06-8, management has used its judgement and determined that this arrangement should now be accounted for under AASB 16 Leases as a change in accounting policy. This is because management has determined that adopting AASB 16 best reflects the economic substance of the arrangement and AASB 16 provides the most reliable and relevant information about the effects of the arrangement on the SESLHD's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

Under AASB 16 lessor accounting, a lease receivable has been recognised at an amount equal to the net investment in the lease. The amount recognised is the discounted value of the unguaranteed residual value accruing to the lessor where the leased assets are handed over to the SESLHD at the end of the lease term.

# South Eastern Sydney 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 SESLHD has adopted AASB 16 retrospectively. The effect of the change in accounting policy is as follows:

#### PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (decrease)) for the year ended 30 June 2020 is as follows:

	Notes	30 June 2020 Adoption of AASB 16 \$000	30 June 2020 Without withdrawal of TPP 06-8 \$000	30 June 2020 Impact of change in accounting policy \$000
<b>Revenue</b>				
Interest revenue	(a)	1,646	1,517	129
Other income	(a)	11,946	12,733	(787)
<b>Total revenue</b>		<b>2,014,584</b>	<b>2,015,242</b>	<b>(658)</b>
<b>Expenses</b>				
<b>Total expenses</b>		<b>1,973,817</b>	<b>1,973,817</b>	<b>-</b>
<b>Operating result</b>		<b>40,767</b>	<b>41,425</b>	<b>(658)</b>
<b>Net Result</b>		<b>40,767</b>	<b>41,425</b>	<b>(658)</b>
Changes in revaluation surplus of property, plant and	(a)	(1,522)	(3,960)	2,438
Changes in revaluation surplus of other assets	(a)	-	2,615	(2,615)
<b>Total other comprehensive income</b>		<b>(1,522)</b>	<b>(1,345)</b>	<b>(177)</b>
<b>Total comprehensive income</b>		<b>35,595</b>	<b>36,430</b>	<b>(835)</b>

**Note:** The above table is an extract only, showing only those financial statement line items affected by the withdrawal of TPP 06-8.

Impact on the Statement of Financial Position (increase / (decrease)) as at 1 July 2019:

#### PARENT AND CONSOLIDATED

	Notes	01 July 2019 Adoption of AASB 16 \$000	01 July 2019 Without withdrawal of TPP 06-8 \$000	01 July 2019 Impact of change in accounting policy \$000
<b>Assets</b>				
Other financial assets	(a)	9,856	-	9,856
Other assets	(a)	39,962	48,983	(9,021)
<b>Total assets</b>		<b>1,962,678</b>	<b>1,961,843</b>	<b>835</b>
<b>Total liabilities</b>		<b>333,354</b>	<b>333,354</b>	<b>-</b>
<b>Net assets</b>		<b>1,629,324</b>	<b>1,628,489</b>	<b>835</b>
<b>Equity</b>				
Asset revaluation surplus	(a)	280,813	280,678	135
Accumulated funds	(a)	1,348,511	1,347,811	700
<b>Total adjustments to equity</b>		<b>1,629,324</b>	<b>1,628,489</b>	<b>835</b>

**Note:** The above table is an extract only, showing only those financial statement line items affected by the withdrawal of TPP 06-8.

# South Eastern Sydney 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

Impact on the Statement of Financial Position (increase / (decrease)) as at 30 June 2020:

#### PARENT AND CONSOLIDATED

	Notes	30 June 2020 Adoption of AASB 16 \$000	30 June 2020 Without withdrawal of TPP 06-8 \$000	30 June 2020 Impact of change in accounting policy \$000
<b>Assets</b>				
<b>Total assets</b>		<b>2,043,192</b>	<b>2,043,192</b>	<b>-</b>
<b>Total liabilities</b>		<b>386,203</b>	<b>386,203</b>	<b>-</b>
<b>Net assets</b>		<b>1,656,989</b>	<b>1,656,989</b>	<b>-</b>
<b>Equity</b>				
Asset revaluation surplus	(a)	278,414	278,456	(42)
Accumulated funds	(a)	1,378,575	1,378,533	42
<b>Total adjustments to equity</b>		<b>1,656,989</b>	<b>1,656,989</b>	<b>-</b>

**Note:** The above table is an extract only, showing only those financial statement line items affected by the withdrawal of TPP 06-8.

The change in accounting policy did not have an impact on the Statement of Cash Flows for the SESLHD for the financial year.

The nature of these adjustments on the parent entity is described below:

- (a) One of the existing arrangements previously accounted as emerging assets under TPP 06-8 was reclassified as lease receivable on transition. The arrangement has ended in 2019-2020, where the assets were transferred to property, plant and equipment. The key impact as a result was some minor impact on the 30 June 2020 statement of comprehensive income. There is no material impact on the 30 June 2020 statement of financial position.

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

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The SESLHD, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the SESLHD.

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

The COVID-19 pandemic has resulted in significant changes in the SESLHD 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 11 NSW Ministry of Health allocations
- \* Note 20 Receivables
- \* Note 21 Inventories
- \* Note 27 Fair value measurement of non-financial assets

## South Eastern Sydney 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)	1,138,857	1,105,834	-	-
Superannuation - defined benefit plans	5,110	6,505	-	-
Superannuation - defined contribution plans	101,802	98,246	-	-
Long service leave	(1,130)	54,854	-	-
Redundancies	517	1,118	-	-
Workers' compensation insurance	11,746	13,000	-	-
Fringe benefits tax	96	96	-	-
	<b>1,256,998</b>	<b>1,279,653</b>	<b>-</b>	<b>-</b>

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

#### 3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	1,138,857	1,105,834
Superannuation - defined contribution plans	-	-	101,802	98,246
Long service leave	-	-	9,025	3,319
Redundancies	-	-	517	1,118
Workers' compensation insurance	-	-	11,746	13,000
Fringe benefits tax	-	-	96	96
	<b>-</b>	<b>-</b>	<b>1,262,043</b>	<b>1,221,613</b>

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

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

#### 4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the SESLHD's hospitals. VMO expenses of \$68.86 million (2020: \$62.49 million) represent part of the day-to-day running costs incurred in the normal operations of the SESLHD. These costs are expensed as incurred.



## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 5. Other expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	326	246	326	246
Auditor's remuneration - audit of financial statements	444	231	444	231
Blood and blood products	12,167	10,650	12,167	10,650
Consultancies	5,097	1,400	5,097	1,400
Contractors	3,229	2,338	3,229	2,338
Domestic supplies and services	25,762	23,575	25,762	23,575
Drug supplies	73,142	74,096	73,142	74,096
Food supplies	30,149	30,306	30,149	30,306
Fuel, light and power	11,742	12,487	11,742	12,487
Patient transport costs	12,358	11,186	12,358	11,186
Information management expenses	42,320	39,331	42,320	39,331
Insurance	1,863	2,119	1,863	2,119
Maintenance (see Note 5 (b))	51,781	42,216	51,781	42,216
Medical and surgical supplies	108,348	90,804	108,348	90,804
Motor vehicle expenses	1,413	1,253	1,413	1,253
Postal and telephone costs	3,426	2,856	3,426	2,856
Printing and stationery	3,836	3,883	3,836	3,883
Rates and charges	1,529	1,641	1,529	1,641
Hosted services purchased from entities controlled by the immediate parent	542	560	542	560
Specialised services (dental, radiology, pathology and allied health)	88,875	73,084	88,875	73,084
Staff related costs	11,763	12,271	11,763	12,271
Travel related costs	1,892	5,432	1,892	5,432
Other (see Note 5 (a))	60,480	39,031	60,480	39,031
	<b>552,484</b>	<b>480,996</b>	<b>552,484</b>	<b>480,996</b>

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 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	34,630	10,708	34,630	10,708
Corporate support services	11,971	11,536	11,971	11,536
Courier and freight	1,420	1,173	1,420	1,173
Isolated patient travel and accommodation assistance scheme	171	233	171	233
Legal services	350	573	350	573
Membership/professional fees	1,059	1,037	1,059	1,037
Quality assurance / accreditation	395	224	395	224
Security services	728	430	728	430
Expenses relating to short-term leases	2,025	3,020	2,025	3,020
Expenses relating to leases of low-value assets	400	235	400	235
Variable lease payments, not included in lease liabilities	83	23	83	23
Other miscellaneous	7,248	9,839	7,248	9,839
	<b>60,480</b>	<b>39,031</b>	<b>60,480</b>	<b>39,031</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	19,319	18,998	19,319	18,998
New / replacement equipment under \$10,000	21,112	13,624	21,112	13,624
Repairs maintenance / non contract	13,735	11,382	13,735	11,382
Other	(2,385)	(1,788)	(2,385)	(1,788)
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>51,781</b>	<b>42,216</b>	<b>51,781</b>	<b>42,216</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	5,264	5,357	5,264	5,357
	<b>57,045</b>	<b>47,573</b>	<b>57,045</b>	<b>47,573</b>

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 5. Other expenses (continued)

#### Recognition and Measurement

##### **Maintenance expense**

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

##### **Operating expenses**

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

##### **Insurance**

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

##### **Lease expense**

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

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
Depreciation - buildings	55,496	52,880	55,496	52,880
Depreciation - plant and equipment	16,063	18,575	16,063	18,575
Depreciation - infrastructure systems	4,822	4,697	4,822	4,697
Depreciation - right-of-use buildings	2,316	1,933	2,316	1,933
Depreciation - right-of-use plant and equipment	3,310	2,844	3,310	2,844
Amortisation - intangible assets	43	28	43	28
	<b>82,050</b>	<b>80,957</b>	<b>82,050</b>	<b>80,957</b>

<sup>1</sup> Depreciation - buildings has been restated to be \$3.05 million higher in the prior year for SESLHD (consolidated and parent). Refer to Note 1(f) for further details.

Refer to Note 24 Property, plant and equipment, Note 25 Leases, and Note 26 Intangible assets for recognition and measurement policies on depreciation and amortisation.

#### 7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	13,813	13,381	13,813	13,381
Grants to research organisations	1,711	2,096	1,711	2,096
Grants paid to entities controlled by the immediate parent	1,442	939	1,442	939
Other grants	1,503	1,476	1,503	1,476
	<b>18,469</b>	<b>17,892</b>	<b>18,469</b>	<b>17,892</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.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 8. Finance costs

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	496	416	496	416
	<b>496</b>	<b>416</b>	<b>496</b>	<b>416</b>

\* Of the interest expense from financial liabilities at amortised cost, \$Nil (2020: \$Nil) related to financial liabilities relating to service concession arrangements. Refer to Note 24 for further details on service concession arrangements.

#### Recognition and Measurement

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

#### 9. Payments to Affiliated Health Organisations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>(a) Recurrent sourced</b>				
Calvary Health Care Sydney	38,105	34,681	38,105	34,681
War Memorial Hospital Waverley	18,966	18,332	18,966	18,332
Eastern Sydney SCARBA Centre	1,464	1,456	1,464	1,456
	<b>58,535</b>	<b>54,469</b>	<b>58,535</b>	<b>54,469</b>

#### Recognition and Measurement

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 10. 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 SESLHD'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
<b>Total spending authority from parliamentary appropriations, other than own source revenue</b>	1,859,122	1,639,230	1,859,122	1,639,230
<b>Add:</b>				
Own source money received during the year	382,527	440,823	382,527	440,823
Own source revenue balance brought forward from prior years	69,068	55,607	69,068	55,607
<b>Less: total expenditure</b>	2,248,753	2,066,592	2,248,753	2,066,592
<b>Own source revenue balance carried forward to following years</b>	<b>61,964</b>	<b>69,068</b>	<b>61,964</b>	<b>69,068</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.

### 11. NSW Ministry of Health allocations

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

The SESLHD recognised additional NSW Ministry of Health recurrent allocations of \$117.24 million (2020: \$35.01 million) and NSW Ministry of Health capital allocations of \$6.86 million (2020: \$6.59 million) to cover costs incurred for the preparation, diagnosis and treatment of COVID-19 patients.

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 12. Sale of goods and services from contracts with customers

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

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
Sale and recovery of pharmaceutical supplies	40,998	41,909	40,998	41,909
Sale of prostheses	11,212	11,967	11,212	11,967
Other	452	580	452	580
	<b>52,662</b>	<b>54,456</b>	<b>52,662</b>	<b>54,456</b>

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

##### **Patients**

##### Patient Fees:

- Inpatient fees	101,438	102,878	101,438	102,878
- Nursing home fees	113	132	113	132
- Non inpatient fees	6,764	7,177	6,764	7,177
Department of Veterans' Affairs	13,540	15,443	13,540	15,443
Motor Accident Authority third party	13,259	11,789	13,259	11,789
Multi Purpose Service Centre fees	179	171	179	171
Patient transport fees	-	61	-	61
Enteral nutrition	8	11	8	11

##### **Staff**

Private use of motor vehicles	50	73	50	73
Salary packaging fee	552	551	552	551
Meals and accommodation	267	243	267	243
Child care fees	1,413	1,232	1,413	1,232

##### **General community**

Car parking	2,920	2,043	2,920	2,043
Clinical services (excluding clinical drug trials)	503	127	503	127
Commercial activities	5,460	4,571	5,460	4,571
Fees for conferences and training	239	334	239	334
Fees for medical records	232	239	232	239
Information retrieval	5	7	5	7

##### **Non-NSW Health entities**

Services to other organisations	3,213	1,924	3,213	1,924
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##### **Entities controlled by the immediate parent**

Hosted service revenues	10,825	11,431	10,825	11,431
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##### **Other**

Infrastructure fees - annual charge	12,358	8,606	12,358	8,606
Infrastructure fees - monthly facility charge	26,602	24,446	26,602	24,446
Other	357	313	357	313

	<b>200,297</b>	<b>193,802</b>	<b>200,297</b>	<b>193,802</b>
	<b>252,959</b>	<b>248,258</b>	<b>252,959</b>	<b>248,258</b>

<sup>1</sup> Rendering of services - commercial activities has been restated to be \$0.92 million lower in the prior year for SESLHD (consolidated and parent). Refer to Note 1(f) for further details.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 12. 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 SESLHD 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.



# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 12. 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 SESLHD 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.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 12. 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 30 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the SESLHD expects to recognise the unsatisfied portion as revenue.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 13. Investment revenue

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
Interest income from financial assets at amortised cost	175	226	175	226
Finance income on the net investment in the lease	228	350	228	350
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	528	1,059	528	1,059
Dividends	10	11	10	11
	<b>941</b>	<b>1,646</b>	<b>941</b>	<b>1,646</b>

<sup>1</sup> Finance income on net investment in the lease has been restated to be \$0.13 million higher in the prior year for SESLHD (consolidated and parent). Refer to Note 1(f) for further details.

#### Recognition and Measurement

##### *Interest income*

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

##### *Dividend income*

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 14. 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	3,006	3,788	3,006	3,788
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	9,919	10,927	9,919	10,927
Clinical trials and research grants	5,942	7,004	5,942	7,004
Commonwealth government grants received for community based services	8,640	8,605	8,640	8,605
Commonwealth government grants other	110	115	110	115
Grants from entities controlled by the ultimate parent	15	-	15	-
Other grants from entities controlled by the immediate parent	794	638	794	638
Other grants	9,663	7,719	9,663	7,719
<b>Grants without specific performance obligations</b>				
Clinical trial and research grants	284	1,096	284	1,096
Commonwealth government grants other	5,364	5,953	5,364	5,953
Grants from entities controlled by the ultimate parent	-	93	-	93
Other grants from entities controlled by the immediate parent	449	774	449	774
Other grants	673	365	673	365
Donations	6,417	7,642	6,417	7,642
	<b>51,276</b>	<b>54,719</b>	<b>51,276</b>	<b>54,719</b>

#### Recognition and Measurement

##### **Grants and other contributions**

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

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

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 14. Grants and other contributions

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

#### **Volunteer services**

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

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 15. 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	5,110	6,505	-	-
Long service leave provision	(10,155)	51,535	-	-
	<b>(5,045)</b>	<b>58,040</b>	<b>-</b>	<b>-</b>

#### 16. Other income

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
Other income comprises the following:				
Commissions	212	121	212	121
Discounts	113	69	113	69
Insurance refunds	221	428	221	428
Rental income				
- other rental income	7,810	6,635	7,810	6,635
Revenue related to service concession arrangements*	3,969	3,969	3,969	3,969
Sponsorship	68	20	68	20
Unclaimed deposits	2	3	2	3
Other	3,712	2,960	3,712	2,960
	<b>16,107</b>	<b>14,205</b>	<b>16,107</b>	<b>14,205</b>

<sup>1</sup> Other income - revenue related to service concession arrangements restated to be \$3.97 million higher and other income restated to be \$2.32 million lower than in the prior year for SESLHD (consolidated and parent). Refer to Note 1(f) for further details.

\* This revenue reflects the progressive unwinding of the 'grant of right to operate liability' (Note 33) over the remaining period of the arrangement. Refer to Note 24 for further details on service concession arrangements.

#### Recognition and Measurement

##### **Other Income**

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

##### **Forgiveness of liabilities**

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 17. 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	1,452	147	1,452	147
Less: proceeds from disposal	100	159	100	159
<b>Net gains / (losses) on disposal</b>	<b>(1,352)</b>	<b>12</b>	<b>(1,352)</b>	<b>12</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	1,041	50	1,041	50
Less: lease liabilities extinguished	1,005	50	1,005	50
<b>Net gains / (losses) on disposal</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>	<b>-</b>
<b>Total gains / (losses) on disposal</b>	<b>(1,388)</b>	<b>12</b>	<b>(1,388)</b>	<b>12</b>

#### Recognition and Measurement

##### *Impairment losses on non-financial assets*

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

- Note 20 Receivables
- Note 24 Property, plant and equipment
- Note 25 Leases
- Note 26 Intangible assets

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 19. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	26,013	33,232	26,013	33,232
Short-term deposits	35,951	35,835	35,951	35,835
	<b>61,964</b>	<b>69,067</b>	<b>61,964</b>	<b>69,067</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)	61,964	69,067	61,964	69,067
	<b>61,964</b>	<b>69,067</b>	<b>61,964</b>	<b>69,067</b>

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

Most cash and cash equivalents held by the SESLHD are restricted assets and are not held for operating and capital 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 SESLHD. These payments are reported as expenses and operating cash outflows in the financial statements of the SESLHD.

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

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

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



# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 20. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Trade receivables from contracts with customers	36,900	28,641	36,900	28,641
Intra health receivables	23,428	9,431	23,428	9,431
Goods and Services Tax	5,753	5,570	5,753	5,570
Other receivables	1,698	2,327	1,698	2,327
<b>Sub total</b>	<b>67,779</b>	<b>45,969</b>	<b>67,779</b>	<b>45,969</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(3,147)	(3,567)	(3,147)	(3,567)
- Other receivables	(94)	(44)	(94)	(44)
<b>Sub total</b>	<b>64,538</b>	<b>42,358</b>	<b>64,538</b>	<b>42,358</b>
Prepayments	26,221	16,014	26,221	16,014
	<b>90,759</b>	<b>58,372</b>	<b>90,759</b>	<b>58,372</b>

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

##### Trade receivables from contracts with customers

Balance at the beginning of the year	(3,567)	(2,821)	(3,567)	(2,821)
Amounts written off during the year	2,655	-	2,655	-
Amounts recovered during the year	-	2,912	-	2,912
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(2,235)	(3,658)	(2,235)	(3,658)
<b>Balance at the end of the year</b>	<b>(3,147)</b>	<b>(3,567)</b>	<b>(3,147)</b>	<b>(3,567)</b>

##### Other receivables

Balance at the beginning of the year	(44)	(125)	(44)	(125)
Amounts written off during the year	25	85	25	85
(Increase) / decrease in allowance recognised in the net result	(75)	(4)	(75)	(4)
<b>Balance at the end of the year</b>	<b>(94)</b>	<b>(44)</b>	<b>(94)</b>	<b>(44)</b>
	<b>(3,241)</b>	<b>(3,611)</b>	<b>(3,241)</b>	<b>(3,611)</b>

##### Non-current

Prepayments	559	1,885	559	1,885
	<b>559</b>	<b>1,885</b>	<b>559</b>	<b>1,885</b>

<sup>1</sup> Includes total impairment loss of \$2.24 million (2020: \$3.66 million) recognised on receivables from contracts with customers.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 20. Receivables (continued)

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

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	(373)	215	(373)	215
Patient fees - ineligible	7,714	8,858	7,714	8,858
Patient fees - inpatient & other	17,346	11,880	17,346	11,880
	<b>24,687</b>	<b>20,953</b>	<b>24,687</b>	<b>20,953</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 41.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	60,378	37,573	60,378	37,573
<b>Total contract receivables</b>	<b>60,378</b>	<b>37,573</b>	<b>60,378</b>	<b>37,573</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 SESLHD holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

#### Impairment

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

In response to the COVID-19 pandemic, the SESLHD has changed the terms and conditions with its counterparties to offer deferred payment terms to receive rental income from tenants, for a period of 12 months from 27 March 2020 for retail tenants with a turnover of less than \$5 million and a period of 9 months from 27 March 2020 for retail tenants with a turnover of more than \$5 million. The SESLHD has a rental receivables balance amount of \$1.25 million as at 2021 (2020: \$715 thousand). The expected impacts on the recoverability of these receivables is not considered significant.

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 21. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Drug supplies	8,398	7,659	8,398	7,659
Medical and surgical supplies	16,877	16,746	16,877	16,746
Food and hotel supplies	-	5	-	5
Other including goods in transit	108	169	108	169
	<b>25,383</b>	<b>24,579</b>	<b>25,383</b>	<b>24,579</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.

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 22. Financial assets at fair value

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
TCorpIM Funds Investment Facilities	44,473	44,061	44,473	44,061
	<b>44,473</b>	<b>44,061</b>	<b>44,473</b>	<b>44,061</b>

Refer to Note 41 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

#### Recognition and Measurement

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

#### Classification and measurement

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

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

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

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

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 23. Other financial assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Non-current</b>				
Receivables on finance leases as lessor (Note 25)	7,713	7,486	7,713	7,486
	<b>7,713</b>	<b>7,486</b>	<b>7,713</b>	<b>7,486</b>

Refer to Note 41 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

#### Recognition and Measurement

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

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

#### Subsequent measurement

##### *Financial assets at amortised cost*

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

#### Impairment

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

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

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 24. 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	2,507,868	236,876	187,850	2,932,594
Less: accumulated depreciation and impairment	926,434	119,161	123,666	1,169,261
<b>Net carrying amount</b>	<b>1,581,434</b>	<b>117,715</b>	<b>64,184</b>	<b>1,763,333</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	1,521,937	117,715	64,184	1,703,836
De-recognition of service concession assets under AASB 116	(3,445)	-	-	(3,445)
Recognition of service concession assets on initial application of AASB 1059	62,942	-	-	62,942
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,581,434</b>	<b>117,715</b>	<b>64,184</b>	<b>1,763,333</b>
Additions	117,098	15,070	-	132,168
Reclassification from other financial assets	9,985	-	-	9,985
Disposals	-	(147)	-	(147)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	638	-	638
Net revaluation increments less revaluation decrements	(1,522)	-	-	(1,522)
Depreciation expense	(52,880)	(18,575)	(4,697)	(76,152)
Reclassifications	13,229	(13,229)	-	-
<b>Net carrying amount at end of year</b>	<b>1,667,344</b>	<b>101,472</b>	<b>59,487</b>	<b>1,828,303</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 27.

**South Eastern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**24. 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	2,646,664	234,239	187,850	3,068,753
Less: accumulated depreciation and impairment	979,320	132,767	128,363	1,240,450
<b>Net carrying amount</b>	<b>1,667,344</b>	<b>101,472</b>	<b>59,487</b>	<b>1,828,303</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	1,667,344	101,472	59,487	1,828,303
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,667,344</b>	<b>101,472</b>	<b>59,487</b>	<b>1,828,303</b>
Additions	209,260	22,645	-	231,905
Disposals	(1,065)	(387)	-	(1,452)
Equity transfers - transfers in / (out)	313	(2)	-	311
Transfers within NSW Health entities through Statement of Comprehensive Income	-	794	-	794
Net revaluation increments less revaluation decrements	86,149	-	3,269	89,418
Depreciation expense	(55,496)	(16,063)	(4,822)	(76,381)
Reclassifications	3,311	(3,311)	-	-
<b>Net carrying amount at end of year</b>	<b>1,909,816</b>	<b>105,148</b>	<b>57,934</b>	<b>2,072,898</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	3,066,655	248,436	197,923	3,513,014
Less: accumulated depreciation and impairment	1,156,839	143,288	139,989	1,440,116
<b>Net carrying amount</b>	<b>1,909,816</b>	<b>105,148</b>	<b>57,934</b>	<b>2,072,898</b>

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

The net carrying amount of service concession assets included in each class of property, plant and equipment as at 30 June 2021:

- land and buildings \$60.14 million (2020: \$59.89 million)
- plant and equipment \$Nil (2020: \$Nil)
- infrastructure systems \$Nil (2020: \$Nil)

During the current period, the net carrying amount of \$Nil (2020: \$Nil) for existing assets of the SESLHD has been reclassified as service concession assets.

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 24. Property, plant and equipment (continued)

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

###### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	2,434,403	236,876	187,850	2,859,129
Less: accumulated depreciation and impairment	889,124	119,161	123,666	1,131,951
<b>Net carrying amount</b>	<b>1,545,279</b>	<b>117,715</b>	<b>64,184</b>	<b>1,727,178</b>
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	1,485,782	117,715	64,184	1,667,681
De-recognition of service concession assets under AASB 116	(3,445)	-	-	(3,445)
Recognition of service concession assets on initial application of AASB 1059	62,942	-	-	62,942
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,545,279</b>	<b>117,715</b>	<b>64,184</b>	<b>1,727,178</b>
Additions	116,782	15,070	-	131,852
Reclassification from other financial assets	9,985	-	-	9,985
Disposals	-	(147)	-	(147)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	638	-	638
Net revaluation increment less revaluation decrements	(1,522)	-	-	(1,522)
Depreciation expense	(51,034)	(18,574)	(4,696)	(74,304)
Reclassifications	13,229	(13,229)	-	-
<b>Net carrying amount at end of year</b>	<b>1,632,719</b>	<b>101,473</b>	<b>59,488</b>	<b>1,793,680</b>

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



## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 24. Property, plant and equipment (continued)

##### (b) Property, plant and equipment held and used by the SESLHD (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	2,572,883	234,240	187,851	2,994,974
Less: accumulated depreciation and impairment	940,164	132,767	128,363	1,201,294
<b>Net carrying amount</b>	<b>1,632,719</b>	<b>101,473</b>	<b>59,488</b>	<b>1,793,680</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	1,632,719	101,473	59,488	1,793,680
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,632,719</b>	<b>101,473</b>	<b>59,488</b>	<b>1,793,680</b>
Additions	209,016	22,645	-	231,661
Disposals	(1,064)	(387)	-	(1,451)
Equity transfers - transfers in / (out)	313	(2)	-	311
Transfers within NSW Health entities through Statement of Comprehensive Income	-	794	-	794
Net revaluation increments less revaluation decrements	84,630	-	3,269	87,899
Depreciation expense	(54,110)	(16,063)	(4,822)	(74,995)
Reclassifications	3,312	(3,312)	-	-
<b>Net carrying amount at end of year</b>	<b>1,874,816</b>	<b>105,148</b>	<b>57,935</b>	<b>2,037,899</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	2,992,629	248,437	197,924	3,438,990
Less: accumulated depreciation and impairment	1,117,815	143,288	139,989	1,401,092
<b>Net carrying amount</b>	<b>1,874,814</b>	<b>105,149</b>	<b>57,935</b>	<b>2,037,898</b>

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 24. Property, plant and equipment (continued)

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

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	73,464	-	-	73,464
Less: accumulated depreciation and impairment	37,310	-	-	37,310
<b>Net carrying amount</b>	<b>36,154</b>	<b>-</b>	<b>-</b>	<b>36,154</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	36,154	-	-	36,154
<b>Adjusted net carrying amount at beginning of year</b>	<b>36,154</b>	<b>-</b>	<b>-</b>	<b>36,154</b>
Additions	316	-	-	316
Depreciation expense	(1,846)	-	-	(1,846)
<b>Net carrying amount at end of year</b>	<b>34,624</b>	<b>-</b>	<b>-</b>	<b>34,624</b>

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	73,780	-	-	73,780
Less: accumulated depreciation and impairment	39,156	-	-	39,156
<b>Net carrying amount</b>	<b>34,624</b>	<b>-</b>	<b>-</b>	<b>34,624</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	34,624	-	-	34,624
<b>Adjusted net carrying amount at beginning of year</b>	<b>34,624</b>	<b>-</b>	<b>-</b>	<b>34,624</b>
Additions	244	-	-	244
Net revaluation increments less revaluation decrements	1,519	-	-	1,519
Depreciation expense	(1,386)	-	-	(1,386)
<b>Net carrying amount at end of year</b>	<b>35,001</b>	<b>-</b>	<b>-</b>	<b>35,001</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	74,025	-	-	74,025
Less: accumulated depreciation and impairment	39,024	-	-	39,024
<b>Net carrying amount</b>	<b>35,001</b>	<b>-</b>	<b>-</b>	<b>35,001</b>

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 24. Property, plant and equipment (continued)

##### Recognition and Measurement

##### *Acquisition of property, plant and equipment*

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Health 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 SESLHD 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 SESLHD. The costs are then accordingly reflected in the SESLHD financial statements. The SESLHD acquires most assets in this manner.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

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

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

##### *Capitalisation thresholds*

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

##### *Major inspection costs*

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

##### *Restoration costs*

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

##### *Assets not able to be reliably measured*

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 24. Property, plant and equipment (continued)

##### **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 SESLHD.

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.

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 SESLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 25.

##### **Service concession assets**

The SESLHD has adopted AASB 1059 from 1 July 2020. However, comparatives for the year ended 30 June 2020 have been adjusted retrospectively to reflect AASB 1059. Note 1f) details changes in the the SESLHD's accounting policies and a summary of impacts on the first time adoption. This note provides disclosures required under the new accounting standard and relates to the SESLHD's service concession arrangements in place during the current year.

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 24. Property, plant and equipment (continued)

##### Service concession assets (continued)

Based on the SESLHD's assessment, the following arrangements fall in the scope of AASB 1059:

Description	Hospital Car Parks	
Name and description of the service concession arrangement	The arrangements consist of multiple car parks at Prince of Wales Hospital and St George Hospital.	
Period of arrangement	Prince of Wales hospital car park	25 years (1997 - 2022)
	St George hospital car park	25 years (1999 - 2024)
Terms of the arrangement	SESLHD has contracted International Parking Group (Operator) to build, manage and operate both car parks for the duration of the arrangement. The car parks were fully funded by the operator. SESLHD has granted rights to the Operator to operate and generate revenue from the car parks. Upon grant of this right, the operator has paid an upfront license fee to SESLHD.	
Rights and obligations	SESLHD is obliged to provide the operator with access to the carparks. The operator is responsible for maintaining and operating the car parks during the period of the arrangement. At the end of the arrangement, the operator will return all the assets back to SESLHD. There is no provision for extension of the term in the contract.	
Changes in arrangements occurred	Nil	
Carrying amount of service concession assets as at 30 June 2020 (\$'000)	St George Hospital car park (new asset recognised on transition of AASB 1059)	9,652
	Prince of Wales car park (new asset recognised on transition of AASB 1059)	50,239
Carrying amount of service concession assets as at 30 June 2021 (\$'000)	St George Hospital car park (new asset recognised on transition of AASB 1059)	9,771
	Prince of Wales car park (new asset recognised on transition of AASB 1059)	50,364

##### i. Initial recognition

For arrangements within the scope of AASB 1059, the SESLHD recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the SESLHD, the asset is recognised at current replacement cost based on AASB 13 Fair Value Measurement principles.

Where the asset is an existing asset of the SESLHD, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

##### ii. Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets and AASB 136 Impairment of Assets.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 24. Property, plant and equipment (continued)

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

###### *iii At the end of the arrangement*

At the end of a service concession arrangement:

- The SESLHD accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the SESLHD loses control of the asset in accordance with AASB 116 [AASB 138].

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 27 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The SESLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

The last comprehensive revaluation was completed on 31 December 2020 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 SESLHD uses an independent professionally qualified valuer for such interim revaluations.

Due to the COVID-19 pandemic in early 2020, the SESLHD management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2021 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 24. Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 25. Leases

#### (a) Entity as a lessee

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

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

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

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

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

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

#### Right-of-use assets under leases

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

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	13,507	10,622	24,129
Additions	649	5,467	6,116
Reassessments	136	5	141
Disposals	-	(1,041)	(1,041)
Depreciation expense	(2,316)	(3,310)	(5,626)
Equity transfers - transfers In / (out)	12	57	69
<b>Balance at 30 June 2021</b>	<b>11,988</b>	<b>11,800</b>	<b>23,788</b>
Balance at 1 July 2019	10,218	11,409	21,627
Additions	5,222	2,107	7,329
Disposals	-	(50)	(50)
Depreciation expense	(1,933)	(2,844)	(4,777)
<b>Balance at 30 June 2020</b>	<b>13,507</b>	<b>10,622</b>	<b>24,129</b>



## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 25. 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	24,639	21,627
Additions	6,116	7,329
Interest expenses	496	416
Payments	(5,804)	(4,683)
Terminations	(1,006)	(50)
Equity transfers - transfers In / (out)	72	-
Other adjustments	141	-
<b>Balance at 30 June</b>	<b>24,654</b>	<b>24,639</b>

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

###### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	5,626	4,777
Interest expense on lease liabilities	496	416
Expenses relating to short-term leases	2,025	3,020
Expenses relating to leases of low-value assets	400	235
Variable lease payments, not included in the measurement of lease liabilities	83	23
(Gains) / losses on disposal	36	-
<b>Total amount recognised in the statement of comprehensive income</b>	<b>8,666</b>	<b>8,471</b>

The SESLHD had total cash outflows for leases of \$8.31 million for the year ended 30 June 2021 (2020: \$7.96 million).

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 25. Leases (continued)

#### (a) Entity as a lessee (continued)

##### Recognition and Measurement

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

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

##### *i. Right-of-use assets*

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

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

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

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 25. Leases (continued)

##### (a) Entity as a lessee (continued)

###### ii. Lease liabilities

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

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

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

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

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

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

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

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

###### 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 SESLHD to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 25. Leases (continued)

#### (b) Entity as a lessor

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

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

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

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

#### Lessor for finance leases

There are no future minimum rentals receivable (undiscounted) under non-cancellable finance lease as at 30 June 2021.

#### Reconciliation of net investment in leases

##### PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Unguaranteed residual amounts - undiscounted	146,463	146,463
Less: unearned finance income	(138,750)	(138,977)
<b>Net investment in finance lease</b>	<b>7,713</b>	<b>7,486</b>

#### Recognition and Measurement

##### Lessor for finance leases

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

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 25. Leases (continued)

##### (b) Entity as a lessor (continued)

##### Lessor for operating leases

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

##### PARENT AND CONSOLIDATION

	2021	2020
	\$'000	\$'000
Within one year	4,286	4,367
One to two years	3,775	3,994
Two to three years	3,706	3,483
Three to four years	3,706	3,414
Four to five years	3,697	3,414
Later than five years	41,202	41,419
<b>Total (excluding GST)</b>	<b>60,372</b>	<b>60,091</b>

##### Recognition and Measurement

##### Lessor for operating leases

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 26. Intangible assets

##### PARENT AND CONSOLIDATION

	Total \$000
<b>At 1 July 2019</b>	
Cost (gross carrying amount)	484
Less: accumulated amortisation and impairment	403
<b>Net carrying amount</b>	<b>81</b>
<b>Year ended 30 June 2020</b>	
Net carrying amount at beginning of year	81
Additions - acquired separately	202
Amortisation (recognised in depreciation and amortisation)	(28)
<b>Net carrying amount at end of year</b>	<b>255</b>
<b>At 1 July 2020</b>	
Cost (gross carrying amount)	685
Less: accumulated amortisation and impairment	430
<b>Net carrying amount</b>	<b>255</b>
<b>Year ended 30 June 2021</b>	
Net carrying amount at beginning of year	255
Amortisation (recognised in depreciation and amortisation)	(43)
<b>Net carrying amount at end of year</b>	<b>212</b>
<b>At 30 June 2021</b>	
Cost (gross carrying amount)	685
Less: accumulated amortisation and impairment	473
<b>Net carrying amount</b>	<b>212</b>

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 26. Intangible assets (continued)

#### PARENT AND CONSOLIDATION

##### Recognition and Measurement

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The SESLHD's intangible assets are amortised using the straight-line method over a period of five to thirteen years.

Computer software developed or acquired by the SESLHD are recognised as intangible assets. Most computer software is acquired from eHealth NSW, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

#### PARENT AND CONSOLIDATION

##### Fair value measurement and hierarchy

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

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

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

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

#### (a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	185,802	1,296,615	1,482,417
- Infrastructure systems	-	-	57,935	57,935
	-	185,802	1,354,550	1,540,352

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 24.

	Level 1	Level 2	Level 3	Total Fair Value
2020 <sup>1</sup>	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	182,038	1,261,949	1,443,987
- Infrastructure systems	-	-	59,487	59,487
	-	182,038	1,321,436	1,503,474

<sup>1</sup> Land and buildings in the prior year have been restated (parent and consolidated). Refer to Note 1(f) for further details.

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 24.



## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

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

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 24 reconciliation).

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

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

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

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

###### PARENT AND CONSOLIDATION

2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2020</b>	1,261,949	59,487	-	1,321,436
<b>Adjusted fair value as at 1 July 2020</b>	<b>1,261,949</b>	<b>59,487</b>	-	<b>1,321,436</b>
Additions	4,765	-	-	4,765
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	86,149	3,269	-	89,418
Disposals	(1,065)	-	-	(1,065)
Depreciation expense	(55,496)	(4,821)	-	(60,317)
Equity transfers - transfers in / (out)	313	-	-	313
<b>Fair value as at 30 June 2021</b>	<b>1,296,615</b>	<b>57,935</b>	-	<b>1,354,550</b>

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

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

###### PARENT AND CONSOLIDATION

2020 <sup>1</sup>	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2019</b>	1,221,230	64,184	48,983	1,334,397
De-recognition of service concession assets under AASB 116	(3,445)	-	-	(3,445)
Recognition of service concession assets on initial application of AASB 1059	62,942	-	-	62,942
De-recognition of privately finance projects on withdrawal of TPP 06-8	-	-	(48,983)	(48,983)
<b>Adjusted fair value as at 1 July 2019</b>	<b>1,280,727</b>	<b>64,184</b>	<b>-</b>	<b>1,344,911</b>
Additions	22,587	-	-	22,587
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	(3,960)	-	-	(3,960)
Depreciation expense	(49,829)	(4,697)	-	(54,526)
Other Assets reclassified to land and buildings	12,425	-	-	12,425
<b>Fair value as at 30 June 2020</b>	<b>1,261,949</b>	<b>59,487</b>	<b>-</b>	<b>1,321,436</b>

<sup>1</sup> Land and buildings in the prior year have been restated (parent and consolidated). Refer to Note 1(f) for further details.

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 28. Restricted assets

##### PARENT AND CONSOLIDATION

The SESLHD's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2021.

Category	1 July 2020	Revenue	Expense	2021
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	2,476	574	381	2,669
Facility improvements	13,571	3,644	3,497	13,718
Holds funds in perpetuity	646	1,273	1,172	747
Patient welfare	10,486	999	2,148	9,337
Private practice disbursements (No.2 Accounts)	29,300	12,613	7,611	34,302
Public contributions	232	19	-	251
Research	24,431	7,558	6,505	25,484
Staff welfare	1,787	1,733	1,546	1,974
Training and education including conferences	17,266	4,659	3,687	18,238
	<b>100,195</b>	<b>33,072</b>	<b>26,547</b>	<b>106,720</b>

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

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

##### Unclaimed monies

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 29. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	21,659	42,551	-	-
Salaries and wages deductions	321	247	-	-
Payroll and fringe benefits tax	233	228	-	-
Accrued liability - purchase of personnel services	-	-	22,213	43,026
Creditors	36,900	27,427	36,900	27,427
Other creditors				
- Payables to entities controlled by the immediate parent	11,767	16,415	11,767	16,415
- Other	30,644	14,015	30,644	14,015
	<b>101,524</b>	<b>100,883</b>	<b>101,524</b>	<b>100,883</b>

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

#### Recognition and Measurement

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 30. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract liabilities	371	442	371	442
	<b>371</b>	<b>442</b>	<b>371</b>	<b>442</b>

#### Recognition and Measurement

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

The contract liability balance has increased during the year because of the timing of 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	442	1,350	442	1,350
Transaction price allocated to the remaining performance obligations from contracts with customers	7,869	8,769	7,869	8,769

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

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Grants and other contributions	6,239	875	152	603
	<b>6,239</b>	<b>875</b>	<b>152</b>	<b>603</b>

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 31. Borrowings

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
<b>Current</b>				
Lease liabilities (see Note 25)	5,424	4,823	5,424	4,823
	<b>5,424</b>	<b>4,823</b>	<b>5,424</b>	<b>4,823</b>
<b>Non-current</b>				
Lease liabilities (see Note 25)	19,230	19,816	19,230	19,816
	<b>19,230</b>	<b>19,816</b>	<b>19,230</b>	<b>19,816</b>

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

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

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

#### Recognition and Measurement

##### *Financial liabilities at amortised cost*

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

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

##### *Financial liabilities at fair value through profit or loss*

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

#### Changes in liabilities arising from financing activities

##### PARENT AND CONSOLIDATION

	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2019</b>	-	-
Recognised on adoption of AASB 16	21,627	21,627
<b>Adjusted 1 July 2019</b>	<b>21,627</b>	<b>21,627</b>
Cash flows	(4,267)	(4,267)
New leases	7,329	7,329
Lease terminations	(50)	(50)
<b>30 June 2020</b>	<b>24,639</b>	<b>24,639</b>
<b>1 July 2020</b>	<b>24,639</b>	<b>24,639</b>
Cash flows	(5,308)	(5,308)
New leases	6,116	6,116
Lease terminations	(1,006)	(1,006)
Lease reassessments	141	141
Non-cash changes other	72	72
<b>30 June 2021</b>	<b>24,654</b>	<b>24,654</b>

**South Eastern Sydney Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**32. 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	127,275	124,000	-	-
Annual leave - obligations expected to be settled after 12 months	69,008	59,007	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,752	2,554	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	41,133	33,510	-	-
Provision for other employee benefits	6,058	7,077	-	-
Provision for personnel services liability	-	-	250,026	226,148
Other	3,800	-	-	-
	<b>250,026</b>	<b>226,148</b>	<b>250,026</b>	<b>226,148</b>
<b>Other Provisions</b>				
Restoration costs	14	-	14	-
Other	6,700	-	6,700	-
	<b>6,714</b>	<b>-</b>	<b>6,714</b>	<b>-</b>
<b>Total current provisions</b>	<b>256,740</b>	<b>226,148</b>	<b>256,740</b>	<b>226,148</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	4,340	3,136	-	-
Provision for personnel services liability	-	-	4,340	3,136
	<b>4,340</b>	<b>3,136</b>	<b>4,340</b>	<b>3,136</b>
<b>Other Provisions</b>				
Restoration costs	217	-	217	-
	<b>217</b>	<b>-</b>	<b>217</b>	<b>-</b>
<b>Total non-current provisions</b>	<b>4,557</b>	<b>3,136</b>	<b>4,557</b>	<b>3,136</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	250,026	226,148	-	-
Provisions - non-current	4,340	3,136	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	21,980	42,798	-	-
Liability - purchase of personnel services	-	-	276,346	272,082
	<b>276,346</b>	<b>272,082</b>	<b>276,346</b>	<b>272,082</b>

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 32. Provisions (continued)

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

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Restoration costs</b>				
Carrying amount at beginning of period	-	-	-	-
- Additional provisions recognised	231	-	231	-
<b>Carrying amount at end of period</b>	<b>231</b>	<b>-</b>	<b>231</b>	<b>-</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 19.78% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.20%). The SESLHD has assessed the actuarial advice based on the SESLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the SESLHD does not expect to settle the liability within 12 months as the SESLHD does not have an unconditional right to defer settlement.

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

##### *Long service leave and superannuation*

The SESLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The SESLHD accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown 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 SESLHD.

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



## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 32. Provisions (continued)

##### Recognition and Measurement (continued)

##### *Long service leave and superannuation (continued)*

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

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 33. Other liabilities

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
<b>Current</b>				
Unearned revenue	39,517	20,623	39,517	20,623
Grant of right to operate liability under service concessions*	3,969	3,969	3,969	3,969
	<b>43,486</b>	<b>24,592</b>	<b>43,486</b>	<b>24,592</b>
<b>Non-current</b>				
Unearned revenue	1,784	1,909	1,784	1,909
Grant of right to operate liability under service concessions*	1,284	5,252	1,284	5,252
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,855	6,142	4,855	6,142
	<b>7,923</b>	<b>13,303</b>	<b>7,923</b>	<b>13,303</b>

<sup>1</sup> Other liabilities - current unearned revenue has been restated to be \$0.92 million lower, non-current unearned revenue has been restated to be \$1.36 million lower, current grant of right to operate liability under service concessions\* has been restated to be \$3.97 million higher and non-current grant of right to operate liability under service concessions\* has been restated to be \$5.25 million higher in the prior year for SESLHD (consolidated and parent). Refer to Note 1(f) for further details.

\* This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 16 and Note 24 for further information on service concession arrangement.

Unearned revenue was derived from the following:

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

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

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

In December 2019 a capital funding deed and agreement was entered into with the University of NSW. Under the terms of the agreement, the University has committed to a funding contribution towards a nominated space and integration at the Randwick Hospital Campus up to an amount of \$62.82M. This facility is under construction and is part of the broader Randwick Development Plan. As at 30 June 2021 the University NSW has contributed \$39M (2020: \$20M) as part of the funding deed and are included under unearned revenue. No revenue has been recognised so far as the lease has not yet commenced.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 33. Other liabilities (continued)

##### PARENT AND CONSOLIDATION

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	6,142	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	7,930
<i>Add:</i> receipt of cash during the financial year	1,719	2,000
<i>Deduct:</i> income recognised during the financial year	3,006	3,788
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>4,855</b>	<b>6,142</b>

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

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 34. Commitments

##### (a) Capital commitments

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	137,960	157,065	137,960	157,065
Later than one year and not later than five years	120,650	256,930	120,650	256,930
<b>Total (including GST)</b>	<b>258,610</b>	<b>413,995</b>	<b>258,610</b>	<b>413,995</b>

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

The total 'Capital expenditure commitments' of \$258.61 million as at 30 June 2021 includes input tax credits of \$23.51M million that are expected to be recoverable from the Australian Taxation Office (2020 \$37.6M).

##### Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$60.3M million as at 30 June 2021 includes taxable sales of \$6.0M that are expected to be payable to the Australian Taxation Office (2020: \$0.2M).

#### 35. Contingent liabilities and contingent assets

##### PARENT AND CONSOLIDATION

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 36. Trust funds

##### PARENT AND CONSOLIDATION

The SESLHD holds trust funds of \$2.7 million (2020: \$2.3 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2020			30 June 2021
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	400	2,753	(2,855)	298
Refundable Deposits	366	67	(55)	378
Private Patient Trust Funds	20	45,445	(45,453)	12
Third Party Funds	1,542	1,411	(973)	1,980
<b>Total trust funds</b>	<b>2,328</b>	<b>49,676</b>	<b>(49,336)</b>	<b>2,668</b>

Category	1 July 2019			30 June 2020
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	379	2,061	(2,040)	400
Refundable Deposits	364	59	(57)	366
Private Patient Trust Funds	37	42,526	(42,542)	20
Third Party Funds	676	1,048	(182)	1,542
<b>Total trust funds</b>	<b>1,456</b>	<b>45,694</b>	<b>(44,823)</b>	<b>2,328</b>

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Patient Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

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

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

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

	Consolidated 2021 \$000	Consolidated <sup>1</sup> 2020 \$000	Parent 2021 \$000	Parent <sup>1</sup> 2020 \$000
Net cash used on operating activities	229,956	150,622	229,956	150,622
Depreciation and amortisation expense	(82,050)	(80,957)	(82,050)	(80,957)
Allowance for impairment	(2,309)	(3,662)	(2,309)	(3,662)
(Increase) / decrease in unearned revenue	(13,513)	(11,546)	(13,513)	(11,546)
Decrease / (increase) in provisions	(32,013)	(20,516)	(32,013)	(20,516)
Increase / (decrease) in prepayments and other assets	34,877	(14,697)	34,877	(14,697)
Decrease / (increase) in payables	(1,058)	14,557	(1,058)	14,557
Decrease / (increase) in contract liabilities	71	908	71	908
Net gain / (loss) on sale of property, plant and equipment	(1,352)	12	(1,352)	12
Net gain / (loss) on disposal of right-of-use assets	(36)	-	(36)	-
Non-cash revenue items	-	221	-	221
Assets donated or brought to account (Note 38)	1,200	638	1,200	638
<b>Net result</b>	<b>133,773</b>	<b>35,580</b>	<b>133,773</b>	<b>35,580</b>

<sup>1</sup> Depreciation and amortisation expense has been restated to be \$3.05 million higher, unearned revenue has been restated to be \$3.05 lower, prepayments and other assets has been restated to be \$0.13 higher and emerging assets recognised to be \$2.33 million lower in the prior year for SESLHD (consolidated and parent). Refer to Note 1(f) for further details.

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	1,200	638	1,200	638
Property, plant and equipment acquired by a lease	6,116	7,329	6,116	7,329
	<b>7,316</b>	<b>7,967</b>	<b>7,316</b>	<b>7,967</b>

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 39. Adjusted budget review

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

#### PARENT AND CONSOLIDATION

##### Net result

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

The District's Net Results was impacted by increase in expenses (\$8.4M) that were further impacted by decrease in revenues (\$21M) and unbudgeted loss on asset disposals (\$1M) for the year ended 30 June 2021.

##### Assets and liabilities

The actual Net Assets was higher than the adjusted budget by \$59M, primarily due to an increase in assets of \$132M (mainly from PPE movements \$84M, increase in receivables \$41M, increase in cash/bank \$9M and decrease in right-of-use assets \$2M) which were offset by an increase in liabilities of \$73M.

##### Cash flows

The actual Cash Flows for operating activities was higher than adjusted budget by \$7M, primarily due to the District's decreased payments (\$42M) and decreased receipts (\$35M).

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 3 July 2020 are as follows:

	<b>\$000</b>
Initial allocation, 3 July 2020	1,409,310
Award increases	3,530
COVID-19 Response (includes \$6.8M capital)	124,101
Budget Adjustment for Payroll Accrual	26,286
Service Demand and Volume Growth	23,840
Single Room Rate Reduction	18,217
Budget Assistance	11,404
Organ and Tissue Donation Funding	3,507
Pathology	3,000
Child and Family Nursing Service from SCHN to SESLHD	2,943
Defined Benefit Superannuation Adjustment	2,211
Dental National Partnership Agreement	2,080
Affordable IVF Clinics	1,152
Right of Use Leases	1,000
Nurse and Midwifery Strategy Reserve	953
Pharmacy Co-Payment	873
Youth Cancer Service	749
Voluntary Redundancy	517
Single Room Rate Reduction - Affiliated Health Organisations	460
Other	6,391
<b>Balance as per Statement of Comprehensive Income</b>	<b>1,642,524</b>

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 40. Equity

#### **Revaluation surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 24.

#### **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) A number of motor vehicle fleet and property leases were transferred to/from Illawarra Shoalhaven Local Health District and The Sydney Children's Hospital Newtork from/to SESLHD at \$Nil consideration, both are controlled entities of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.
- (b) NSW Ambulance, a controlled entity of the immediate parent, transferred vacant premises at the Randwick Ambulance Station to SESLHD at \$Nil consideration. The building were transferred across at the carrying amount, deemed to be its fair value, from the transferee to the transferor.
- (c) SESLHD transferred a plant and equipment (forklift) to the immediate parent at \$Nil consideration. The forklift was transferred across at the carrying amount, deemed to be its fair value, from the transferee to the transferor.

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

Nil

#### **Equity transfers effected comprised:**

	2021 \$000	2020 \$000
(a) Transfer of leases	(2)	
(b) Transfer of building	313	
(c) Transfer of plant and equipment	(2)	
	309	-

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

	2021 \$000	2020 \$000
<b>Assets</b>		
Right-of-use assets	69	
Building	313	
Plant and equipment	(2)	
<b>Liabilities</b>		
Lease liabilities	(71)	
<b>Increase / (Decrease) in net assets from equity transfers</b>	309	-



# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 40. Equity (continued)

#### Recognition and Measurement

##### *Equity transfers*

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

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 41. Financial instruments

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

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

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

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 19)	Amortised cost	61,964	69,067
Receivables (Note 20) <sup>1</sup>	Amortised cost	58,785	36,788
Financial assets at fair value (Note 22)	Fair value through profit or loss - mandatory classification	44,473	44,061
Other financial assets (Note 23)	Amortised cost	7,713	7,486
<b>Total financial assets</b>		<b>172,935</b>	<b>157,402</b>
<b>Financial liabilities</b>			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	24,654	24,639
Payables (Note 29) <sup>2</sup>	Financial liabilities measured at amortised cost	101,291	100,655
<b>Total financial liabilities</b>		<b>125,945</b>	<b>125,294</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 SESLHD determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

#### (b) 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 SESLHD has transferred substantially all the risks and rewards of the asset; or
- The SESLHD has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 41. Financial instruments (continued)

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

When the SESLHD 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 SESLHD 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 SESLHD's continuing involvement in the asset. In that case, the SESLHD 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 SESLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

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

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

##### Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.20%) 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, contract assets and lease receivables

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

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 41. Financial instruments (continued)

#### (d) Financial risk (continued)

##### i. Credit risk (continued)

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

#### Receivables - trade receivables, other receivables, contract assets and lease receivables (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 SESLHD has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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

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

#### PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2021</b>						
Expected credit loss rate	1.76%	6.81%	14.44%	19.74%	40.35%	7.00%
Estimated total gross carrying amount <sup>1</sup>	36,042	3,420	942	699	5,208	46,311
Expected credit loss	633	233	136	138	2,101	3,241
<b>30 June 2020</b>						
Expected credit loss rate	1.58%	7.04%	22.20%	31.13%	41.62%	9.39%
Estimated total gross carrying amount <sup>1</sup>	28,212	2,174	1,320	861	5,887	38,454
Expected credit loss	447	153	293	268	2,450	3,611

#### Notes

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

The SESLHD 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.

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 41. Financial instruments (continued)

#### (d) Financial risk (continued)

##### ii. Liquidity risk

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

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

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

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 41. Financial instruments (continued)

#### (d) Financial risk (continued)

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <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>		101,291	-	-	101,291	101,291	-	-
Borrowings:								
- Lease liabilities	2.01%	26,517	26,517	-	-	5,760	13,519	7,238
		<b>127,808</b>	<b>26,517</b>	<b>-</b>	<b>101,291</b>	<b>107,051</b>	<b>13,519</b>	<b>7,238</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		100,655	-	-	100,655	100,655	-	-
Borrowings:								
- Lease liabilities	1.76%	26,698	26,698	-	-	5,195	14,064	7,439
		<b>127,353</b>	<b>26,698</b>	<b>-</b>	<b>100,655</b>	<b>105,850</b>	<b>14,064</b>	<b>7,439</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 SESLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

<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).

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 41. Financial instruments (continued)

#### iii. Market risk

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

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

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

#### **PARENT AND CONSOLIDATION**

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(895)	895	(960)	960
Equity	(895)	895	(960)	960

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 41. Financial instruments (continued)

#### iii. Market risk (continued)

##### *Other price risk - TCorpIM Funds*

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

Facility	Investment Sectors	Investment Horizon	2021 \$000	2020 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	35,951	35,835
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	44,473	44,061

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

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

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

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

	Change in unit price		Impact on net result	
	2021 %	2020 %	2021 \$000	2020 \$000
TCorpIM Cash Fund	10%	10%	3,595	3,584
TCorpIM Short Term Income Fund	10%	10%	4,447	4,406



# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 41. Financial instruments (continued)

#### (e) Fair value measurement

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

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

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

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

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

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

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2021 Total \$'000
TCorpIM Funds	-	80,424	-	80,424
				2020
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
TCorpIM Funds	-	79,896	-	79,896

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

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

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

# South Eastern Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 42. Related party disclosures

#### PARENT AND CONSOLIDATION

##### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021 \$000	2020 \$000
Short-term employee benefits	781	771
Post-employment benefits	70	70
	<b>851</b>	<b>841</b>

During the financial year, South Eastern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$432 thousand (2020: \$430 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

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

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

There were no transactions with key management personnel and their close family members (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 SESLHD had with government related entities during the financial year

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

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

- Health Administration Corporation (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.
- Rental accommodation for the HIV and Related Programs Unit (HARP) at the Orana Centre in Warrawong, NSW.

## South Eastern Sydney Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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#### 42. Related party disclosures

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

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

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

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

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

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

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

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

#### 43. Events after the reporting period

On 28 June 2021, the NSW Government put in place Public Health (COVID-19 Temporary Movement and Gathering Restrictions) Order 2021 under the Public Health Act 2010 to contain the spread of COVID-19 and to prioritise the health and safety of the community. The Public Health Order 2021 placed various restrictions on Greater Sydney and impacted the way SESLHD operates since reporting date. Elective surgery was cancelled 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 SESLHD after reporting date.

#### END OF AUDITED FINANCIAL STATEMENTS