



## INDEPENDENT AUDITOR'S REPORT

### Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

#### Opinion

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

In my opinion, the financial statements:

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

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

#### Basis for Opinion

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

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

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

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

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

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

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

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

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 37. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

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

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

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

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

My objectives are to:

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

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

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

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

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



Lisa Berwick  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2022  
SYDNEY

# Illawarra Shoalhaven 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 Illawarra Shoalhaven 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 Illawarra Shoalhaven 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 handwritten signature in black ink that reads 'Margot K Mains'.

Margot Mains

**Chief Executive**

29 September 2022

A handwritten signature in black ink that reads 'Damien Van Rosmalen'.

Damien Van Rosmalen

**A/Executive Director Finance**

29 September 2022

# Illawarra Shoalhaven Local Health District

## Statement of Comprehensive Income for the year ended 30 June 2022

|  | Notes     | Consolidated<br>Actual<br>2022<br>\$000 | Consolidated<br>Budget <sup>1</sup><br>2022<br>\$000 | Consolidated<br>Actual<br>2021<br>\$000 | Parent<br>Actual<br>2022<br>\$000 | Parent<br>Actual<br>2021<br>\$000 |
|--|-----------|---|--|---|-----------------------------------|-----------------------------------|
| <b>Continuing operations</b>   |           |   |  |   |                                   |                                   |
| <b>Expenses excluding losses</b>   |           |   |  |   |                                   |                                   |
| Employee related expenses  | 2         | 756,178                                 | 751,527  | 709,477                                 | -                                 | -                                 |
| Personnel services   | 3         | -                                       | -  | -                                       | 759,310                           | 709,253                           |
| Visiting medical officers  | 4         | 49,036                                  | 49,066   | 48,088                                  | 49,036                            | 48,088                            |
| Other expenses   | 5         | 345,872                                 | 346,142  | 297,214                                 | 345,872                           | 297,214                           |
| Depreciation and amortisation  | 6         | 41,826                                  | 39,545   | 39,672                                  | 41,826                            | 39,672                            |
| Grants and subsidies   | 7         | 5,897                                   | 7,067  | 5,988                                   | 5,897                             | 5,988                             |
| Finance costs  | 8         | 392                                     | 644  | 411                                     | 392                               | 411                               |
| <b>Total expenses excluding losses</b>   |           | <b>1,199,201</b>                        | <b>1,193,991</b>                                     | <b>1,100,850</b>                        | <b>1,202,333</b>                  | <b>1,100,626</b>                  |
| <b>Revenue</b>   |           |   |  |   |                                   |                                   |
| Ministry of Health recurrent allocations                                       | 11        | 996,787                                 | 990,330  | 962,494                                 | 996,787                           | 962,494                           |
| Ministry of Health capital allocations   | 11        | 58,318                                  | 58,180   | 37,713                                  | 58,318                            | 37,713                            |
| Acceptance by the Crown <sup>2</sup> of employee benefits                      | 15        | (3,132)                                 | (3,109)  | 224                                     | -                                 | -                                 |
| Sale of goods and services from contracts with customers                       | 12        | 97,077                                  | 101,755  | 101,824                                 | 97,077                            | 101,824                           |
| Investment revenue   | 13        | 183                                     | 1,068  | 285                                     | 183                               | 285                               |
| Grants and other contributions   | 14        | 17,983                                  | 16,710   | 27,465                                  | 17,983                            | 27,465                            |
| Other income   | 16        | 1,090                                   | 6,102  | 1,370                                   | 1,090                             | 1,370                             |
| <b>Total revenue</b>   |           | <b>1,168,306</b>                        | <b>1,171,036</b>                                     | <b>1,131,375</b>                        | <b>1,171,438</b>                  | <b>1,131,151</b>                  |
| <b>Operating result</b>  |           | <b>(30,895)</b>                         | <b>(22,955)</b>                                      | <b>30,525</b>                           | <b>(30,895)</b>                   | <b>30,525</b>                     |
| Gains / (losses) on disposal   | 17        | (20)                                    | -  | (15,815)                                | (20)                              | (15,815)                          |
| Impairment losses on financial assets  | 21        | (458)                                   | (2)  | (471)                                   | (458)                             | (471)                             |
| Other gains / (losses)   | 18        | (436)                                   | (436)  | -                                       | (436)                             | -                                 |
| <b>Net result from continuing operations</b>                                   | <b>38</b> | <b>(31,809)</b>                         | <b>(23,393)</b>                                      | <b>14,239</b>                           | <b>(31,809)</b>                   | <b>14,239</b>                     |
| <b>Net result</b>  |           | <b>(31,809)</b>                         | <b>(23,393)</b>                                      | <b>14,239</b>                           | <b>(31,809)</b>                   | <b>14,239</b>                     |
| <b>Other comprehensive income</b>  |           |   |  |   |                                   |                                   |
| <i>Items that will not be reclassified to net result in subsequent periods</i> |           |   |  |   |                                   |                                   |
| Changes in revaluation surplus of property, plant and equipment                | 24        | 74,576                                  | -  | 39,576                                  | 74,576                            | 39,576                            |
| <b>Total other comprehensive income</b>  |           | <b>74,576</b>                           | <b>-</b>   | <b>39,576</b>                           | <b>74,576</b>                     | <b>39,576</b>                     |
| <b>TOTAL COMPREHENSIVE INCOME</b>  |           | <b>42,767</b>                           | <b>(23,393)</b>                                      | <b>53,815</b>                           | <b>42,767</b>                     | <b>53,815</b>                     |

<sup>1</sup> Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District**  
**Statement of Financial Position as at 30 June 2022**

|                                   | Notes | Consolidated<br>Actual<br>2022<br>\$000 | Consolidated<br>Budget <sup>1</sup><br>2022<br>\$000 | Consolidated<br>Actual<br>2021<br>\$000 | Parent<br>Actual<br>2022<br>\$000 | Parent<br>Actual<br>2021<br>\$000 |
|-----------------------------------|-------|---|--|---|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>                     |       |   |  |   |                                   |                                   |
| <b>Current assets</b>             |       |   |  |   |                                   |                                   |
| Cash and cash equivalents         | 20    | 38,921                                  | 45,806   | 46,554                                  | 38,921                            | 46,554                            |
| Receivables                       | 21    | 23,220                                  | 23,916   | 23,107                                  | 23,220                            | 23,107                            |
| Inventories                       | 22    | 10,881                                  | 9,944  | 9,423                                   | 10,881                            | 9,423                             |
| <b>Total current assets</b>       |       | <b>73,022</b>                           | <b>79,666</b>  | <b>79,084</b>                           | <b>73,022</b>                     | <b>79,084</b>                     |
| <b>Non-current assets</b>         |       |   |  |   |                                   |                                   |
| Other financial assets            | 23    | 2,407                                   | 2,337  | 2,337                                   | 2,407                             | 2,337                             |
| Property, plant & equipment       | 24    |   |  |   |                                   |                                   |
| - Land and buildings              |       | 635,202                                 | 573,486  | 547,935                                 | 635,202                           | 547,935                           |
| - Plant and equipment             |       | 42,139                                  | 46,782   | 46,689                                  | 42,139                            | 46,689                            |
| - Infrastructure systems          |       | 96,463                                  | 85,891   | 89,490                                  | 96,463                            | 89,490                            |
| Total property, plant & equipment |       | 773,804                                 | 706,159  | 684,114                                 | 773,804                           | 684,114                           |
| Right-of-use assets               | 25    | 16,241                                  | 19,736   | 16,896                                  | 16,241                            | 16,896                            |
| Intangible assets                 | 26    | 161                                     | 158  | 203                                     | 161                               | 203                               |
| <b>Total non-current assets</b>   |       | <b>792,613</b>                          | <b>728,390</b>                                       | <b>703,550</b>                          | <b>792,613</b>                    | <b>703,550</b>                    |
| <b>Total assets</b>               |       | <b>865,635</b>                          | <b>808,056</b>                                       | <b>782,634</b>                          | <b>865,635</b>                    | <b>782,634</b>                    |

**Illawarra Shoalhaven Local Health District**  
**Statement of Financial Position as at 30 June 2022 (continued)**

|                                      |       | Consolidated   | Consolidated        | Consolidated   | Parent         | Parent         |
|--------------------------------------|-------|----------------|---------------------|----------------|----------------|----------------|
|                                      |       | Actual         | Budget <sup>1</sup> | Actual         | Actual         | Actual         |
|                                      |       | 2022           | 2022                | 2021           | 2022           | 2021           |
|                                      | Notes | \$000          | \$000               | \$000          | \$000          | \$000          |
| <b>LIABILITIES</b>                   |       |                |                     |                |                |                |
| <b>Current liabilities</b>           |       |                |                     |                |                |                |
| Payables                             | 29    | 72,415         | 80,370              | 53,420         | 72,415         | 53,420         |
| Contract liabilities                 | 30    | 696            | 1,029               | 1,029          | 696            | 1,029          |
| Borrowings                           | 31    | 4,709          | 4,483               | 6,061          | 4,709          | 6,061          |
| Provisions                           | 32    | 145,479        | 143,279             | 119,075        | 145,479        | 119,075        |
| Other current liabilities            | 33    | -              | 10                  | 10             | -              | 10             |
| <b>Total current liabilities</b>     |       | <b>223,299</b> | <b>229,171</b>      | <b>179,595</b> | <b>223,299</b> | <b>179,595</b> |
| <b>Non-current liabilities</b>       |       |                |                     |                |                |                |
| Borrowings                           | 31    | 14,992         | 18,773              | 14,861         | 14,992         | 14,861         |
| Provisions                           | 32    | 1,799          | 1,799               | 2,050          | 1,799          | 2,050          |
| Other non-current liabilities        | 33    | 8,929          | 7,278               | 7,278          | 8,929          | 7,278          |
| <b>Total non-current liabilities</b> |       | <b>25,720</b>  | <b>27,850</b>       | <b>24,189</b>  | <b>25,720</b>  | <b>24,189</b>  |
| <b>Total liabilities</b>             |       | <b>249,019</b> | <b>257,021</b>      | <b>203,784</b> | <b>249,019</b> | <b>203,784</b> |
| <b>Net assets</b>                    |       | <b>616,616</b> | <b>551,035</b>      | <b>578,850</b> | <b>616,616</b> | <b>578,850</b> |
| <b>EQUITY</b>                        |       |                |                     |                |                |                |
| Reserves                             |       | 216,150        | 149,437             | 149,437        | 216,150        | 149,437        |
| Accumulated funds                    |       | 400,466        | 401,598             | 429,413        | 400,466        | 429,413        |
| <b>Total Equity</b>                  |       | <b>616,616</b> | <b>551,035</b>      | <b>578,850</b> | <b>616,616</b> | <b>578,850</b> |

<sup>1</sup> Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2022**

**PARENT AND CONSOLIDATION**

|  | Notes | Accumulated<br>Funds<br>\$000 | Asset<br>Revaluation<br>Surplus<br>\$000 | Total<br>\$000  |
|--|-------|-------------------------------|--|-----------------|
| <b>Balance at 1 July 2021</b>  |       | <b>429,413</b>                | <b>149,437</b>                           | <b>578,850</b>  |
| <b>Net result for the year</b>   |       | <b>(31,809)</b>               | <b>-</b>                                 | <b>(31,809)</b> |
| <b>Other comprehensive income:</b>   |       |                               |  |                 |
| Net change in revaluation surplus of property, plant and equipment                                   | 24    | -                             | 74,576                                   | 74,576          |
| Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets |       | 7,863                         | (7,863)                                  | -               |
| <b>Total other comprehensive income</b>  |       | <b>7,863</b>                  | <b>66,713</b>                            | <b>74,576</b>   |
| <b>Total comprehensive income for the year</b>   |       | <b>(23,946)</b>               | <b>66,713</b>                            | <b>42,767</b>   |
| <b>Transactions with owners in their capacity as owners</b>  |       |                               |  |                 |
| Increase / (decrease) in net assets from equity transfers  | 34    | (5,001)                       | -  | (5,001)         |
| <b>Balance at 30 June 2022</b>   |       | <b>400,466</b>                | <b>216,150</b>                           | <b>616,616</b>  |

|  | Notes | Accumulated<br>Funds<br>\$000 | Asset<br>Revaluation<br>Surplus<br>\$000 | Total<br>\$000 |
|--|-------|-------------------------------|--|----------------|
| <b>Balance at 1 July 2020</b>  |       | <b>415,553</b>                | <b>109,478</b>                           | <b>525,031</b> |
| <b>Net result for the year</b>   |       | <b>14,239</b>                 | <b>-</b>                                 | <b>14,239</b>  |
| <b>Other comprehensive income:</b>   |       |                               |  |                |
| Net change in revaluation surplus of property, plant and equipment                                   | 24    | -                             | 39,576                                   | 39,576         |
| Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets |       | (383)                         | 383                                      | -              |
| <b>Total other comprehensive income</b>  |       | <b>(383)</b>                  | <b>39,959</b>                            | <b>39,576</b>  |
| <b>Total comprehensive income for the year</b>   |       | <b>13,856</b>                 | <b>39,959</b>                            | <b>53,815</b>  |
| <b>Transactions with owners in their capacity as owners</b>  |       |                               |  |                |
| Increase / (decrease) in net assets from equity transfers  | 34    | 4                             | -  | 4              |
| <b>Balance at 30 June 2021</b>   |       | <b>429,413</b>                | <b>149,437</b>                           | <b>578,850</b> |

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2022**

|   | Notes | Consolidated<br>Actual<br>2022<br>\$000 | Consolidated<br>Budget <sup>1</sup><br>2022<br>\$000 | Consolidated<br>Actual<br>2021<br>\$000 | Parent<br>Actual<br>2022<br>\$000 | Parent<br>Actual<br>2021<br>\$000 |
|---|-------|---|--|---|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |       |   |  |   |                                   |                                   |
| <b>Payments</b>   |       |   |  |   |                                   |                                   |
| Employee related  |       | (750,646)                               | (725,954)  | (726,828)                               | -                                 | -                                 |
| Suppliers for goods and services                              |       | (391,884)                               | (410,979)  | (369,703)                               | (391,884)                         | (369,703)                         |
| Grants and subsidies  |       | (6,305)                                 | (7,475)  | (6,585)                                 | (6,305)                           | (6,585)                           |
| Finance costs   |       | (392)                                   | (644)  | (411)                                   | (392)                             | (411)                             |
| Personnel services  |       | -                                       | -  | -                                       | (750,646)                         | (726,828)                         |
| <b>Total payments</b>   |       | <b>(1,149,227)</b>                      | <b>(1,145,052)</b>                                   | <b>(1,103,527)</b>                      | <b>(1,149,227)</b>                | <b>(1,103,527)</b>                |
| <b>Receipts</b>   |       |   |  |   |                                   |                                   |
| Ministry of Health recurrent allocations                      |       | 996,787                                 | 990,330  | 962,494                                 | 996,787                           | 962,494                           |
| Ministry of Health capital allocations                        |       | 58,318                                  | 58,180   | 37,713                                  | 58,318                            | 37,713                            |
| Reimbursements from the Crown <sup>2</sup>                    |       | 13,553                                  | 13,553   | 11,225                                  | 13,553                            | 11,225                            |
| Sale of goods and services                                    |       | 97,379                                  | 103,114  | 100,350                                 | 97,379                            | 100,350                           |
| Interest received   |       | 154                                     | 1,068  | 185                                     | 154                               | 185                               |
| Grants and other contributions                                |       | 13,497                                  | 11,380   | 27,835                                  | 13,497                            | 27,835                            |
| Other   |       | 23,959                                  | 28,857   | 33,077                                  | 23,959                            | 33,077                            |
| <b>Total receipts</b>   |       | <b>1,203,647</b>                        | <b>1,206,482</b>                                     | <b>1,172,879</b>                        | <b>1,203,647</b>                  | <b>1,172,879</b>                  |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>               | 38    | <b>54,420</b>                           | <b>61,430</b>  | <b>69,352</b>                           | <b>54,420</b>                     | <b>69,352</b>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |       |   |  |   |                                   |                                   |
| Proceeds from sale of property, plant and equipment           |       | 310                                     | -  | 2,354                                   | 310                               | 2,354                             |
| Purchases of property, plant and equipment and intangibles    |       | (57,120)                                | (59,319)   | (59,440)                                | (57,120)                          | (59,440)                          |
| Purchases of financial assets                                 |       | (42)                                    | -  | 32                                      | (42)                              | 32                                |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>               |       | <b>(56,852)</b>                         | <b>(59,319)</b>                                      | <b>(57,054)</b>                         | <b>(56,852)</b>                   | <b>(57,054)</b>                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |       |   |  |   |                                   |                                   |
| Repayment of borrowings and advances                          |       | (493)                                   | (493)  | (478)                                   | (493)                             | (478)                             |
| Payment of principal portion of lease liabilities             |       | (4,708)                                 | (2,366)  | (4,906)                                 | (4,708)                           | (4,906)                           |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>               |       | <b>(5,201)</b>                          | <b>(2,859)</b>                                       | <b>(5,384)</b>                          | <b>(5,201)</b>                    | <b>(5,384)</b>                    |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |       | <b>(7,633)</b>                          | <b>(748)</b>   | <b>6,914</b>                            | <b>(7,633)</b>                    | <b>6,914</b>                      |
| Opening cash and cash equivalents                             | 20    | 46,554                                  | 46,554   | 39,640                                  | 46,554                            | 39,640                            |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>                      | 20    | <b>38,921</b>                           | <b>45,806</b>  | <b>46,554</b>                           | <b>38,921</b>                     | <b>46,554</b>                     |

<sup>1</sup> Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.



# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

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

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

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

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

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

These consolidated financial statements for the year ended 30 June 2022 have been authorised for issue by the Chief Executive on 28 September 2022.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

#### b) Basis of preparation

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

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

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

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

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

ISLHD has received an additional \$115.28 million (2021: \$73.66 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.
- \* ISLHD 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.
- \* ISLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by ISLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the 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.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

#### b) Basis of preparation (continued)

ISLHD 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.

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

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

#### c) Statement of Compliance

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

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

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

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

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

#### e) Foreign currency translation

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

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

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

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

#### f) Comparative Information

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

#### g) 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 ISLHD.

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

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

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

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

- \* Note 1b) Basis of preparation
- \* Note 5 Other expenses
- \* Note 7 Grants and subsidies
- \* Note 11 Ministry of Health allocations
- \* Note 14 Grants and other contributions
- \* Note 18 Other gains / (losses)
- \* Note 21 Receivables
- \* Note 22 Inventories
- \* Note 27 Fair value measurement of non-financial assets
- \* Note 32 Provisions
- \* Note 37 Adjusted budget review

## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 2022

#### 2. Employee related expenses

|  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Salaries and wages (including annual leave and allocated days off) | 687,498                       | 637,799                       | -                       | -                       |
| Superannuation - defined benefit plans                             | 2,988                         | 3,245                         | -                       | -                       |
| Superannuation - defined contribution plans                        | 63,875                        | 55,962                        | -                       | -                       |
| Long service leave   | (8,920)                       | 1,070                         | -                       | -                       |
| Redundancies   | 888                           | 1,197                         | -                       | -                       |
| Workers' compensation insurance                                    | 9,768                         | 10,139                        | -                       | -                       |
| Fringe benefits tax  | 81                            | 65                            | -                       | -                       |
|  | <b>756,178</b>                | <b>709,477</b>                | <b>-</b>                | <b>-</b>                |

Refer to Note 32 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$1.82 million (2021: \$0.7 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Salaries and wages (including annual leave and allocated days off) | -                             | -                             | 687,498                 | 637,799                 |
| Superannuation - defined contribution plans                        | -                             | -                             | 63,875                  | 55,962                  |
| Long service leave   | -                             | -                             | (2,800)                 | 4,091                   |
| Redundancies   | -                             | -                             | 888                     | 1,197                   |
| Workers' compensation insurance                                    | -                             | -                             | 9,768                   | 10,139                  |
| Fringe benefits tax  | -                             | -                             | 81                      | 65                      |
|  | <b>-</b>                      | <b>-</b>                      | <b>759,310</b>          | <b>709,253</b>          |

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

Personnel services of \$1.82 million (2021: \$0.7 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout ISLHD's hospitals. VMO expenses of \$49.04 million (2021: \$48.09 million) represent part of the day-to-day running costs incurred in the normal operations of ISLHD. These costs are expensed as incurred.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 5. Other expenses

|  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Advertising  | 397                           | 271                           | 397                     | 271                     |
| Auditor's remuneration - audit of financial statements                       | 195                           | 193                           | 195                     | 193                     |
| Blood and blood products   | 7,448                         | 6,318                         | 7,448                   | 6,318                   |
| Consultancies  | 383                           | 816                           | 383                     | 816                     |
| Contractors  | 2,449                         | 1,591                         | 2,449                   | 1,591                   |
| Domestic supplies and services   | 11,395                        | 10,970                        | 11,395                  | 10,970                  |
| Drug supplies*   | 44,030                        | 34,658                        | 44,030                  | 34,658                  |
| Food supplies  | 22,187                        | 21,468                        | 22,187                  | 21,468                  |
| Fuel, light and power  | 5,529                         | 5,434                         | 5,529                   | 5,434                   |
| Patient transport costs  | 14,050                        | 14,985                        | 14,050                  | 14,985                  |
| Information management expenses  | 22,785                        | 21,235                        | 22,785                  | 21,235                  |
| Insurance  | 1,761                         | 1,447                         | 1,761                   | 1,447                   |
| Maintenance (see Note 5 (b))   | 24,795                        | 17,755                        | 24,795                  | 17,755                  |
| Medical and surgical supplies  | 57,927                        | 55,897                        | 57,927                  | 55,897                  |
| Motor vehicle expenses   | 995                           | 1,076                         | 995                     | 1,076                   |
| Postal and telephone costs   | 2,063                         | 1,879                         | 2,063                   | 1,879                   |
| Printing and stationery  | 1,733                         | 1,830                         | 1,733                   | 1,830                   |
| Rates and charges  | 918                           | 860                           | 918                     | 860                     |
| Hosted services purchased from entities controlled by the immediate parent   | 9,705                         | 9,667                         | 9,705                   | 9,667                   |
| Specialised services (dental, radiology, pathology, renal and allied health) | 45,719                        | 48,967                        | 45,719                  | 48,967                  |
| Staff related costs  | 3,807                         | 3,542                         | 3,807                   | 3,542                   |
| Travel related costs   | 1,918                         | 1,012                         | 1,918                   | 1,012                   |
| Other (see Note 5 (a))   | 63,683                        | 35,343                        | 63,683                  | 35,343                  |
|  | <b>345,872</b>                | <b>297,214</b>                | <b>345,872</b>          | <b>297,214</b>          |

\* Drug supplies includes \$5.51 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within ISLHD. 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 ISLHD.

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**5. Other expenses (continued)**

|  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>(a) Other</b>   |                               |                               |                         |                         |
| Contract for patient services  | 40,600                        | 20,498                        | 40,600                  | 20,498                  |
| Corporate support services   | 5,727                         | 6,135                         | 5,727                   | 6,135                   |
| Courier and freight  | 522                           | 402                           | 522                     | 402                     |
| Isolated patient travel and accommodation assistance scheme                        | 578                           | 641                           | 578                     | 641                     |
| Legal services   | 115                           | 370                           | 115                     | 370                     |
| Membership/professional fees   | 388                           | 344                           | 388                     | 344                     |
| Quality assurance / accreditation  | 147                           | 109                           | 147                     | 109                     |
| Security services  | 3,070                         | 223                           | 3,070                   | 223                     |
| Expenses relating to short-term leases   | 5,134                         | 2,165                         | 5,134                   | 2,165                   |
| Expenses relating to leases of low-value assets                                    | 2,021                         | 1,681                         | 2,021                   | 1,681                   |
| Other miscellaneous  | 5,381                         | 2,775                         | 5,381                   | 2,775                   |
|  | <b>63,683</b>                 | <b>35,343</b>                 | <b>63,683</b>           | <b>35,343</b>           |
| <b>(b) Reconciliation of total maintenance expense</b>                             |                               |                               |                         |                         |
| Maintenance contracts  | 7,472                         | 7,589                         | 7,472                   | 7,589                   |
| New / replacement equipment under \$10,000   | 7,733                         | 5,555                         | 7,733                   | 5,555                   |
| Repairs maintenance / non contract   | 9,583                         | 4,573                         | 9,583                   | 4,573                   |
| Other  | 7                             | 38                            | 7                       | 38                      |
| Maintenance expense - contracted labour and other (non-employee related) in Note 5 | <b>24,795</b>                 | <b>17,755</b>                 | <b>24,795</b>           | <b>17,755</b>           |
| Employee related/personnel services maintenance expense included in Notes 2 and 3. | 1,999                         | 2,250                         | 1,999                   | 2,250                   |
|  | <b>26,794</b>                 | <b>20,005</b>                 | <b>26,794</b>           | <b>20,005</b>           |



# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 5. Other expenses (continued)

#### Recognition and Measurement

##### *Maintenance expense*

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

##### *Operating expenses*

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

##### *Insurance*

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

##### *Lease expense*

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

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

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

## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 2022

#### 6. Depreciation and amortisation

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Depreciation - buildings                        | 24,927                        | 22,435                        | 24,927                  | 22,435                  |
| Depreciation - plant and equipment              | 8,503                         | 8,921                         | 8,503                   | 8,921                   |
| Depreciation - infrastructure systems           | 3,716                         | 3,469                         | 3,716                   | 3,469                   |
| Depreciation - right-of-use buildings           | 1,811                         | 2,103                         | 1,811                   | 2,103                   |
| Depreciation - right-of-use plant and equipment | 2,824                         | 2,707                         | 2,824                   | 2,707                   |
| Amortisation - intangible assets                | 45                            | 37                            | 45                      | 37                      |
|   | <b>41,826</b>                 | <b>39,672</b>                 | <b>41,826</b>           | <b>39,672</b>           |

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

#### 7. Grants and subsidies

|  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Non-government organisations                           | 5,145                         | 4,166                         | 5,145                   | 4,166                   |
| Grants to research organisations                       | 320                           | 1,414                         | 320                     | 1,414                   |
| Grants to entities controlled by the immediate parent* | 425                           | 358                           | 425                     | 358                     |
| Other grants   | 7                             | 50                            | 7                       | 50                      |
|  | <b>5,897</b>                  | <b>5,988</b>                  | <b>5,897</b>            | <b>5,988</b>            |

\* ISLHD 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 \$0.11 million (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.

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

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**8. Finance costs**

|   | <b>Consolidated<br/>2022<br/>\$000</b> | <b>Consolidated<br/>2021<br/>\$000</b> | <b>Parent<br/>2022<br/>\$000</b> | <b>Parent<br/>2021<br/>\$000</b> |
|---|--|--|----------------------------------|----------------------------------|
| Interest expense from lease liabilities                       | 284                                    | 288                                    | 284                              | 288                              |
| Interest expense from financial liabilities at amortised cost | 108                                    | 123                                    | 108                              | 123                              |
|   | <b>392</b>                             | <b>411</b>                             | <b>392</b>                       | <b>411</b>                       |

**Recognition and Measurement**

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 9. Revenue

#### Recognition and Measurement

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

Under the GSF Act 2018, ISLHD's own source revenue (which includes but is not limited to receipts from 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 ISLHD which forms part of the consolidated fund and is not appropriated to ISLHD 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 Illawarra Shoalhaven 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 Illawarra Shoalhaven 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 Illawarra Shoalhaven 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 Illawarra Shoalhaven Local Health District to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Illawarra Shoalhaven 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.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 11. Ministry of Health allocations

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

ISLHD recognised additional Ministry of Health recurrent allocations of \$114.63 million (2021: \$70.69 million) and Ministry of Health capital allocations of \$0.65 million (2021: \$2.97 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.

# Illawarra Shoalhaven 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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Sale and recovery of pharmaceutical supplies | 17,745                        | 17,458                        | 17,745                  | 17,458                  |
| Sale of prostheses                           | 2,462                         | 2,526                         | 2,462                   | 2,526                   |
| Other  | 77                            | 99                            | 77                      | 99                      |
|  | <b>20,284</b>                 | <b>20,083</b>                 | <b>20,284</b>           | <b>20,083</b>           |

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

##### **Patients**

##### Patient Fees:

|                                      |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|
| - Inpatient fees                     | 40,578 | 39,063 | 40,578 | 39,063 |
| - Nursing home fees                  | 1,226  | 1,036  | 1,226  | 1,036  |
| - Non inpatient fees                 | 2,213  | 2,229  | 2,213  | 2,229  |
| Department of Veterans' Affairs      | 6,976  | 9,143  | 6,976  | 9,143  |
| Motor Accident Authority third party | 2,970  | 3,812  | 2,970  | 3,812  |

##### **Staff**

|                               |     |     |     |     |
|-------------------------------|-----|-----|-----|-----|
| Private use of motor vehicles | 207 | 210 | 207 | 210 |
| Salary packaging fee          | 371 | 364 | 371 | 364 |
| Meals and accommodation       | 126 | 78  | 126 | 78  |
| Child care fees               | 465 | 347 | 465 | 347 |

##### **General community**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Car parking  | 1,018 | 1,573 | 1,018 | 1,573 |
| Clinical services (excluding clinical drug trials) | 63    | 23    | 63    | 23    |
| Commercial activities                              | 1,673 | 858   | 1,673 | 858   |
| Fees for conferences and training                  | 206   | 279   | 206   | 279   |
| Fees for medical records                           | 116   | 164   | 116   | 164   |
| Information retrieval                              | 3     | 1     | 3     | 1     |

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

|                                 |     |     |     |     |
|---------------------------------|-----|-----|-----|-----|
| Services to other organisations | 229 | 367 | 229 | 367 |
|---------------------------------|-----|-----|-----|-----|

##### **Entities controlled by the immediate parent**

|                         |     |     |     |     |
|-------------------------|-----|-----|-----|-----|
| Hosted service revenues | 395 | 542 | 395 | 542 |
|-------------------------|-----|-----|-----|-----|

##### **Other**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Infrastructure fees - annual charge           | 3,358  | 4,547  | 3,358  | 4,547  |
| Infrastructure fees - monthly facility charge | 14,270 | 16,827 | 14,270 | 16,827 |
| Other   | 330    | 278    | 330    | 278    |

|  |               |                |               |                |
|--|---------------|----------------|---------------|----------------|
|  | <b>76,793</b> | <b>81,741</b>  | <b>76,793</b> | <b>81,741</b>  |
|  | <b>97,077</b> | <b>101,824</b> | <b>97,077</b> | <b>101,824</b> |

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 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 ISLHD satisfies a performance obligation by transferring the promised goods.

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

#### Recognition and Measurement (continued)

##### Rendering of services

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

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



## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 2022

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

##### Recognition and Measurement (continued)

##### Rendering of services (continued)

| <b>Type of service</b> | <b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>  | <b>Revenue recognition policies</b>  |
|------------------------|--|--|
| Infrastructure fees    | Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the Ministry of Health. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement. | Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term. |

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

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**13. Investment revenue**

|  | <b>Consolidated</b> | <b>Consolidated</b> | <b>Parent</b> | <b>Parent</b> |
|--|---------------------|---------------------|---------------|---------------|
|  | <b>2022</b>         | <b>2021</b>         | <b>2022</b>   | <b>2021</b>   |
|  | <b>\$000</b>        | <b>\$000</b>        | <b>\$000</b>  | <b>\$000</b>  |
| Interest income from financial assets at amortised cost                            | 131                 | 141                 | 131           | 141           |
| Finance income on the net investment in the lease                                  | 70                  | 68                  | 70            | 68            |
| Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss | (18)                | 76                  | (18)          | 76            |
|  | <b>183</b>          | <b>285</b>          | <b>183</b>    | <b>285</b>    |

**Recognition and Measurement**

***Interest income***

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

**Illawarra Shoalhaven 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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b> |                               |                               |                         |                         |
| Grants to acquire / construct non-financial asset  | 56                            | 3,919                         | 56                      | 3,919                   |
| <b>Other grants with sufficiently specific performance obligations</b>                                 |                               |                               |                         |                         |
| Cancer Institute grants received from an entity controlled by the immediate parent                     | 1,226                         | 1,212                         | 1,226                   | 1,212                   |
| Clinical trials and research grants  | 2,810                         | 2,313                         | 2,810                   | 2,313                   |
| Commonwealth government grants received for community based services                                   | 3,072                         | 3,015                         | 3,072                   | 3,015                   |
| Commonwealth government grants other   | 541                           | 687                           | 541                     | 687                     |
| Grants from entities controlled by the ultimate parent   | 67                            | 50                            | 67                      | 50                      |
| Other grants from entities controlled by the immediate parent  | -                             | 1,102                         | -                       | 1,102                   |
| Other grants   | 2,509                         | 2,605                         | 2,509                   | 2,605                   |
| <b>Grants without specific performance obligations</b>   |                               |                               |                         |                         |
| Commonwealth government grants other*  | 5,274                         | -                             | 5,274                   | -                       |
| Grants from entities controlled by the ultimate parent   | (436)                         | 10,250                        | (436)                   | 10,250                  |
| Other grants from entities controlled by the immediate parent*   | 1,241                         | 497                           | 1,241                   | 497                     |
| Other grants*  | 22                            | -                             | 22                      | -                       |
| Donations  | 1,601                         | 1,815                         | 1,601                   | 1,815                   |
|  | <b>17,983</b>                 | <b>27,465</b>                 | <b>17,983</b>           | <b>27,465</b>           |

The negative balance under 'grants from entities controlled by the ultimate parent' is the result of the District returning funds which were received in the prior year relating to the completed HealthOne projects.

\* ISLHD 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 \$5.27 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$0.88 million (2021: \$Nil) and from external third parties under other grants was \$0.02 million (2021: \$Nil).

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 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 ISLHD are recognised when ISLHD satisfies its obligations under the transfer. ISLHD satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

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

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

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

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

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

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

## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Superannuation - defined benefit plans | 2,988                         | 3,245                         | -                       | -                       |
| Long service leave provision           | (6,120)                       | (3,021)                       | -                       | -                       |
|  | <b>(3,132)</b>                | <b>224</b>                    | <b>-</b>                | <b>-</b>                |

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

#### 16. Other income

|                                       | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Other income comprises the following: |                               |                               |                         |                         |
| Commissions                           | 66                            | 65                            | 66                      | 65                      |
| Discounts                             | 49                            | 5                             | 49                      | 5                       |
| Insurance refunds                     | 259                           | 313                           | 259                     | 313                     |
| Rental income                         |                               |                               |                         |                         |
| - other rental income                 | 611                           | 664                           | 611                     | 664                     |
| Sponsorship                           | -                             | 1                             | -                       | 1                       |
| Other                                 | 105                           | 322                           | 105                     | 322                     |
|                                       | <b>1,090</b>                  | <b>1,370</b>                  | <b>1,090</b>            | <b>1,370</b>            |

#### Recognition and Measurement

##### *Other Income*

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

# Illawarra Shoalhaven 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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Gains / (losses) on disposals of:</b>  |                               |                               |                         |                         |
| <b>Property, plant and equipment</b>      |                               |                               |                         |                         |
| Written down value of assets disposed     | 330                           | 16,796                        | 330                     | 16,796                  |
| Less: proceeds from disposal              | 310                           | 664                           | 310                     | 664                     |
| <b>Net gains / (losses) on disposal</b>   | <b>(20)</b>                   | <b>(16,132)</b>               | <b>(20)</b>             | <b>(16,132)</b>         |
| <b>Right-of-use assets</b>                |                               |                               |                         |                         |
| Written down value of assets disposed     | 1,214                         | 18                            | 1,214                   | 18                      |
| Less: lease liabilities extinguished      | 1,214                         | 19                            | 1,214                   | 19                      |
| <b>Net gains / (losses) on disposal</b>   | <b>-</b>                      | <b>1</b>                      | <b>-</b>                | <b>1</b>                |
| <b>Assets held for sale</b>               |                               |                               |                         |                         |
| Written down value of assets disposed     | -                             | 1,374                         | -                       | 1,374                   |
| Less: proceeds from disposal              | -                             | 1,690                         | -                       | 1,690                   |
| <b>Net gains / (losses) on disposal</b>   | <b>-</b>                      | <b>316</b>                    | <b>-</b>                | <b>316</b>              |
| <b>Total gains / (losses) on disposal</b> | <b>(20)</b>                   | <b>(15,815)</b>               | <b>(20)</b>             | <b>(15,815)</b>         |

## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 2022

#### 18. Other gains / (losses)

|                       | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|-----------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Inventory write down* | (436)                         | -                             | (436)                   | -                       |
|                       | (436)                         | -                             | (436)                   | -                       |

\* Inventory write down includes COVID-19 vaccine wastage of \$0.35 million (2021: \$Nil) and impairment of \$0.09 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 21 Receivables
- Note 22 Inventories
- Note 24 Property, plant and equipment
- Note 26 Intangible assets

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

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

## Illawarra Shoalhaven 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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Cash at bank and on hand | 38,921                        | 22,838                        | 38,921                  | 22,838                  |
| Short-term deposits      | -                             | 23,716                        | -                       | 23,716                  |
|                          | <b>38,921</b>                 | <b>46,554</b>                 | <b>38,921</b>           | <b>46,554</b>           |

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

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

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Cash and cash equivalents (per Statement of Financial Position) | 38,921        | 46,554        | 38,921        | 46,554        |
|   | <b>38,921</b> | <b>46,554</b> | <b>38,921</b> | <b>46,554</b> |

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

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

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

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

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

Health Infrastructure receives payments directly from the Ministry of Health, an entity controlled by the ultimate parent and the Crown on behalf of ISLHD to fund these payments. These payments are reported as revenue (Ministry of Health capital allocations and grants and other contributions) and operating cash inflows in the financial statements of ISLHD.



**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**21. Receivables**

|  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>                                     |                               |                               |                         |                         |
| Trade receivables from contracts with customers    | 10,877                        | 9,261                         | 10,877                  | 9,261                   |
| Intra health receivables                           | 3,068                         | 4,647                         | 3,068                   | 4,647                   |
| Goods and Services Tax                             | 4,260                         | 4,836                         | 4,260                   | 4,836                   |
| Other receivables                                  | 2,682                         | 2,932                         | 2,682                   | 2,932                   |
| <b>Sub total</b>                                   | <b>20,887</b>                 | <b>21,676</b>                 | <b>20,887</b>           | <b>21,676</b>           |
| <i>Less: Allowance for expected credit losses*</i> |                               |                               |                         |                         |
| - Trade receivables from contracts with customers  | (594)                         | (414)                         | (594)                   | (414)                   |
| - Other receivables                                | (12)                          | (133)                         | (12)                    | (133)                   |
| <b>Sub total</b>                                   | <b>20,281</b>                 | <b>21,129</b>                 | <b>20,281</b>           | <b>21,129</b>           |
| Prepayments  | 2,939                         | 1,978                         | 2,939                   | 1,978                   |
|  | <b>23,220</b>                 | <b>23,107</b>                 | <b>23,220</b>           | <b>23,107</b>           |

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

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| <b>Trade receivables from contracts with customers</b>                       |              |              |              |              |
| Balance at the beginning of the year   | (414)        | (313)        | (414)        | (313)        |
| Amounts written off during the year  | 275          | 280          | 275          | 280          |
| (Increase) / decrease in allowance recognised in the net result <sup>1</sup> | (455)        | (381)        | (455)        | (381)        |
| <b>Balance at the end of the year</b>  | <b>(594)</b> | <b>(414)</b> | <b>(594)</b> | <b>(414)</b> |
| <b>Other receivables</b>   |              |              |              |              |
| Balance at the beginning of the year   | (133)        | (48)         | (133)        | (48)         |
| Amounts written off during the year  | 124          | 5            | 124          | 5            |
| (Increase) / decrease in allowance recognised in the net result              | (3)          | (90)         | (3)          | (90)         |
| <b>Balance at the end of the year</b>  | <b>(12)</b>  | <b>(133)</b> | <b>(12)</b>  | <b>(133)</b> |
|  | <b>(606)</b> | <b>(547)</b> | <b>(606)</b> | <b>(547)</b> |

<sup>1</sup> Includes total impairment loss of \$0.46 million (2021: \$0.38 million) recognised on receivables from contracts with customers.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 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<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|----------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Patient fees - compensable       | 632                           | 703                           | 632                     | 703                     |
| Patient fees - ineligible        | 976                           | 621                           | 976                     | 621                     |
| Patient fees - inpatient & other | 8,619                         | 6,743                         | 8,619                   | 6,743                   |
|                                  | <b>10,227</b>                 | <b>8,067</b>                  | <b>10,227</b>           | <b>8,067</b>            |

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

|  | Consolidated<br>2022<br>\$000 | Consolidated <sup>1</sup><br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent <sup>1</sup><br>2021<br>\$000 |
|--|-------------------------------|--|-------------------------|--------------------------------------|
| Contract receivables (included in Note 21) | 12,378                        | 11,875                                     | 12,378                  | 11,875                               |
| <b>Total contract receivables</b>          | <b>12,378</b>                 | <b>11,875</b>                              | <b>12,378</b>           | <b>11,875</b>                        |

<sup>1</sup> Prior year figures have been restated lower by \$0.023 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

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

### Impairment

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

In response to the COVID-19 pandemic, ISLHD has changed the terms and conditions with its counterparties to offer deferred payment terms and rent relief to some tenants. ISLHD has a rental receivables balance amount of \$0.06 million as at 2022 (2021: \$Nil). The expected impacts on the recoverability of these receivables is not considered significant.

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**22. Inventories**

|                                  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|----------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>                   |                               |                               |                         |                         |
| <b>Held-for-distribution</b>     |                               |                               |                         |                         |
| Drug supplies                    | 3,447                         | 2,308                         | 3,447                   | 2,308                   |
| Medical and surgical supplies    | 6,649                         | 6,155                         | 6,649                   | 6,155                   |
| Other including goods in transit | 874                           | 960                           | 874                     | 960                     |
| <b>Sub total</b>                 | <b>10,970</b>                 | <b>9,423</b>                  | <b>10,970</b>           | <b>9,423</b>            |
| Less: Allowance for impairment   |                               |                               |                         |                         |
| - Drug supplies                  | (89)                          | -                             | (89)                    | -                       |
|                                  | <b>10,881</b>                 | <b>9,423</b>                  | <b>10,881</b>           | <b>9,423</b>            |

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

**Recognition and Measurement**

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies since the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2022, ISLHD has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

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. ISLHD 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 ISLHD controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by ISLHD.

The value attributable to the vaccines received was measured at its fair value based on replacement cost. ISLHD 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 ISLHD.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 22. Inventories

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$6.18 million (2021: \$Nil) and \$5.62 million (2021: \$Nil), respectively. \$0.35 million (2021: \$Nil) of vaccines were written-off and another \$0.09 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.21 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 ISLHD would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**23. Other financial assets**

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Non-current</b>                                |                               |                               |                         |                         |
| Receivables on finance leases as lessor (Note 25) | 2,407                         | 2,337                         | 2,407                   | 2,337                   |
|   | <b>2,407</b>                  | <b>2,337</b>                  | <b>2,407</b>            | <b>2,337</b>            |

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

**Recognition and Measurement**

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

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

**Subsequent measurement**

*Financial assets at amortised cost*

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

**Impairment**

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

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

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

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

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**24. Property, plant and equipment**

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

**PARENT AND CONSOLIDATION**

|   | Land and<br>Buildings<br>\$000 | Plant and<br>Equipment <sup>1</sup><br>\$000 | Infrastructure<br>Systems<br>\$000 | Total<br>\$000 |
|---|--------------------------------|--|------------------------------------|----------------|
| <b>At 1 July 2020 - fair value</b>  |                                |  |                                    |                |
| Gross carrying amount   | 977,262                        | 99,119                                       | 106,558                            | 1,182,939      |
| Less: accumulated depreciation and impairment                                     | 440,719                        | 56,151                                       | 50,311                             | 547,181        |
| <b>Net carrying amount</b>  | <b>536,543</b>                 | <b>42,968</b>                                | <b>56,247</b>                      | <b>635,758</b> |
|   | Land and<br>Buildings<br>\$000 | Plant and<br>Equipment<br>\$000              | Infrastructure<br>Systems<br>\$000 | Total<br>\$000 |
| <b>Year ended 30 June 2021</b>  |                                |  |                                    |                |
| Net carrying amount at beginning of year  | 536,543                        | 42,968                                       | 56,247                             | 635,758        |
| Additions   | 14,628                         | 12,955                                       | 31,755                             | 59,338         |
| Disposals   | (15,505)                       | (366)  | (925)                              | (16,796)       |
| Transfers within NSW Health entities through<br>Statement of Comprehensive Income | -                              | 1,063  | -                                  | 1,063          |
| Net revaluation increments less revaluation<br>decrements                         | 33,694                         | -  | 5,882                              | 39,576         |
| Depreciation expense  | (22,435)                       | (8,921)                                      | (3,469)                            | (34,825)       |
| Reclassifications   | 1,010                          | (1,010)                                      | -                                  | -              |
| <b>Net carrying amount at end of year</b>   | <b>547,935</b>                 | <b>46,689</b>                                | <b>89,490</b>                      | <b>684,114</b> |

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

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

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

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

**PARENT AND CONSOLIDATION**

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

|   | Land and<br>Buildings<br>\$000 | Plant and<br>Equipment<br>\$000 | Infrastructure<br>Systems<br>\$000 | Total<br>\$000 |
|---|--------------------------------|---------------------------------|------------------------------------|----------------|
| <b>Year ended 30 June 2022</b>                            |                                |                                 |                                    |                |
| Net carrying amount at beginning of year                  | 547,935                        | 46,689                          | 89,490                             | 684,114        |
| Additions   | 52,947                         | 4,283                           | 361                                | 57,591         |
| Disposals   | -                              | (330)                           | -                                  | (330)          |
| Equity transfers - transfers in / (out)                   | (4,925)                        | -                               | (76)                               | (5,001)        |
| Net revaluation increments less revaluation<br>decrements | 64,172                         | -                               | 10,404                             | 74,576         |
| Depreciation expense                                      | (24,927)                       | (8,503)                         | (3,716)                            | (37,146)       |
| <b>Net carrying amount at end of year</b>                 | <b>635,202</b>                 | <b>42,139</b>                   | <b>96,463</b>                      | <b>773,804</b> |

|  | Land and<br>Buildings<br>\$000 | Plant and<br>Equipment <sup>1</sup><br>\$000 | Infrastructure<br>Systems<br>\$000 | Total<br>\$000 |
|--|--------------------------------|--|------------------------------------|----------------|
| <b>At 30 June 2022 - fair value</b>                  |                                |  |                                    |                |
| Gross carrying amount                                | 1,195,853                      | 105,194                                      | 161,555                            | 1,462,602      |
| <i>Less: accumulated depreciation and impairment</i> | 560,651                        | 63,055                                       | 65,092                             | 688,798        |
| <b>Net carrying amount</b>                           | <b>635,202</b>                 | <b>42,139</b>                                | <b>96,463</b>                      | <b>773,804</b> |

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

##### PARENT AND CONSOLIDATION

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

##### 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 ISLHD and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to ISLHD. The costs are then accordingly reflected in ISLHD's financial statements. ISLHD acquires most assets in this manner.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 34).

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

##### *Capitalisation thresholds*

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



# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

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

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

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

Further information on leases is contained in Note 25.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

#### *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 27 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. ISLHD 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. ISLHD 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 Opteon Solutions as at 30 June 2022 which suggested a cumulative increase of 11.52% for land, 12.50% for buildings and 13.50% for infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment of \$74.576 million for land, building and infrastructure.

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

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

## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. 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.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 25. Leases

#### (a) Entity as a lessee

ISLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 15 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. ISLHD does not provide residual value guarantees in relation to leases.

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

Potential future cash outflows of \$3.24 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**25. 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**

|                                | <b>Land and<br/>Buildings<br/>\$'000</b> | <b>Plant and<br/>Equipment<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--------------------------------|--|---|-------------------------|
| Balance at 1 July 2021         | 7,482                                    | 9,414                                     | 16,896                  |
| Additions                      | 514                                      | 3,339                                     | 3,853                   |
| Reassessments                  | 1,257                                    | 84  | 1,341                   |
| Disposals                      | (1,201)                                  | (13)                                      | (1,214)                 |
| Depreciation expense           | (1,811)                                  | (2,824)                                   | (4,635)                 |
| <b>Balance at 30 June 2022</b> | <b>6,241</b>                             | <b>10,000</b>                             | <b>16,241</b>           |

**PARENT AND CONSOLIDATION**

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**25. Leases (continued)**

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

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>\$000</b>  | <b>\$000</b>  |
| Balance at 1 July                       | 17,147        | 14,978        |
| Additions                               | 3,853         | 3,508         |
| Interest expenses                       | 284           | 288           |
| Payments                                | (4,992)       | (5,194)       |
| Terminations / derecognition            | (1,214)       | (19)          |
| Equity transfers - transfers In / (out) | -             | (3)           |
| Other adjustments                       | 1,341         | 3,589         |
| <b>Balance at 30 June</b>               | <b>16,419</b> | <b>17,147</b> |

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

**PARENT AND CONSOLIDATION**

|   | <b>2022</b>   | <b>2021</b>  |
|---|---------------|--------------|
|   | <b>\$000</b>  | <b>\$000</b> |
| Depreciation expense of right-of-use assets                             | 4,635         | 4,810        |
| Interest expense on lease liabilities                                   | 284           | 288          |
| Expenses relating to short-term leases                                  | 5,134         | 2,165        |
| Expenses relating to leases of low-value assets                         | 2,021         | 1,681        |
| (Gains) / losses on disposal  | -             | (1)          |
| <b>Total amount recognised in the statement of comprehensive income</b> | <b>12,074</b> | <b>8,943</b> |

ISLHD had total cash outflows for leases of \$12.15 million for the year ended 30 June 2022 (2021: \$9.04 million).

**Recognition and Measurement**

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 25. Leases (continued)

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

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

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

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

|                                    | <b>Useful lives</b> |
|------------------------------------|---------------------|
| Buildings                          | 1 to 15 years       |
| Motor vehicles and other equipment | 1 to 15 years       |

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

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

##### *ii. Lease liabilities*

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 25. Leases (continued)

#### (a) Entity as a lessee (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. ISLHD does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, ISLHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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

ISLHD's lease liabilities are included in borrowings in Note 31.

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

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

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

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



# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 25. Leases (continued)

#### (b) Entity as a lessor

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

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

Optus leases roof space located at Wollongong Hospital for their telecommunications tower under operating leases with rental payable monthly including a percentage of turnover. Lease payments generally contain uplift clauses to align to the market conditions.

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

#### Reconciliation of net investment in leases

##### PARENT AND CONSOLIDATION

|  | 2022         | 2021         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| Unguaranteed residual amounts - undiscounted | 4,767        | 4,767        |
| Less: unearned finance income                | (2,360)      | (2,430)      |
| <b>Net investment in finance lease</b>       | <b>2,407</b> | <b>2,337</b> |

#### Recognition and Measurement

##### Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2022 are, as follows:

##### PARENT AND CONSOLIDATION

|                              | 2022       | 2021         |
|------------------------------|------------|--------------|
|                              | \$'000     | \$'000       |
| Within one year              | 365        | 350          |
| One to two years             | 370        | 366          |
| Two to three years           | 117        | 363          |
| Three to four years          | 6          | 114          |
| Four to five years           | -          | 7            |
| <b>Total (excluding GST)</b> | <b>858</b> | <b>1,200</b> |

#### Recognition and Measurement

##### Lessor for operating leases

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**26. Intangible assets**

**PARENT AND CONSOLIDATION**

|   | <b>Software<br/>\$000</b> | <b>Total<br/>\$000</b> |
|---|---------------------------|------------------------|
| <b>At 1 July 2020</b>                         |                           |                        |
| Cost (gross carrying amount)                  | 1,294                     | 1,294                  |
| Less: accumulated amortisation and impairment | 1,156                     | 1,156                  |
| <b>Net carrying amount</b>                    | <b>138</b>                | <b>138</b>             |

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

|   | <b>Software<br/>\$000</b> | <b>Total<br/>\$000</b> |
|---|---------------------------|------------------------|
| <b>At 1 July 2021</b>                         |                           |                        |
| Cost (gross carrying amount)                  | 1,396                     | 1,396                  |
| Less: accumulated amortisation and impairment | 1,193                     | 1,193                  |
| <b>Net carrying amount</b>                    | <b>203</b>                | <b>203</b>             |

|  | <b>Software<br/>\$000</b> | <b>Total<br/>\$000</b> |
|--|---------------------------|------------------------|
| <b>Year ended 30 June 2022</b>                             |                           |                        |
| Net carrying amount at beginning of year                   | 203                       | 203                    |
| Additions - acquired separately                            | 3                         | 3                      |
| Amortisation (recognised in depreciation and amortisation) | (45)                      | (45)                   |
| <b>Net carrying amount at end of year</b>                  | <b>161</b>                | <b>161</b>             |

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 26. Intangible assets (continued)

#### PARENT AND CONSOLIDATION

|   | Software<br>\$000 | Total<br>\$000 |
|---|-------------------|----------------|
| <b>At 30 June 2022</b>                        |                   |                |
| Cost (gross carrying amount)                  | 1,399             | 1,399          |
| Less: accumulated amortisation and impairment | 1,238             | 1,238          |
| <b>Net carrying amount</b>                    | <b>161</b>        | <b>161</b>     |

#### Recognition and Measurement

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

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

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

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

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

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

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
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**27. Fair value measurement of non-financial assets**

**PARENT AND CONSOLIDATION**

**Fair value measurement and hierarchy**

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

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

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

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

**(a) Fair value hierarchy**

|   | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---------|---------|---------|------------------|
| 2022                                    | \$000   | \$000   | \$000   | \$000            |
| Property, plant and equipment (Note 24) |         |         |         |                  |
| - Land and buildings                    | -       | 18,212  | 585,327 | 603,539          |
| - Infrastructure systems                | -       | -       | 95,979  | 95,979           |
|   | -       | 18,212  | 681,306 | 699,518          |

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

|   | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---------|---------|---------|------------------|
| 2021                                    | \$000   | \$000   | \$000   | \$000            |
| Property, plant and equipment (Note 24) |         |         |         |                  |
| - Land and buildings                    | -       | 15,082  | 519,798 | 534,880          |
| - Infrastructure systems                | -       | -       | 89,272  | 89,272           |
|   | -       | 15,082  | 609,070 | 624,152          |

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

For land, buildings and infrastructure systems ISLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Solutions for the 2021-22 financial year. Opteon Solutions is an independent entity and is not an associated entity of ISLHD.

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

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

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

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

The majority of the restricted land has been classified as level 3 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 ISLHD to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

##### PARENT AND CONSOLIDATION

| 2022   | Land and<br>Buildings<br>\$000 | Infrastructure<br>Systems<br>\$000 | Total Level 3<br>Recurring<br>\$000 |
|--|--------------------------------|------------------------------------|-------------------------------------|
| <b>Fair value as at 1 July 2021</b>  | 519,798                        | 89,272                             | 609,070                             |
| Additions*   | 33,564                         | 53                                 | 33,617                              |
| Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24) | 57,009                         | 10,377                             | 67,386                              |
| Depreciation expense   | (24,373)                       | (3,647)                            | (28,020)                            |
| Equity transfers - transfers in / (out)  | (671)                          | (76)                               | (747)                               |
| <b>Fair value as at 30 June 2022</b>   | <b>585,327</b>                 | <b>95,979</b>                      | <b>681,306</b>                      |

\* 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.

| 2021   | Land and<br>Buildings<br>\$000 | Infrastructure<br>Systems<br>\$000 | Total Level 3<br>Recurring<br>\$000 |
|--|--------------------------------|------------------------------------|-------------------------------------|
| <b>Fair value as at 1 July 2020</b>  | 390,988                        | 56,029                             | 447,017                             |
| Additions*   | 72,556                         | 30,829                             | 103,385                             |
| Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24) | 31,749                         | 6,108                              | 37,857                              |
| Transfers from Level 2   | 46,070                         | -                                  | 46,070                              |
| Disposals  | (292)                          | (225)                              | (517)                               |
| Depreciation expense   | (22,283)                       | (3,469)                            | (25,752)                            |
| Reclassification   | 1,010                          | -                                  | 1,010                               |
| <b>Fair value as at 30 June 2021</b>   | <b>519,798</b>                 | <b>89,272</b>                      | <b>609,070</b>                      |

\* 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.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 28. Restricted assets

#### PARENT AND CONSOLIDATION

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

| Category                                       | 1 July 2021   | Revenue      | Expense      | 2022          |
|--|---------------|--------------|--------------|---------------|
|  | Opening       |              |              | Closing       |
|  | \$000         | \$000        | \$000        | \$000         |
| Facility improvements                          | 9,735         | 1,906        | 44           | 11,597        |
| Patient welfare                                | 3,653         | 833          | 1,466        | 3,020         |
| Private practice disbursements (No.2 Accounts) | 17,515        | 3,440        | 2,561        | 18,394        |
| Public contributions                           | 710           | 324          | 68           | 966           |
| Research                                       | 2,554         | 134          | 224          | 2,464         |
| Staff welfare                                  | 179           | 141          | 132          | 188           |
| Training and education including conferences   | 1,800         | 57           | 108          | 1,749         |
|  | <b>36,146</b> | <b>6,835</b> | <b>4,603</b> | <b>38,378</b> |

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

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

#### Unclaimed monies

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

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**29. Payables**

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>  |                               |                               |                         |                         |
| Accrued salaries, wages and on-costs                      | 7,368                         | 9,288                         | -                       | -                       |
| Salaries and wages deductions                             | 205                           | 800                           | -                       | -                       |
| Payroll and fringe benefits tax                           | 136                           | 138                           | -                       | -                       |
| Accrued liability - purchase of personnel services        | -                             | -                             | 7,709                   | 10,226                  |
| Creditors   | 19,871                        | 16,563                        | 19,871                  | 16,563                  |
| Other creditors   |                               |                               |                         |                         |
| - Payables to entities controlled by the immediate parent | 14,866                        | 9,453                         | 14,866                  | 9,453                   |
| - Other   | 29,969                        | 17,178                        | 29,969                  | 17,178                  |
|   | <b>72,415</b>                 | <b>53,420</b>                 | <b>72,415</b>           | <b>53,420</b>           |

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

**Recognition and Measurement**

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

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



**Illawarra Shoalhaven Local Health District**  
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**30. Contract liabilities**

|                      | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|----------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>       |                               |                               |                         |                         |
| Contract liabilities | 696                           | 1,029                         | 696                     | 1,029                   |
|                      | <b>696</b>                    | <b>1,029</b>                  | <b>696</b>              | <b>1,029</b>            |

**Recognition and Measurement**

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2022 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2022. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has significantly decreased during the year because of the timing of payments received.

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 1,029                         | 797                           | 1,029                   | 797                     |
| Transaction price allocated to the remaining performance obligations from contracts with customers  | 696                           | 1,029                         | 696                     | 1,029                   |

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

| <b>Specific revenue class</b>                             | <b>2023<br/>\$'000</b> | <b>2024<br/>\$'000</b> | <b>2025<br/>\$'000</b> | <b>≥ 2026<br/>\$'000</b> |
|---|------------------------|------------------------|------------------------|--------------------------|
| Sales of goods and services from contracts with customers | 696                    | -                      | -                      | -                        |
|   | <b>696</b>             | <b>-</b>               | <b>-</b>               | <b>-</b>                 |

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
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**31. Borrowings**

|                                 | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>                  |                               |                               |                         |                         |
| Other loans and deposits        | 508                           | 493                           | 508                     | 493                     |
| Lease liabilities (see Note 25) | 4,201                         | 5,568                         | 4,201                   | 5,568                   |
|                                 | <b>4,709</b>                  | <b>6,061</b>                  | <b>4,709</b>            | <b>6,061</b>            |
| <b>Non-current</b>              |                               |                               |                         |                         |
| Other loans and deposits        | 2,774                         | 3,282                         | 2,774                   | 3,282                   |
| Lease liabilities (see Note 25) | 12,218                        | 11,579                        | 12,218                  | 11,579                  |
|                                 | <b>14,992</b>                 | <b>14,861</b>                 | <b>14,992</b>           | <b>14,861</b>           |

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

Final repayment of loan is scheduled for 30 June 2028.

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

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

**Illawarra Shoalhaven Local Health District**  
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**31. Borrowings (continued)**

**Recognition and Measurement**

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

*Financial liabilities at amortised cost*

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

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

*Financial liabilities at fair value through profit or loss*

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

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, ISLHD's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

ISLHD 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.

**Changes in liabilities arising from financing activities**

**PARENT AND CONSOLIDATION**

|                        | <b>Other loans<br/>and deposits<br/>\$000</b> | <b>Leases<br/>\$000</b> | <b>Total liabilities<br/>from financing<br/>activities<br/>\$000</b> |
|------------------------|---|-------------------------|--|
| <b>1 July 2020</b>     | <b>4,253</b>                                  | <b>14,978</b>           | <b>19,231</b>  |
| Cash flows             | (478)   | (4,906)                 | (5,384)  |
| New leases             | -   | 3,508                   | 3,508  |
| Lease terminations     | -   | (19)                    | (19)   |
| Lease reassessments    | -   | 3,589                   | 3,589  |
| Non-cash changes other | -   | (3)                     | (3)  |
| <b>30 June 2021</b>    | <b>3,775</b>                                  | <b>17,147</b>           | <b>20,922</b>  |
| <b>1 July 2021</b>     | <b>3,775</b>                                  | <b>17,147</b>           | <b>20,922</b>  |
| Cash flows             | (493)   | (4,708)                 | (5,201)  |
| New leases             | -   | 3,853                   | 3,853  |
| Lease terminations     | -   | (1,214)                 | (1,214)  |
| Lease reassessments    | -   | 1,341                   | 1,341  |
| <b>30 June 2022</b>    | <b>3,282</b>                                  | <b>16,419</b>           | <b>19,701</b>  |

**Illawarra Shoalhaven Local Health District**  
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**32. Provisions**

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>  |                               |                               |                         |                         |
| <b>Employee benefits and related on-costs</b>   |                               |                               |                         |                         |
| Annual leave - obligations expected to be settled within 12 months                              | 65,471                        | 62,262                        | -                       | -                       |
| Annual leave - obligations expected to be settled after 12 months                               | 38,944                        | 33,071                        | -                       | -                       |
| Long service leave consequential on-costs - obligations expected to be settled within 12 months | 1,486                         | 1,733                         | -                       | -                       |
| Long service leave consequential on-costs - obligations expected to be settled after 12 months  | 16,699                        | 18,999                        | -                       | -                       |
| Provision for other employee benefits*  | 21,994                        | 3,010                         | -                       | -                       |
| Provision for personnel services liability  | -                             | -                             | 144,594                 | 119,075                 |
|   | <b>144,594</b>                | <b>119,075</b>                | <b>144,594</b>          | <b>119,075</b>          |
| <b>Other Provisions</b>   |                               |                               |                         |                         |
| Other   | 885                           | -                             | 885                     | -                       |
|   | <b>885</b>                    | <b>-</b>                      | <b>885</b>              | <b>-</b>                |
| <b>Total current provisions</b>   | <b>145,479</b>                | <b>119,075</b>                | <b>145,479</b>          | <b>119,075</b>          |
| <b>Non-current</b>  |                               |                               |                         |                         |
| <b>Employee benefits and related on-costs</b>   |                               |                               |                         |                         |
| Long service leave consequential on-costs   | 1,799                         | 2,050                         | -                       | -                       |
| Provision for personnel services liability  | -                             | -                             | 1,799                   | 2,050                   |
| <b>Total non-current provisions</b>   | <b>1,799</b>                  | <b>2,050</b>                  | <b>1,799</b>            | <b>2,050</b>            |
| <b>Aggregate employee benefits and related on-costs</b>   |                               |                               |                         |                         |
| Provisions - current  | 144,594                       | 119,075                       | -                       | -                       |
| Provisions - non-current  | 1,799                         | 2,050                         | -                       | -                       |
| Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)                | 7,573                         | 10,088                        | -                       | -                       |
| Liability - purchase of personnel services  | -                             | -                             | 153,966                 | 131,213                 |
|   | <b>153,966</b>                | <b>131,213</b>                | <b>153,966</b>          | <b>131,213</b>          |

\* Provision for other employee benefits includes a one-off payment to employees of \$18.40 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 32. Provisions (continued)

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

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

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Other</b>                            |                               |                               |                         |                         |
| - Additional provisions recognised*     | 885                           | -                             | 885                     | -                       |
| <b>Carrying amount at end of period</b> | <b>885</b>                    | <b>-</b>                      | <b>885</b>              | <b>-</b>                |

\* Additional provisions recognised of \$0.89 million in 2022, includes a one-off payment to visiting medical officers of \$0.89 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

#### Recognition and Measurement

##### Employee benefits and other provisions

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 20.7% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 20.4%). ISLHD has assessed the actuarial advice based on the ISLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where ISLHD does not expect to settle the liability within 12 months as ISLHD does not have an unconditional right to defer settlement.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 32. 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**

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

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

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

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

#### **Consequential on-costs**

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

#### **Other provisions**

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

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

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

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**33. Other liabilities**

|  | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>Current</b>   |                               |                               |                         |                         |
| Unearned revenue   | -                             | 10                            | -                       | 10                      |
|  | -                             | 10                            | -                       | 10                      |
| <b>Non-current</b>   |                               |                               |                         |                         |
| Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity | 8,929                         | 7,278                         | 8,929                   | 7,278                   |
|  | <b>8,929</b>                  | <b>7,278</b>                  | <b>8,929</b>            | <b>7,278</b>            |

**PARENT AND CONSOLIDATION**

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

|   | 2022<br>\$'000 | 2021<br>\$000 |
|---|----------------|---------------|
| Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity        | 7,278          | 8,823         |
| <i>Add:</i> receipt of cash during the financial year   | 1,706          | 2,374         |
| <i>Deduct:</i> income recognised during the financial year  | 55             | 3,919         |
| <b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b> | <b>8,929</b>   | <b>7,278</b>  |

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

ISLHD expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-10 financial years, as the related asset(s) are constructed / acquired.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 34. Equity

#### **Revaluation surplus**

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

#### **Accumulated funds**

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

#### **Reserves**

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

#### **Increase / (decrease) in net assets from equity transfers**

##### **Equity transfers effected in the 2021/22 year were:**

- (a) As at 30 June 2022, Old Bulli Hospital at 29 Hospital Road, Bulli was transferred to the Ministry of Health, an entity of the ultimate parent. All assets were transferred at the fair value of the assets of \$5.001M.

##### **Equity transfers effected in the 2020/21 year were:**

- (b) As at the 30 June 2021, a fleet lease was transferred to eHNSW from ISLHD at \$4,000 consideration, an entity of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

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

|   | 2022<br>\$000 | 2021<br>\$000 |
|---|---------------|---------------|
| (a) Old Bulli Hospital, 29 Hospital Road, Bulli | 5,001         | -             |
| (b) Transfer of motor vehicle fleet leases      | -             | (4)           |
|   | 5,001         | (4)           |

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

|  | 2022<br>\$000  | 2021<br>\$000 |
|--|----------------|---------------|
| <b>Assets</b>  |                |               |
| (a) Old Bulli Hospital, 29 Hospital Road, Bulli                  | (5,001)        | -             |
| <b>Liabilities</b>   |                |               |
| (b) Lease liabilities  | -              | 4             |
| <b>Increase / (Decrease) in Net Assets From Equity Transfers</b> | <b>(5,001)</b> | <b>4</b>      |



# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 34. Equity (continued)

#### *Equity transfers*

##### **Recognition and Measurement**

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

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 35. Commitments

#### (a) Capital commitments

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

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Within one year                                   | 16,158                        | 9,360                         | 16,158                  | 9,360                   |
| Later than one year and not later than five years | 2,330                         | -                             | 2,330                   | -                       |
| <b>Total (including GST)</b>                      | <b>18,488</b>                 | <b>9,360</b>                  | <b>18,488</b>           | <b>9,360</b>            |

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

The total 'Capital expenditure commitments' of \$18.49 million as at 30 June 2022 includes input tax credits of \$1.68 million that are expected to be recoverable from the Australian Taxation Office (2021: \$0.85 million).

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

The 'Operating Lease Commitments (Entity as Lessor)' of \$0.94 million as at 30 June 2022 includes taxable sales of \$0.09 million that are expected to be payable to the Australian Taxation Office (2021: \$0.12 million).

### 36. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

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

#### (a) Contingent liabilities

ISLHD is not aware of any contingent liabilities at reporting date other than those disclosed in Note 35 (b).

#### (b) Contingent assets

Contingent assets relate to commitments for expenditure - refer Note 35 (b).

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). ISLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, ISLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between ISLHD and the 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 is unfavourable to budget by \$8.4 million, primarily due to:

Expenses are \$5.2 million over budget which includes unbudgeted COVID/COVAX costs of \$6 million. Employee related expenses are \$4.7 million above budget which is due to additional COVID/COVAX employee costs not budgeted. Unfunded Right of Use Asset (ROUA) drove the \$2.3 million unfavourable depreciation and amortisation variance.

Revenue was unfavourable to budget by \$2.7 million. There was an additional \$6.5 million received in Ministry of Health Recurrent Allocations that was not budgeted offset by unfavourable variances to budget in sales of goods and services by \$4.7 million and other income by \$5.0 million. This unfavourable variance is being driven by lower activity due to the pandemic in areas such as DVA, MAA, patient fees and staff specialist infrastructure fees.

##### Assets and liabilities

Current assets are \$6.6 million below budget. Cash is \$6.9 million below budget which is due to the general fund bank account being swept of all funds on 30 June 2022. Non current assets are \$64.2 million above budget which is primarily related to the revaluation increase to the District's land, buildings and infrastructure of \$74.6 million. The revaluation was not budgeted this year as it was a desktop revaluation.

Total liabilities are \$8.0 million below budget. Payables are \$7.9 million below budget due to lower than budgeted salaries and creditors. Provisions are \$2.2 million above budget which relates to the continued increase in annual leave with less leave taken during the COVID-19 pandemic and year end actuarial adjustments.

##### Cash flows

Net cash flow from operating activities is \$7.0 million unfavourable to budget. An additional \$6.6 million in NSW Ministry of Health Allocations funding is offset by an additional \$24.7 million in employee related payments. Savings in goods and services of \$19.1 million is offset by unfavourable variance in sales of goods and services of \$5.7 million.

Cash outflows from investment activities is favourable to variance by \$2.5 million with less purchases of property plant and equipment than budgeted. Repayments for lease liabilities was above budget by \$2.3 million which is related to additional medical imaging leases and property lease extensions that were not originally budgeted.

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 37. 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 21 June 2021 are as follows:

|   | <b>\$000</b> |
|---|--------------|
| Initial allocation, 21 June 2021                                      | 868,577      |
| Award increases   | 15,253       |
| <b>Special projects</b>   |              |
| 2021/22 Budget Relief - COVID 19 Response                             | 111,401      |
| COVID 19 Minor Works and Equipment                                    | 130          |
| COVID 19 Response - Elective Surgery                                  | 3,100        |
| Termination Costs due to COVID 19 Vaccination Requirement             | 866          |
| Retraction of targeted Mental Health Initiatives                      | (1,745)      |
| Nurse & Midwifery Strategy Reserve                                    | 640          |
| Wellbeing and Health In-reach Nurse Coordinator (WHIN) Program        | 650          |
| Safeguards Child and Adolescent Mental Health Response Teams          | 1,260        |
| Clinical End of Life Strategy   | 323          |
| Non Government Organisation - Kedesh Rehabilitation Services          | 307          |
| Integrated Care Initiative: Planned Care for Better Health            | 198          |
| Workforce Funding - Delivery of Safe Wayz Program                     | 114          |
| Translational Research Grants Scheme                                  | 149          |
| Carry Forward Commonwealth National Partnership Agreements            | 154          |
| Aged Care Assessment Program (ACAP)                                   | 172          |
| Specialist Palliative Care Workforce                                  | 134          |
| Dental Waitlist Recovery Funds  | 500          |
| Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS) | 396          |
| Extra funding for projects and programs under \$100,000 each          | 516          |
| <b>Other</b>  |              |
| 2020-21 Year End Adjustment - Salaries Accrual                        | (21,048)     |
| COVID 19 Special Leave  | 2,077        |
| COVID 19 Mental Health Recovery Package                               | 261          |
| 2021-22 Defined Benefit Superannuation                                | 426          |
| Rural Generalist Medical & GP Training Programs                       | 817          |
| Energy Efficiency Projects  | 318          |
| \$100 Highly Specialist Drugs Co-Payment                              | 249          |
| Workplace Culture & Safety  | 220          |
| Hospital Skills Program Protected Education Support Funding           | 156          |
| Flexible Funding Pool - Improving Refugee Children's Outcomes Now     | 140          |
| Whole of Heart Program  | 180          |
| Rural Junior Doctor Training Positions                                | 82           |
| Port Kembla Palliative Care Unit                                      | 100          |
| Extra funding for projects and programs under \$100,000 each          | 120          |
| Voluntary Redundancy  | 887          |
| Collaborative Commissioning   | 750          |
| Additional Repairs & Maintenance budget                               | 1,500        |

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**Balance as per Statement of Comprehensive Income**

**990,330**

## Illawarra Shoalhaven Local Health District

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

for the year ended 30 June 2022

#### 38. 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<br>2022<br>\$000 | Consolidated <sup>1</sup><br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent <sup>1</sup><br>2021<br>\$000 |
|--|-------------------------------|--|-------------------------|--------------------------------------|
| Net cash used on operating activities                        | 54,420                        | 69,352                                     | 54,420                  | 69,352                               |
| Depreciation and amortisation expense                        | (41,826)                      | (39,672)                                   | (41,826)                | (39,672)                             |
| Allowance for impairment                                     | (894)                         | (471)                                      | (894)                   | (471)                                |
| (Increase) / decrease in other liabilities                   | (1,641)                       | 1,535                                      | (1,641)                 | 1,535                                |
| Decrease / (increase) in provisions                          | (26,150)                      | (12,543)                                   | (26,150)                | (12,543)                             |
| Increase / (decrease) in inventory                           | 1,458                         | (41)                                       | 1,458                   | (41)                                 |
| Increase / (decrease) in prepayments and other assets        | 792                           | 3,552                                      | 792                     | 3,552                                |
| Decrease / (increase) in payables                            | (18,713)                      | 7,479                                      | (18,713)                | 7,479                                |
| Decrease / (increase) in contract liabilities                | 333                           | (232)                                      | 333                     | (232)                                |
| Net gain / (loss) on sale of property, plant and equipment   | (20)                          | (15,816)                                   | (20)                    | (15,816)                             |
| Net gain / (loss) on disposal of right-of-use assets         | -                             | 1  | -                       | 1                                    |
| Increase / (decrease) in financial instruments at fair value | (42)                          | 32   | (42)                    | 32                                   |
| Assets donated or brought to account (Note 39)               | 474                           | 1,063                                      | 474                     | 1,063                                |
| <b>Net result</b>  | <b>(31,809)</b>               | <b>14,239</b>                              | <b>(31,809)</b>         | <b>14,239</b>                        |

<sup>1</sup> '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.

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

|   | Consolidated<br>2022<br>\$000 | Consolidated<br>2021<br>\$000 | Parent<br>2022<br>\$000 | Parent<br>2021<br>\$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Assets donated or brought to account              | 474                           | 1,063                         | 474                     | 1,063                   |
| Property, plant and equipment acquired by a lease | 3,853                         | 3,508                         | 3,853                   | 3,508                   |
|   | <b>4,327</b>                  | <b>4,571</b>                  | <b>4,327</b>            | <b>4,571</b>            |

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 40. Trust funds

#### PARENT AND CONSOLIDATION

ISLHD holds trust funds of \$303 thousand (2021: \$263 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 ISLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

| <b>Category</b>             | <b>1 July 2021<br/>Opening<br/>equity<br/>\$'000</b> | <b>Revenue<br/>\$'000</b> | <b>Expense<br/>\$'000</b> | <b>30 June 2022<br/>Closing<br/>equity<br/>\$'000</b> |
|-----------------------------|--|---------------------------|---------------------------|---|
| Refundable Deposits         | 190  | 7                         | -                         | 197   |
| Private Patient Trust Funds | -  | 18,187                    | (18,187)                  | -   |
| Third Party Funds           | 73   | 33                        | -                         | 106   |
| <b>Total trust funds</b>    | <b>263</b>   | <b>18,227</b>             | <b>(18,187)</b>           | <b>303</b>  |

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

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

| <b>Category</b>             | <b>Purpose</b>   |
|-----------------------------|--|
| Refundable Deposits         | A sum of money held in trust as a security deposit.  |
| Private Patient Trust Funds | The revenue derived from private patient and other billable services provided by Staff Specialists.                      |
| Third Party Funds           | A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries. |

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 41. Financial instruments

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

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

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

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

| Class                               | Category   | Carrying Amount<br>2022<br>\$000 | Carrying Amount<br>2021<br>\$000 |
|-------------------------------------|--|----------------------------------|----------------------------------|
| <b>Financial assets</b>             |  |                                  |                                  |
| Cash and cash equivalents (Note 20) | Amortised cost                                   | 38,921                           | 46,554                           |
| Receivables (Note 21) <sup>1</sup>  | Amortised cost                                   | 16,021                           | 16,293                           |
| Other financial assets (Note 23)    | Amortised cost                                   | 2,407                            | 2,337                            |
| <b>Total financial assets</b>       |  | <b>57,349</b>                    | <b>65,184</b>                    |
| <b>Financial liabilities</b>        |  |                                  |                                  |
| Borrowings (Note 31)                | Financial liabilities measured at amortised cost | 19,701                           | 20,922                           |
| Payables (Note 29) <sup>2</sup>     | Financial liabilities measured at amortised cost | 72,279                           | 53,282                           |
| <b>Total financial liabilities</b>  |  | <b>91,980</b>                    | <b>74,204</b>                    |

##### Notes

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

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

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

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

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 41. Financial instruments (continued)

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

When ISLHD has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where ISLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of ISLHD's continuing involvement in the asset. In that case, ISLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that ISLHD 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 ISLHD 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 ISLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

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

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

##### Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned 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, lease receivables

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

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



**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**41. Financial instruments (continued)**

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

**i. Credit risk (continued)**

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

**Receivables - trade receivables, other receivables, lease receivables (continued)**

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

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

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

The loss allowance for trade receivables, other receivables, lease receivables as at 30 June 2022 and 30 June 2021 was determined as follows:

**PARENT AND CONSOLIDATION**

|  | <b>Current</b> | <b>&lt;30 days</b> | <b>30-60 days</b> | <b>61-90 days</b> | <b>&gt;91 days</b> | <b>Total</b>  |
|--|----------------|--------------------|-------------------|-------------------|--------------------|---------------|
|  | <b>\$'000</b>  | <b>\$'000</b>      | <b>\$'000</b>     | <b>\$'000</b>     | <b>\$'000</b>      | <b>\$'000</b> |
| <b>30 June 2022</b>                                |                |                    |                   |                   |                    |               |
| Expected credit loss rate                          | 0.92%          | 5.49%              | 15.23%            | 13.52%            | 14.93%             | 3.80%         |
| Estimated total gross carrying amount <sup>1</sup> | 12,117         | 801                | 302               | 355               | 2,391              | 15,966        |
| Expected credit loss                               | 111            | 44                 | 46                | 48                | 357                | 606           |
|  | <b>Current</b> | <b>&lt;30 days</b> | <b>30-60 days</b> | <b>61-90 days</b> | <b>&gt;91 days</b> | <b>Total</b>  |
|  | <b>\$'000</b>  | <b>\$'000</b>      | <b>\$'000</b>     | <b>\$'000</b>     | <b>\$'000</b>      | <b>\$'000</b> |
| <b>30 June 2021</b>                                |                |                    |                   |                   |                    |               |
| Expected credit loss rate                          | 0.89%          | 2.56%              | 6.53%             | 14.64%            | 16.14%             | 3.76%         |
| Estimated total gross carrying amount <sup>1</sup> | 10,948         | 703                | 291               | 321               | 2,267              | 14,530        |
| Expected credit loss                               | 97             | 18                 | 19                | 47                | 366                | 547           |

**Notes**

<sup>1</sup> 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.

ISLHD 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.

**Other Financial Assets - Authority Deposits**

ISLHD has placed funds on deposit with TCorp, which has been rated 'AA+' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. ISLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2022 (2021: \$Nil).

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 41. Financial instruments (continued)

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

##### ii. Liquidity risk

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

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 41. Financial instruments (continued)

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

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

*Maturity Analysis and interest rate exposure of financial liabilities*

|                            | EIR <sup>3</sup><br>% | Nominal<br>Amount <sup>1</sup><br>\$000 | Interest Rate Exposure             |                                       |                                       | Maturity Dates  |                 |                |
|----------------------------|-----------------------|---|------------------------------------|---------------------------------------|---------------------------------------|-----------------|-----------------|----------------|
|                            |                       |   | Fixed<br>Interest<br>Rate<br>\$000 | Variable<br>Interest<br>Rate<br>\$000 | Non -<br>Interest<br>Bearing<br>\$000 | < 1 Yr<br>\$000 | 1-5 Yr<br>\$000 | > 5Yr<br>\$000 |
| <b>2022</b>                |                       |   |                                    |                                       |                                       |                 |                 |                |
| Payables:                  |                       |   |                                    |                                       |                                       |                 |                 |                |
| - Creditors <sup>2</sup>   |                       | 72,279                                  | -                                  | -                                     | 72,279                                | 72,279          | -               | -              |
| Borrowings:                |                       |   |                                    |                                       |                                       |                 |                 |                |
| - Other loans and deposits | 2.97%                 | 3,608                                   | 3,608                              | -                                     | -                                     | 601             | 2,405           | 602            |
| - Lease liabilities        | 1.90%                 | 17,326                                  | 17,326                             | -                                     | -                                     | 4,514           | 9,932           | 2,880          |
|                            |                       | <b>93,213</b>                           | <b>20,934</b>                      | <b>-</b>                              | <b>72,279</b>                         | <b>77,394</b>   | <b>12,337</b>   | <b>3,482</b>   |
| <b>2021</b>                |                       |   |                                    |                                       |                                       |                 |                 |                |
| Payables:                  |                       |   |                                    |                                       |                                       |                 |                 |                |
| - Creditors <sup>2</sup>   |                       | 53,282                                  | -                                  | -                                     | 53,282                                | 53,282          | -               | -              |
| Borrowings:                |                       |   |                                    |                                       |                                       |                 |                 |                |
| - Other loans and deposits | 2.97%                 | 4,209                                   | 4,209                              | -                                     | -                                     | 601             | 2,405           | 1,203          |
| - Lease liabilities        | 1.81%                 | 17,233                                  | 17,233                             | -                                     | -                                     | 4,757           | 9,968           | 2,508          |
|                            |                       | <b>74,724</b>                           | <b>21,442</b>                      | <b>-</b>                              | <b>53,282</b>                         | <b>58,640</b>   | <b>12,373</b>   | <b>3,711</b>   |

#### Notes:

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

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

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 41. Financial instruments (continued)

#### iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which ISLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 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 ISLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. ISLHD does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, ISLHD is not permitted to borrow external to the 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 | (216) | 216 | (280) | 280 |
| Equity     | (216) | 216 | (280) | 280 |

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 41. Financial instruments (continued)

#### iii. Market risk (continued)

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

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

| Facility          | Investment Sectors    | Investment Horizon | 2022<br>\$000 | 2021<br>\$000 |
|-------------------|-----------------------|--------------------|---------------|---------------|
| TCorpIM Cash Fund | Cash and fixed income | Up to 1.5 years    | -             | 23,716        |

During the year, \$23.68 million in TCorpIM Cash Fund was withdrawn and transferred to cash at bank and on hand. These funds will be invested in the new financial year.

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

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

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

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

|                   | Change in unit price |           | Impact on net result |               |
|-------------------|----------------------|-----------|----------------------|---------------|
|                   | 2022<br>%            | 2021<br>% | 2022<br>\$000        | 2021<br>\$000 |
| TCorpIM Cash Fund | 10%                  | 10%       | -                    | 2,372         |

**Illawarra Shoalhaven Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2022

**41. Financial instruments (continued)**

**(e) Fair value measurement**

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

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

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

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

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

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

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

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

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

|                                       | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | 2022 Total<br>\$'000 |
|---------------------------------------|-------------------|-------------------|-------------------|----------------------|
| <b>Financial assets at fair value</b> |                   |                   |                   |                      |
| TCorpIM Funds                         | -                 | -                 | -                 | -                    |
|                                       | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | 2021 Total<br>\$'000 |
| <b>Financial assets at fair value</b> |                   |                   |                   |                      |
| TCorpIM Funds                         | -                 | 23,716            | -                 | 23,716               |

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

There were no transfers between level 1, 2 or 3 during the year ended 30 June 2022.

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

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 42. 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 | 242        | 723        |
| Post-employment benefits     | 22         | 67         |
|                              | <b>264</b> | <b>790</b> |

During the financial year, Illawarra Shoalhaven Local Health District obtained key management personnel services from the immediate parent and incurred \$390 thousand (2021: \$381 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

ISLHD's key management personnel comprise its board members and chief executive (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 ISLHD had with government related entities during the financial year

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Health Administration Corporation provides some hosted services which includes patient billing and ICT core charge
- Various grants and subsidies towards research and other projects

# Illawarra Shoalhaven Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 42. Related party disclosures (continued)

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Insurance costs

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Commercial activities revenue in respect of medical imaging

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Interest income on TCorpIM Funds Investment facilities
- Patient revenue relating to Transitional Aged Care Program and Regional

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some terms deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown in right of the State of New South Wales
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

### 43. Events after the reporting period

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

**END OF AUDITED FINANCIAL STATEMENTS**