



INDEPENDENT AUDITOR'S REPORT

Far West Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Far West Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, 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 35. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

Chief Executive's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the District and the consolidated entity 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. The description forms part of my auditor's report.

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

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



Cathy Wu
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY

Far West Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2022



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

1. The financial statements of the Far West Local Health District for the year ended 30 June 2022 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Far West Local Health District's financial position as at 30 June 2022 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 blue ink signature consisting of several overlapping loops.

Brad Astill
Interim Chief Executive
27 September 2022

A blue ink signature in cursive script.

Guhjan Kolhari
Acting Director of Performance and Strategy
27 September 2022

Far West Local Health District

Statement of Comprehensive Income for the year ended 30 June 2022

		Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
	Notes					
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	83,904	87,030	78,590	-	-
Personnel services	3	-	-	-	83,597	78,596
Visiting medical officers	4	9,531	7,758	8,405	9,531	8,405
Other expenses	5	42,155	41,604	33,615	42,155	33,615
Depreciation and amortisation	6	7,429	7,435	7,398	7,429	7,398
Grants and subsidies	7	2,795	2,894	2,932	2,795	2,932
Finance costs	8	17	66	21	17	21
Total expenses excluding losses		145,831	146,787	130,961	145,524	130,967
Revenue						
Ministry of Health recurrent allocations	11	127,169	123,029	109,044	127,169	109,044
Ministry of Health capital allocations	11	3,855	4,201	2,907	3,855	2,907
Acceptance by the Crown ² of employee benefits	15	307	307	(6)	-	-
Sale of goods and services from contracts with customers	12	8,429	11,057	9,832	8,429	9,832
Investment revenue	13	8	5	6	8	6
Grants and other contributions	14	8,792	8,699	3,027	8,792	3,027
Other income	16	483	1,618	724	483	724
Total revenue		149,043	148,916	125,534	148,736	125,540
Operating result		3,212	2,129	(5,427)	3,212	(5,427)
Impairment losses on financial assets	21	(8)	-	(71)	(8)	(71)
Other gains / (losses)	18	(103)	(103)	-	(103)	-
Net result		3,101	2,026	(5,498)	3,101	(5,498)
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	23	10,314	-	6,364	10,314	6,364
Total other comprehensive income		10,314	-	6,364	10,314	6,364
TOTAL COMPREHENSIVE INCOME		13,415	2,026	866	13,415	866

¹ Unaudited adjusted budget, see Note 35.

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

The accompanying notes form part of these financial statements.

Far West Local Health District
Statement of Financial Position as at 30 June 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
ASSETS						
Current assets						
Cash and cash equivalents	20	710	790	922	710	922
Receivables	21	2,915	2,180	2,179	2,915	2,179
Inventories	22	494	431	306	494	306
Total current assets		4,119	3,401	3,407	4,119	3,407
Non-current assets						
Receivables	21	2	3	3	2	3
Property, plant & equipment	23					
- Land and buildings		140,920	130,957	127,286	140,920	127,286
- Plant and equipment		10,854	10,788	9,458	10,854	9,458
- Infrastructure systems		3,554	3,316	3,328	3,554	3,328
Total property, plant & equipment		155,328	145,061	140,072	155,328	140,072
Right-of-use assets	24	457	448	643	457	643
Intangible assets	25	-	7	7	-	7
Total non-current assets		155,787	145,519	140,725	155,787	140,725
Total assets		159,906	148,920	144,132	159,906	144,132
LIABILITIES						
Current liabilities						
Payables	28	10,687	11,659	10,838	10,687	10,838
Borrowings	29	315	371	371	315	371
Provisions	30	15,188	15,248	12,473	15,188	12,473
Other current liabilities	31	-	-	-	-	-
Total current liabilities		26,190	27,278	23,682	26,190	23,682
Non-current liabilities						
Borrowings	29	179	110	307	179	307
Provisions	30	191	191	213	191	213
Total non-current liabilities		370	301	520	370	520
Total liabilities		26,560	27,579	24,202	26,560	24,202
Net assets		133,346	121,341	119,930	133,346	119,930
EQUITY						
Reserves		43,459	33,141	33,145	43,459	33,145
Accumulated funds		89,887	88,200	86,785	89,887	86,785
Total Equity		133,346	121,341	119,930	133,346	119,930

¹ Unaudited adjusted budget, see Note 35.

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Changes in Equity for the year ended 30 June 2022

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		86,785	33,145	119,930
Net result for the year		3,101	-	3,101
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	10,314	10,314
Total other comprehensive income		-	10,314	10,314
Total comprehensive income for the year		3,101	10,314	13,415
Balance at 30 June 2022		89,887	43,459	133,346

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		92,283	26,781	119,064
Net result for the year		(5,498)	-	(5,498)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	6,364	6,364
Total other comprehensive income		-	6,364	6,364
Total comprehensive income for the year		(5,498)	6,364	866
Balance at 30 June 2021		86,785	33,145	119,930

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Cash Flows for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(82,528)	(85,527)	(78,552)	-	-
Suppliers for goods and services		(55,386)	(52,852)	(42,638)	(55,386)	(42,638)
Grants and subsidies		(3,099)	(3,198)	(3,255)	(3,099)	(3,255)
Finance costs		(17)	(66)	(21)	(17)	(21)
Personnel services		-	-	-	(82,528)	(78,552)
Total payments		(141,030)	(141,643)	(124,466)	(141,030)	(124,466)
Receipts						
Ministry of Health recurrent allocations		127,169	123,029	109,044	127,169	109,044
Ministry of Health capital allocations		3,855	4,201	2,907	3,855	2,907
Reimbursements from the Crown ²		1,178	1,178	911	1,178	911
Sale of goods and services		7,475	11,109	10,095	7,475	10,095
Interest received		8	5	6	8	6
Grants and other contributions		8,106	8,020	2,711	8,106	2,711
Other		5,389	6,398	4,947	5,389	4,947
Total receipts		153,180	153,940	130,621	153,180	130,621
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	12,150	12,297	6,155	12,150	6,155
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		-	-	2	-	2
Purchases of property, plant and equipment		(11,999)	(12,052)	(5,705)	(11,999)	(5,705)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(11,999)	(12,052)	(5,703)	(11,999)	(5,703)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(363)	(377)	(355)	(363)	(355)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(363)	(377)	(355)	(363)	(355)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(212)	(132)	97	(212)	97
Opening cash and cash equivalents	20	922	922	825	922	825
CLOSING CASH AND CASH EQUIVALENTS	20	710	790	922	710	922

¹ Unaudited adjusted budget, see Note 35.

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

The accompanying notes form part of these financial statements.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

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

- * The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 27), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Far West Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2022 have been authorised for issue by the Interim Chief Executive on 27 September 2022.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

b) Basis of preparation

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

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

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

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

Following the Novel Coronavirus (COVID-19) outbreak in early 2020, the District has seen a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries at different times, to ensure increased public hospital capacity would be available. Ongoing critical resources have been reassigned to treat, test and manage surges of COVID-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders commenced during 2021.

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW which has been extended through until 31 December 2022. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

The 2022-23 Ministry of Health budget included over \$33.5 billion in expense and capital for the NSW Health Cluster. Appropriation revenue of \$18.7 billion was enshrined in legislation on 21 June 2022 in Part 2, Division 4 and Part 3 of the *Appropriation (Parliament) Bill 2022*.

The District has received an additional \$13.15 million (2021: \$4.90 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 11.

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

The District has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the District's presentation and functional currency.

c) Statement of Compliance

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

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

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

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

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

e) Comparative Information

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

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

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

(i) Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the District.

(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 District, 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 District.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

g) Impact of COVID-19 on Financial Reporting for 2021-22

The COVID-19 pandemic has resulted in significant changes in the District activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2021-22 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 5 Operating expenses
- * Note 7 Grants and subsidies
- * Note 11 Ministry of Health allocations
- * Note 14 Grants and other contributions
- * Note 18 Other gains / (losses)
- * Note 22 Inventories
- * Note 26 Fair value measurement of non-financial assets
- * Note 30 Provisions
- * Note 35 Adjusted budget review

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

2. Employee related expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	75,965	70,957	-	-
Superannuation - defined benefit plans	813	782	-	-
Superannuation - defined contribution plans	6,569	5,803	-	-
Long service leave	(747)	(437)	-	-
Redundancies	128	257	-	-
Workers' compensation insurance	1,176	1,228	-	-
Other staff related	-	-	-	-
	83,904	78,590	-	-

Refer to Note 30 for further details on recognition and measurement of employee related expenses.

The long service leave in 2022 and 2021 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	75,965	70,957
Superannuation - defined contribution plans	-	-	6,569	5,803
Long service leave	-	-	(241)	351
Redundancies	-	-	128	257
Workers' compensation insurance	-	-	1,176	1,228
Other staff related	-	-	-	-
	-	-	83,597	78,596

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

4. Visiting medical officers

Visiting medical officers (VMOs) deliver specialist medical services across a range of disciplines throughout the District's hospitals. VMO expenses of \$9.53 million (2021: \$8.41 million) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Advertising	161	102	161	102
Auditor's remuneration - audit of financial statements	154	151	154	151
Blood and blood products	180	222	180	222
Consultancies	-	83	-	83
Contractors	192	66	192	66
Domestic supplies and services	756	629	756	629
Drug supplies*	2,720	1,685	2,720	1,685
Food supplies	535	482	535	482
Fuel, light and power	1,558	1,248	1,558	1,248
Patient transport costs	1,510	1,406	1,510	1,406
Information management expenses	3,672	3,336	3,672	3,336
Insurance	199	220	199	220
Maintenance (see Note 5 (b))	3,428	3,949	3,428	3,949
Medical and surgical supplies	3,155	2,244	3,155	2,244
Motor vehicle expenses	305	354	305	354
Postal and telephone costs	185	169	185	169
Printing and stationery	278	313	278	313
Rates and charges	259	307	259	307
Hosted services purchased from entities controlled by the immediate parent	32	242	32	242
Specialised services (dental, radiology, pathology, cardiology, Fast Track Clinic and Mental Health)	10,647	9,108	10,647	9,108
Staff related costs	2,538	1,907	2,538	1,907
Travel related costs	2,570	955	2,570	955
Other (see Note 5 (a))	7,121	4,437	7,121	4,437
	42,155	33,615	42,155	33,615

* Drug supplies includes \$0.67 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within the District. Refer to Note 22 for further details on COVID-19 vaccines.

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses (continued)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
(a) Other				
Corporate support services	765	915	765	915
Courier and freight	187	89	187	89
Isolated patient travel and accommodation assistance scheme	1,345	1,492	1,345	1,492
Legal services	168	55	168	55
Membership/professional fees	76	62	76	62
Quality assurance / accreditation	-	13	-	13
Security services	1,772	135	1,772	135
Expenses relating to short-term leases	227	157	227	157
Expenses relating to leases of low-value assets	76	21	76	21
Other miscellaneous	2,505	1,498	2,505	1,498
	7,121	4,437	7,121	4,437
(b) Reconciliation of total maintenance expense				
Maintenance contracts	975	964	975	964
New / replacement equipment under \$10,000	1,934	2,390	1,934	2,390
Repairs maintenance / non contract	519	595	519	595
Maintenance expense - contracted labour and Employee related/personnel services maintenance expense included in Notes 2 and 3.	3,428	3,949	3,428	3,949
	1,011	869	1,011	869
	4,439	4,818	4,439	4,818

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

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

Insurance

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

Lease expense

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

6. Depreciation and amortisation

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Depreciation - buildings	5,449	5,265	5,449	5,265
Depreciation - plant and equipment	1,455	1,581	1,455	1,581
Depreciation - infrastructure systems	153	134	153	134
Depreciation - right-of-use buildings	25	25	25	25
Depreciation - right-of-use plant and equipment	340	334	340	334
Amortisation - intangible assets	7	59	7	59
	7,429	7,398	7,429	7,398

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

7. Grants and subsidies

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-government organisations	2,254	2,193	2,254	2,193
Grants to entities controlled by the immediate parent*	66	36	66	36
Other grants*	475	703	475	703
	2,795	2,932	2,795	2,932

* The District granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 22 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided to NSW Health entities under grants to entities controlled by the immediate parent was \$0.03 million (2021: \$Nil) and to external third parties under other grants was \$Nil (2021: \$Nil).

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

8. Finance costs

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest expense from lease liabilities	17	21	17	21
	17	21	17	21

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

9. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the District's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

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

10. Summary of compliance

The Appropriation Act 2021 (Appropriations Act) appropriates the sum of \$15,786,793,288 to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2021–22. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the Far West Local Health District.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the Government Sector Finance Act, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister(s) from deemed appropriation money has been delegated or sub-delegated to officers of Far West Local Health District for its own services.

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of the entities the principal department is administratively responsible for that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The Far West Local Health District's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations for FY21/22 and FY20/21, authorising officers of the Far West Local Health District to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Far West Local Health District. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table included in the financial statements of the Annual Report of NSW Health.

11. Ministry of Health allocations

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

The District recognised additional Ministry of Health recurrent allocations of \$13.15 million (2021: \$4.47 million) and Ministry of Health capital allocations of \$Nil (2021: \$0.43 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

12. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Sale and recovery of pharmaceutical supplies	865	719	865	719
Sale of prostheses	37	48	37	48
Other	36	22	36	22
	938	789	938	789

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	1,874	2,103	1,874	2,103
- Nursing home fees	239	167	239	167
- Non inpatient fees	313	375	313	375
Department of Veterans' Affairs	387	628	387	628
Motor Accident Authority third party	426	190	426	190
Multi Purpose Service Centre fees	1,629	1,679	1,629	1,679

Staff

Private use of motor vehicles	6	10	6	10
Salary packaging fee	2	27	2	27
Meals and accommodation	174	154	174	154

General community

Clinical services (excluding clinical drug trials)	2	2	2	2
Commercial activities	5	12	5	12
Fees for conferences and training	48	33	48	33
Fees for medical records	6	6	6	6
Information retrieval	3	-	3	-
Meals on Wheels	12	11	12	11

Non-NSW Health entities

Linen service revenues	99	58	99	58
Services to other organisations	35	15	35	15

Entities controlled by the immediate parent

Shared corporate service revenues	13	-	13	-
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Other

Infrastructure fees - annual charge	10	248	10	248
Infrastructure fees - monthly facility charge	1,685	2,687	1,685	2,687
Other	523	638	523	638

	7,491	9,043	7,491	9,043
	8,429	9,832	8,429	9,832

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement

Sale of goods

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

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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 District satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement (continued)

Rendering of services (continued)

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Infrastructure fees	Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. Investment revenue

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest income from financial assets at amortised cost	8	6	8	6
	8	6	8	6

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).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

14. Grants and other contributions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	344	374	344	374
Commonwealth government grants received for community based services	474	473	474	473
Commonwealth government grants other	42	32	42	32
Other grants from entities controlled by the immediate parent	-	395	-	395
Other grants	576	520	576	520
Grants without specific performance obligations				
Commonwealth government grants other*	662	-	662	-
Grants from entities controlled by the ultimate parent	6,148	432	6,148	432
Other grants from entities controlled by the immediate parent*	298	31	298	31
Other grants*	195	463	195	463
Donations	53	307	53	307
	8,792	3,027	8,792	3,027

* The District received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from other NSW Health entities and external third parties. All COVID-19 vaccines were received for nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 22 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received from the Commonwealth government under Commonwealth government grants other was \$0.66 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$0.01 million (2021: \$Nil) and from external third parties under other grants was \$0.17 million (2021: \$Nil).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

14. Grants and other contributions

Recognition and Measurement

Grants and other contributions

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

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

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

Income from grants without sufficiently specific performance obligations is recognised when the District 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 District receives volunteer services for the below activities:

- Chaplaincies and Pastoral Care
- Pink Ladies / Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Health Education
- Patient and Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Transport, Home Help and Patient Activities
- COVID-19 Contact Tracing

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Superannuation - defined benefit plans	813	782	-	-
Long service leave provision	(506)	(788)	-	-
	307	(6)	-	-

16. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Discounts	22	-	22	-
Insurance refunds	14	42	14	42
Rental income				
- other rental income	98	69	98	69
Other	349	613	349	613
	483	724	483	724

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Gains / (losses) on disposal

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	-	2	-	2
Less: proceeds from disposal	-	2	-	2
Net gains / (losses) on disposal	-	-	-	-
Right-of-use assets				
Written down value of assets disposed	-	5	-	5
Less: lease liabilities extinguished	-	5	-	5
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	-	-	-	-

18. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(103)	-	(103)	-
	(103)	-	(103)	-

* Inventory write down includes COVID-19 vaccine wastage of \$0.10 million (2021: \$Nil) and impairment of \$0.01 million (2021: \$Nil). Refer to Note 22 for further details on COVID-19 vaccines.

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 22 Inventories

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

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 27 Restricted assets.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

20. Cash and cash equivalents

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Cash at bank and on hand	710	922	710	922
	710	922	710	922

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)	710	922	710	922
	710	922	710	922

Refer to Note 39 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Trade receivables from contracts with customers	523	386	523	386
Intra health receivables	1,045	175	1,045	175
Goods and Services Tax	1,055	1,172	1,055	1,172
Other receivables	243	370	243	370
Sub total	2,866	2,103	2,866	2,103
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(15)	(12)	(15)	(12)
Sub total	2,851	2,091	2,851	2,091
Prepayments	64	88	64	88
	2,915	2,179	2,915	2,179

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(12)	(17)	(12)	(17)
Amounts written off during the year	(2)	67	(2)	67
(Increase) / decrease in allowance recognised in the net result ¹	(1)	(62)	(1)	(62)
Balance at the end of the year	(15)	(12)	(15)	(12)
Other receivables				
Balance at the beginning of the year	-	-	-	-
Amounts written off during the year	7	7	7	7
(Increase) / decrease in allowance recognised in the net result	(7)	(7)	(7)	(7)
Balance at the end of the year	-	-	-	-
	(15)	(12)	(15)	(12)
Non-current				
Trade receivables from contracts with customers	2	3	2	3
	2	3	2	3

¹ Includes total impairment loss of \$0.00 million (2021: \$0.06 million) recognised on receivables from contracts with customers.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Patient fees - compensable	44	58	44	58
Patient fees - ineligible	11	3	11	3
Patient fees - inpatient & other	278	192	278	192
	333	253	333	253

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 39.

	Consolidated 2022 \$000	Consolidated' 2021 \$000	Parent 2022 \$000	Parent' 2021 \$000
Contract receivables (included in Note 21)	1,570	564	1,570	564
Total contract receivables	1,570	564	1,570	564

¹ Prior year figures have been restated lower by \$0.154 million as a result of items previously classified under contract receivables in error.

Recognition and Measurement

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

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

Subsequent measurement

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

Impairment

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Held-for-distribution				
Drug supplies	262	114	262	114
Other including goods in transit	237	192	237	192
Less: Allowance for impairment				
- Drug supplies	(5)	-	(5)	-
	494	306	494	306

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.

At the beginning of 2021, the rollout of the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. The District played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumed the responsibility for procuring and distributing vaccines to all states and territories. COVID-19 vaccines were received for nil consideration and were provided to the public free of charge. On the basis that the District controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the District.

The value attributable to the vaccines received was measured at its fair value based on replacement cost. The District was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the District.

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$0.83 million (2021: \$Nil) and \$0.7 million (2021: \$Nil), respectively. \$0.1 million (2021: \$Nil) of vaccines were written-off and another \$0.01 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.04 million (2021: \$Nil) which is included as part of the inventory drug supplies.

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	209,132	17,450	5,443	232,025
Less: accumulated depreciation and impairment	86,357	8,708	2,370	97,435
Net carrying amount	122,775	8,742	3,073	134,590
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	122,775	8,742	3,073	134,590
Additions	3,509	2,196	-	5,705
Disposals	(2)	-	-	(2)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	395	-	395
Net revaluation increments less revaluation decrements	5,975	-	389	6,364
Depreciation expense	(5,265)	(1,581)	(134)	(6,980)
Reclassifications	294	(294)	-	-
Net carrying amount at end of year	127,286	9,458	3,328	140,072

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	222,921	17,223	5,953	246,097
Less: accumulated depreciation and impairment	95,635	7,765	2,625	106,025
Net carrying amount	127,286	9,458	3,328	140,072

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	127,286	9,458	3,328	140,072
Additions	9,148	2,851	-	11,999
Net revaluation increments less revaluation decrements	10,036	-	278	10,314
Depreciation expense	(5,449)	(1,455)	(153)	(7,057)
Reclassifications	(101)	-	101	-
Net carrying amount at end of year	140,920	10,854	3,554	155,328

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	250,588	19,895	6,567	277,050
Less: accumulated depreciation and impairment	109,668	9,041	3,013	121,722
Net carrying amount	140,920	10,854	3,554	155,328

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

The net carrying amount of service concession assets included in each class of property, plant and equipment as at 30 June 2022:

- land and buildings \$5.14 million (2021: \$4.89 million)
- plant and equipment \$Nil (2021: \$Nil)
- infrastructure systems \$Nil (2021: \$Nil)

During the current period, the net carrying amount of \$Nil (2021: \$Nil) for existing assets of the District has been reclassified as service concession assets.

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

The District has a building with a written down value of \$3.316 million (2021: \$3.221 million) subject to an operating lease at minimal rental and all other property, plant and equipment balances are for items held and used by the District.

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

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

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

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

Capitalisation thresholds

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

Major inspection costs

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. 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 District.

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

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

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

	Useful lives
Buildings	40 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

'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

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The District has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 24.

Service concession assets

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.

AASB 1059 Service Concession Arrangements (AASB 1059) requires the grantor to recognise 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.

This note provides disclosures required under AASB 1059 and relates to the District's service concession arrangements in place.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Property, plant and equipment (continued)

Service concession assets (continued)

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

Description	Far West Mental Health Recovery Centre	
Name and description of the SCA	Far West Mental Health Recovery Centre (Centre) is a 10 bed residential Mental Health Sub-Acute Unit in Broken Hill that provides services to people across the District. The Centre is owned by the District and operated by Neami Limited under a service agreement.	
Period of arrangement	5 years (2019 to 2024)	
Terms of the arrangement	The District has contracted Neami Limited (Operator) to manage the Centre for the duration of the arrangement. A funding agreement has been entered to compensate the Operator for managing the centre. The capital assets associated with the arrangement has been provided by the District to the Operator.	
Rights and obligations	The District is obliged to provide the Operator with access to the Centre. The Operator is responsible for the delivery of specified services to patients at the Centre. The District is obliged to pay for those services under the funding agreement. At the end of the arrangement, the Operator is obliged to return all assets back to the District. There is no provision for extension of the term.	
Changes in arrangements occurred during 2021	Nil	
Changes in arrangements occurred during 2022	Nil	
Carrying amounts of SCA	Land and Buildings \$000	Total \$000
Year ended 30 June 2021		
Far West Mental Health Recovery Centre	4,886	4,886
	4,886	4,886
Year ended 30 June 2022		
Far West Mental Health Recovery Centre	5,138	5,138
	5,138	5,138

i. Initial recognition

For arrangements within the scope of AASB 1059, the District 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 District, 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 District, 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Property, plant and equipment (continued)

Service concession assets (continued)

iii At the end of the arrangement

At the end of a service concession arrangement:

- The District 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 District loses control of the asset in accordance with AASB 116 [AASB 138].

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 26 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The District uses an independent professionally qualified valuer for market indices.

The last comprehensive revaluation was completed on 31 December 2020 and was based on an independent assessment. Indices were subsequently obtained from CBRE Valuation & Advisory Services as at 30 June 2022, which suggested a cumulative increase in market price of 3% for land and an increase in construction costs of 8.5% for building and infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment of \$10.314M for land, building and infrastructure.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The District 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Leases

(a) Entity as a lessee

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Leases (continued)

(a) Entity as a lessee (continued)

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 2021	61	582	643
Additions	-	100	100
Reassessments	-	79	79
Depreciation expense	(25)	(340)	(365)
Balance at 30 June 2022	36	421	457

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	86	514	600
Additions	-	380	380
Reassessments	-	27	27
Disposals	-	(5)	(5)
Depreciation expense	(25)	(334)	(359)
Balance at 30 June 2021	61	582	643

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Balance at 1 July	678	631
Additions	100	380
Interest expenses	17	21
Payments	(380)	(376)
Terminations / derecognition	-	(5)
Other adjustments	79	27
Balance at 30 June	494	678

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

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Depreciation expense of right-of-use assets	365	359
Interest expense on lease liabilities	17	21
Expenses relating to short-term leases	227	157
Expenses relating to leases of low-value assets	78	21
Total amount recognised in the statement of comprehensive income	687	558

The District had total cash outflows for leases of \$0.69 million for the year ended 30 June 2022 (2021: \$0.55 million).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement

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

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

i. Right-of-use assets

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

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

	Useful lives
Buildings	4 years
Motor vehicles and other equipment	1 to 5 years

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

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

ii. Lease liabilities

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement (continued)

ii. Lease liabilities (continued)

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

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

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

The District's lease liabilities are included in borrowings in Note 29.

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

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

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2020		
Cost (gross carrying amount)	281	281
Less: accumulated amortisation and impairment	215	215
Net carrying amount	66	66
Year ended 30 June 2021		
Net carrying amount at beginning of year	66	66
Amortisation (recognised in depreciation and amortisation)	(59)	(59)
Net carrying amount at end of year	7	7
At 1 July 2021		
Cost (gross carrying amount)	281	281
Less: accumulated amortisation and impairment	274	274
Net carrying amount	7	7
Year ended 30 June 2022		
Net carrying amount at beginning of year	7	7
Amortisation (recognised in depreciation and amortisation)	(7)	(7)
Net carrying amount at end of year	-	-

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2022		
Cost (gross carrying amount)	281	281
Less: accumulated amortisation and impairment	281	281
Net carrying amount	-	-

Recognition and Measurement

The District recognises intangible assets only if it is probable that future economic benefits will flow to the District 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 District'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 District's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the District 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 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.

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Far West Local Health District

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26. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

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

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

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	171	129,152	129,323
- Infrastructure systems	-	-	3,554	3,554
	-	171	132,706	132,877

There were no transfers between level 1 and 2 during the year ended 30 June 2022.

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

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	176	122,372	122,548
- Infrastructure systems	-	-	3,328	3,328
	-	176	125,700	125,876

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 23.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(b) Valuation techniques, inputs and processes

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

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

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

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

Some 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, including some modified residential properties 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 some residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

Far West Local Health District

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

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2021	122,372	3,328	125,700
Additions*	2,216	101	2,317
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	10,013	278	10,291
Depreciation expense	(5,449)	(153)	(5,602)
Fair value as at 30 June 2022	129,152	3,554	132,706

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2022.

2021	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	88,285	2,234	90,519
Additions*	32,974	839	33,813
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	6,032	389	6,421
Transfers from Level 2	346	-	346
Depreciation expense	(5,265)	(134)	(5,399)
Fair value as at 30 June 2021	122,372	3,328	125,700

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2021.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Restricted assets

PARENT AND CONSOLIDATION

The District's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2022.

Category	1 July 2021 Opening \$000	Revenue \$000	Expense \$000	2022 Closing \$000
Community welfare ¹	94	1	28	67
Facility improvements	204	1	131	74
Holds funds in perpetuity	12	-	-	12
Patient welfare	77	1	9	69
Public contributions	277	110	109	278
Staff welfare	2	-	-	2
Training and education including conferences	131	1	5	127
	797	114	282	629

¹ Community welfare 1 July 2021 opening balance has been restated as Section 19(2) exemption funds have been separately disclosed from 1 July 2021. The balances of Section 19(2) exemption funds was previously included in the Community welfare category.

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.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

28. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Accrued salaries, wages and on-costs	2,075	2,173	-	-
Salaries and wages deductions	20	36	-	-
Accrued liability - purchase of personnel services	-	-	2,095	2,209
Creditors	4,410	2,492	4,410	2,492
Other creditors				
- Payables to entities controlled by the immediate parent	934	1,763	934	1,763
- Other	3,248	4,374	3,248	4,374
	10,687	10,838	10,687	10,838

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 39.

Recognition and Measurement

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Lease liabilities (see Note 24)	315	371	315	371
	315	371	315	371
Non-current				
Lease liabilities (see Note 24)	179	307	179	307
	179	307	179	307

No assets have been pledged as security / collateral for liabilities and there are no restrictions on any title to property. Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 39.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through lease liabilities and other interest bearing liabilities.

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 39 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading such as derivative financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term or on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are economic hedges classified as at fair value through profit or loss unless they are designated as effective hedging instruments.

Derivatives are carried as financial liabilities when the fair value is negative. Gains or losses on derivative liabilities are recognised in the net result as the District has elected not to apply hedge accounting.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the liabilities are part of a group of financial liabilities, that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

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

The changes in fair value of liabilities designated at fair value through profit or loss are recorded in profit or loss with the exception that movements in fair value due to changes in the entity's own credit risk are recorded in other comprehensive income and do not get recycled to net result.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Recognition and Measurement

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the District's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

The District has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2022 and as at 30 June 2021.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. Borrowings (continued)

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Leases	Total liabilities from financing activities
	\$000	\$000
1 July 2020	630	630
Cash flows	(355)	(355)
New leases	380	380
Lease terminations	(5)	(5)
Lease reassessments	28	28
30 June 2021	678	678
1 July 2021	678	678
Cash flows	(363)	(363)
New leases	100	100
Lease reassessments	79	79
30 June 2022	494	494

Cash flows from derivatives in the above table will not reconcile to the Statement of Cash Flows as the Statement of Cash Flows presents a net cash movement of financial assets and liabilities.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Provisions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	7,549	7,336	-	-
Annual leave - obligations expected to be settled after 12 months	2,756	2,277	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	154	186	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	1,781	1,968	-	-
Provision for other employee benefits*	2,786	706	-	-
Provision for personnel services liability	-	-	15,026	12,473
	15,026	12,473	15,026	12,473
Other Provisions				
Other	162	-	162	-
	162	-	162	-
Total current provisions	15,188	12,473	15,188	12,473
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	191	213	-	-
Provision for personnel services liability	-	-	191	213
Total non-current provisions	191	213	191	213
Aggregate employee benefits and related on-costs				
Provisions - current	15,026	12,473	-	-
Provisions - non-current	191	213	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	2,095	2,209	-	-
Liability - purchase of personnel services	-	-	17,312	14,895
	17,312	14,895	17,312	14,895

* Provision for other employee benefits includes a one-off payment to employees of \$2.05 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Provisions (continued)

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 21.48% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 21.18%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the District does not expect to settle the liability within 12 months as the District does not have an unconditional right to defer settlement.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Provisions (continued)

Recognition and Measurement (continued)

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.

The majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

Long service leave and superannuation

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

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

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

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

Consequential on-costs

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

31. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	-	-	-	-
	-	-	-	-

PARENT AND CONSOLIDATION

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

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	34
<i>Add: receipt of cash during the financial year</i>	-	(34)
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	-

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

32. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 23.

Accumulated funds

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

33. Commitments

(a) Capital commitments

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Within one year	4,818	6,371	4,818	6,371
Later than one year and not later than five years	91	-	91	-
Later than five years	-	-	-	-
Total (including GST)	4,909	6,371	4,909	6,371

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$4.91 million as at 30 June 2022 includes input tax credits of \$0.446 million that are expected to be recoverable from the Australian Taxation Office (2021: \$0.579 million).

34. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Adjusted budget review

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

PARENT AND CONSOLIDATION

Net result

The actual Net Result was higher than adjusted budget by \$1.075 million, primarily due to:

Employee Related Expenses - favourable to adjusted budget by \$3.13 million. This favourability is mainly due to vacant positions not fully recruited.

Visiting Medical Officers - exceeds adjusted budget by \$1.77 million. This is mainly impacted by covering and challenges trying to recruit to staff specialist positions.

Repair, Maintenance & Renewals Expense - exceeds adjusted budget by \$1.32 million, due to the facility upgrades and equipment purchases less than \$10k.

Total Expenses - favourable to adjusted budget by \$0.956 million.

Own Source Revenue - unfavourable to adjusted budget by \$3.66 million. This unfavourable variance can mainly be attributed to impact of COVID-19 which has also resulted in reduced activity. This has also been impacted by the closure of Fast Track Clinic at the end of prior year.

NSW Ministry of Health Allocations - more than adjusted budget by \$4.14 million. This can be attributed to the fact that accruals of around \$1.5 million in prior year were paid in current year, COVID-19 budget supplementations for May and June of \$1.2 million had not been received due to FWLHD favourability and ARRP capital costs but reimbursements only to be received in next financial year.

Assets and liabilities

Total Assets were \$10.99 million more than budget. This variance is mainly due to application of indices to land, buildings and infrastructure amounting to \$10.31 million.

Total Liabilities were \$1.019 million less than budget.

Cash flows

Total Receipts was \$0.759 million less than the budget. Total payments were \$0.612 million less than budget. Net cash flow from operating activities was \$0.147 million less than the budget.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Adjusted budget review (continued)

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2021 are as follows:

	\$000
Initial allocation, 1 July 2021	106,574
Integrated Care Initiative Planned Care for Better Health	198
Clinical End of Life (EoL) Strategy	22
Stroke Coordinator Support for the NSW Telestroke Service	71
S100 Highly Specialised Drugs Co-payments	20
2021/22 Budget Relief – COVID-19 Response (August 2021#1)	392
Whole of Health Program	60
FY22 NSW Aged Care Assessment Program (ACAP)	60
NSW Health Safety and Quality Curriculum and Capability Development Pathways	60
2021-22 Budget Relief – COVID-19 Response (September 2021#1)	1,428
Nurse and Midwifery Strategy Reserve	652
2021/22 Budget Relief – COVID-19 Response October 2021#1)	2,298
Workplace Culture & Safety	113
Covid-19 Mental Health Recovery Package	261
2021/22 Budget Relief – COVID-19 Response (November 2021#1)	2,683
Child Wellbeing Coordinator	30
GRB - Royal Commission allocation for Aboriginal SAS workforce enhancements	71
Movement Disorders Positions	75
Wellbeing and Health In-reach Nurse Coordinator Program	260
Workforce funding for delivery of Safe Wayz program	78
Out of Home Care Health Pathway Program	11
Pathways to Community Living Initiatives (PCLI) State Two	35
End of Life and Palliative Care Planning & Implementation	50
2021-22 Budget Relief – COVID-19 Response (December 2021#1)	3,514
2021/22 Budget Relief – COVID-19 Response (January 2022#1)	316
Specialist Palliative Care Workforce	102
2021/22 Budget Relief – COVID-19 Response (February 2022#1)	735
Palliative Care medical specialist relief position	87
NSW Rural Generalist Medical and General Practitioner Procedural Training Program	57
Contract Implementations Positions 2 FTE	80
Nurse and Midwifery Strategy Reserve	19
2021/22 Budget Relief – COVID-19 Response (March 2022#1)	231
Aboriginal Cadetship Program	13
NSW Aged Care Assessment Program	2
2021/22 Budget Relief – COVID-19 Response (April 2022#1)	1,079
2021/22 Budget Relief – COVID-19 Response (April 2022#1)	156
Nurse and Midwifery Strategy Reserve	24
Safeguard teams preparation funding support	32
Budget retraction- MHDA	(547)
2021/22 Budget Relief – COVID-19 Response (May 2022#1)	320
Termination Cost COVID 19	29
IPTAAS budget suppliment	1,162
National Aged Care Classification Assesment	42
Voluntary redundancy reimbursement	74
Balance as per Statement of Comprehensive Income	123,029

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

	Consolidated 2022 \$000	Consolidated ¹ 2021 \$000	Parent 2022 \$000	Parent ¹ 2021 \$000
Net cash used on operating activities	12,150	6,155	12,150	6,155
Depreciation and amortisation expense	(7,429)	(7,398)	(7,429)	(7,398)
Allowance for impairment	(111)	(71)	(111)	(71)
(Increase) / decrease in other liabilities	-	34	-	34
Decrease / (increase) in provisions	(2,694)	(896)	(2,694)	(896)
Increase / (decrease) in inventory	187	56	187	56
Increase / (decrease) in prepayments and other assets	842	451	842	451
Decrease / (increase) in payables	156	(4,224)	156	(4,224)
Assets donated or brought to account (Note 37)	-	395	-	395
Net result	3,101	(5,498)	3,101	(5,498)

¹ 'Increase / (decrease) in Inventory' and 'Increase / (decrease) in financial instruments at fair value' has been disaggregated from 'Increase / (decrease) in prepayments and other assets' in the current year. The prior period comparatives have been restated to reflect this change.

37. Non-cash financing and investing activities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	-	395	-	395
Property, plant and equipment acquired by a lease	100	380	100	380
	100	775	100	775

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

38. Trust funds

PARENT AND CONSOLIDATION

The District holds trust funds of \$28 thousand (2021: \$3 thousand) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Patient Trusts.

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

Category	1 July 2021 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2022 Closing equity \$'000
Private Patient Trust Funds	3	29	(32)	-
Third Party Funds	-	28	-	28
Total trust funds	3	57	(32)	28

Category	1 July 2020 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2021 Closing equity \$'000
Private Patient Trust Funds	-	36	(33)	3
Total trust funds	-	36	(33)	3

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

Category	Purpose
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 40.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Financial instruments

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

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

The Interim 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 District, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2022 \$000	Carrying Amount 2021 \$000
Financial assets			
Cash and cash equivalents (Note 20)	Amortised cost	710	922
Receivables (Note 21) ¹	Amortised cost	1,798	922
Total financial assets		2,508	1,844
Financial liabilities			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	494	678
Payables (Note 28) ²	Financial liabilities measured at amortised cost	10,687	10,838
Total financial liabilities		11,181	11,516

Notes

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

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

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

(b) Derecognition of financial assets and financial liabilities

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Financial instruments (continued)

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the District could be required to repay.

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2022 and 30 June 2021 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
30 June 2022						
Expected credit loss rate	1.09%	4.76%	9.09%	0.00%	3.66%	1.95%
Estimated total gross carrying amount ¹	549	21	22	12	164	768
Expected credit loss	6	1	2	-	6	15
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
Expected credit loss rate	0.59%	3.23%	11.54%	11.11%	18.75%	1.58%
Estimated total gross carrying amount ¹	677	31	26	9	16	759
Expected credit loss	4	1	3	1	3	12

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 21 and the contract assets total in Note .

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022 and 30 June 2021.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2022								
Payables:								
- Creditors ²		10,687	-	-	10,687	10,687	-	-
Borrowings:								
- Lease liabilities	3.16	495	495	-	-	310	185	-
		11,182	495	-	10,687	10,997	185	-
2021								
Payables:								
- Creditors ²		10,838	-	-	10,838	10,838	-	-
Borrowings:								
- Lease liabilities	2.9	686	686	-	-	373	313	-
		11,524	686	-	10,838	11,211	313	-

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

39. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The District has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the District is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the 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

	2022		2021	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(2)	2	(2)	2
Equity	(2)	2	(2)	2

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

40. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2022	2021
	\$000	\$000
Short-term employee benefits	173	213
Post-employment benefits	17	20
	190	233

During the financial year, Far West Local Health District obtained key management personnel services from the immediate parent and incurred \$330 thousand (2021: \$373 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the 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 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 (2021: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2021: \$Nil).

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

During the financial year and comparative year, the District entered into the various transactions with other entities consolidated as part of the 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 and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

40. Related party disclosures (continued)

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

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

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Insurance costs

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards projects and services
- Rental income from Health Administration Corporation
- Other revenue from provision of travel bookings

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
- 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
- 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.

41. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS