



INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Northern Sydney Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 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 and the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

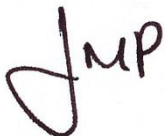
- obtain reasonable assurance about whether the financial statements as a whole [are / is] free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 September 2022
SYDNEY

Northern Sydney 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 Northern Sydney 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 Northern Sydney 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, appearing to read 'Lee Gregory'.

Lee Gregory
Interim Chief Executive
26 September 2022

A handwritten signature in blue ink, appearing to read 'Jacquie Ferguson'.

Jacquie Ferguson
Director Finance and Corporate Services
26 September 2022

Northern Sydney Local Health District

Statement of Comprehensive Income for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,087,833	1,090,498	1,035,466	-	-
Personnel services	3	-	-	-	1,095,679	1,036,030
Visiting medical officers	4	58,488	55,469	50,063	58,488	50,063
Other expenses	5	706,648	709,080	744,499	706,648	744,499
Depreciation and amortisation	6	90,753	89,729	83,343	90,753	83,343
Grants and subsidies	7	10,164	10,067	6,251	10,164	6,251
Finance costs	8	71,296	71,802	69,762	71,296	69,762
Payments to Affiliated Health Organisations	9	44,286	42,486	42,193	44,286	42,193
Total expenses excluding losses		2,069,468	2,069,131	2,031,577	2,077,314	2,032,141
Revenue						
Ministry of Health recurrent allocations	12	1,668,159	1,606,476	1,616,599	1,668,159	1,616,599
Ministry of Health capital allocations	12	64,979	65,173	86,338	64,979	86,338
Acceptance by the Crown ² of employee benefits	16	(7,846)	(7,820)	(564)	-	-
Sale of goods and services from contracts with customers	13	208,742	225,559	208,300	208,742	208,300
Investment revenue	14	809	865	966	809	966
Grants and other contributions	15	39,438	48,502	61,137	39,438	61,137
Other income	17	21,064	23,935	22,199	21,064	22,199
Total revenue		1,995,345	1,962,690	1,994,975	2,003,191	1,995,539
Operating result		(74,123)	(106,441)	(36,602)	(74,123)	(36,602)
Gains / (losses) on disposal	18	(700)	(58)	(842)	(700)	(842)
Impairment losses on financial assets	22	(3,855)	(1,238)	(4,075)	(3,855)	(4,075)
Other gains / (losses)	19	(164)	(161)	-	(164)	-
Net result from continuing operations	38	(78,842)	(107,898)	(41,519)	(78,842)	(41,519)
Net result		(78,842)	(107,898)	(41,519)	(78,842)	(41,519)
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	24	274,981	-	(478)	274,981	(478)
Total other comprehensive income		274,981	-	(478)	274,981	(478)
TOTAL COMPREHENSIVE INCOME		196,139	(107,898)	(41,997)	196,139	(41,997)

¹ Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Financial Position as at 30 June 2022

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
	Notes	2022	2022	2021	2022	2021
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	21	107,581	99,445	121,763	107,581	121,763
Receivables	22	59,870	57,503	52,544	59,870	52,544
Inventories	23	8,657	8,567	8,102	8,657	8,102
		176,108	165,515	182,409	176,108	182,409
Non-current assets held for sale		-	-	-	-	-
Total current assets		176,108	165,515	182,409	176,108	182,409
Non-current assets						
Receivables	22	2,019	2,155	1,662	2,019	1,662
Property, plant & equipment	24					
- Land and buildings		2,824,949	2,571,008	2,589,466	2,824,949	2,589,466
- Plant and equipment		117,520	109,732	122,957	117,520	122,957
- Infrastructure systems		52,233	44,003	44,003	52,233	44,003
Total property, plant & equipment		2,994,702	2,724,743	2,756,426	2,994,702	2,756,426
Right-of-use assets	25	4,309	5,333	3,296	4,309	3,296
Intangible assets	26	2,602	3,151	3,152	2,602	3,152
Total non-current assets		3,003,632	2,735,382	2,764,536	3,003,632	2,764,536
Total assets		3,179,740	2,900,897	2,946,945	3,179,740	2,946,945
LIABILITIES						
Current liabilities						
Payables	29	168,220	151,269	129,953	168,220	129,953
Contract liabilities	30	14,188	11,740	11,758	14,188	11,758
Borrowings	31	12,583	2,143	9,316	12,583	9,316
Provisions	32	276,209	330,182	260,792	276,209	260,792
Other current liabilities	33	11,518	11,037	11,037	11,518	11,037
Total current liabilities		482,718	506,371	422,856	482,718	422,856
Non-current liabilities						
Borrowings	31	712,364	723,752	722,813	712,364	722,813
Provisions	32	2,872	2,872	3,234	2,872	3,234
Other non-current liabilities	33	198,630	193,764	208,167	198,630	208,167
Total non-current liabilities		913,866	920,388	934,214	913,866	934,214
Total liabilities		1,396,584	1,426,759	1,357,070	1,396,584	1,357,070
Net assets		1,783,156	1,474,138	1,589,875	1,783,156	1,589,875
EQUITY						
Reserves		606,485	333,929	333,930	606,485	333,930
Accumulated funds		1,176,671	1,140,209	1,255,945	1,176,671	1,255,945
Total Equity		1,783,156	1,474,138	1,589,875	1,783,156	1,589,875

¹ Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2022

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,255,944	333,930	1,589,874
Net result for the year		(78,842)	-	(78,842)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	274,981	274,981
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		2,426	(2,426)	-
Total other comprehensive income		2,426	272,555	274,981
Total comprehensive income for the year		(76,416)	272,555	196,139
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	34	(2,857)	-	(2,857)
Balance at 30 June 2022		1,176,671	606,485	1,783,156

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		1,304,722	335,292	1,640,014
Net result for the year		(41,519)	-	(41,519)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	(478)	(478)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		884	(884)	-
Total other comprehensive income		884	(1,362)	(478)
Total comprehensive income for the year		(40,635)	(1,362)	(41,997)
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	34	(8,142)	-	(8,142)
Balance at 30 June 2021		1,255,945	333,930	1,589,875

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,075,710)	(1,074,276)	(1,041,855)	-	-
Suppliers for goods and services		(810,489)	(787,065)	(822,892)	(810,489)	(822,892)
Grants and subsidies		(58,166)	(56,268)	(53,491)	(58,166)	(53,491)
Finance costs		(71,295)	(71,802)	(69,763)	(71,295)	(69,763)
Personnel services		-	-	-	(1,075,710)	(1,041,855)
Total payments		(2,015,660)	(1,989,411)	(1,988,001)	(2,015,660)	(1,988,001)
Receipts						
Ministry of Health recurrent allocations		1,668,159	1,606,476	1,616,599	1,668,159	1,616,599
Ministry of Health capital allocations		64,979	65,173	86,338	64,979	86,338
Reimbursements from the Crown ²		16,690	16,690	13,574	16,690	13,574
Sale of goods and services		214,043	233,422	212,382	214,043	212,382
Interest received		867	1,495	927	867	927
Grants and other contributions		39,011	47,422	65,553	39,011	65,553
Other		62,602	66,943	77,595	62,602	77,595
Total receipts		2,066,351	2,037,621	2,072,968	2,066,351	2,072,968
NET CASH FLOWS FROM OPERATING ACTIVITIES	38	50,691	48,210	84,967	50,691	84,967
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		101	-	32	101	32
Purchases of property, plant and equipment and intangibles		(54,941)	(57,156)	(74,918)	(54,941)	(74,918)
Purchases of financial assets		(58)	-	39	(58)	39
Other		-	(4,345)	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(54,898)	(61,501)	(74,847)	(54,898)	(74,847)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(6,907)	(6,907)	(6,242)	(6,907)	(6,242)
Payment of principal portion of service concession financial liabilities		(1,359)	(1,359)	(1,274)	(1,359)	(1,274)
Payment of principal portion of lease liabilities		(1,709)	(761)	(1,743)	(1,709)	(1,743)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(9,975)	(9,027)	(9,259)	(9,975)	(9,259)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,182)	(22,318)	861	(14,182)	861
Opening cash and cash equivalents	21	121,763	121,763	120,902	121,763	120,902
CLOSING CASH AND CASH EQUIVALENTS	21	107,581	99,445	121,763	107,581	121,763

¹ Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

a) Reporting entity

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

NSLHD 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.

NSLHD, 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.
- * Northern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the NSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable NSLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2022 have been authorised for issue by the Interim Chief Executive on 26 September 2022.

Northern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

b) Basis of preparation

NSLHD'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 NSLHD have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of Northern Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under NSLHD'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 NSLHD 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, NSLHD has seen a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries at different times, to ensure increased public hospital capacity would be available. Ongoing critical resources have been reassigned to treat, test and manage surges of COVID-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders commenced during 2021.

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

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

NSLHD has received an additional \$129.14 million (2021: \$114.26 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 12.

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.
- * NSLHD 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.
- * NSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by NSLHD 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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

b) Basis of preparation (continued)

NSLHD 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 statements.

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

g) 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 NSLHD.

(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. NSLHD 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 NSLHD.

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

The COVID-19 pandemic has resulted in significant changes in NSLHD 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 12 Ministry of Health allocations
- * Note 13 Sale of goods and services from contracts with customers
- * Note 15 Grants and other contributions
- * Note 19 Other gains / (losses)
- * Note 22 Receivables
- * Note 23 Inventories
- * Note 25 Leases
- * Note 27 Fair value measurement of non-financial assets
- * Note 29 Payables
- * Note 32 Provisions
- * Note 37 Adjusted budget review
- * Note 43 Events after the reporting period

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

2. Employee related expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	999,353	939,568	-	-
Superannuation - defined benefit plans	3,920	4,181	-	-
Superannuation - defined contribution plans	92,424	81,508	-	-
Long service leave	(15,789)	2,103	-	-
Redundancies	714	286	-	-
Workers' compensation insurance	7,204	7,783	-	-
Fringe benefits tax	7	37	-	-
	1,087,833	1,035,466	-	-

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

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

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

3. Personnel services

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	999,353	939,568
Superannuation - defined contribution plans	-	-	92,424	81,508
Long service leave	-	-	(4,023)	6,848
Redundancies	-	-	714	286
Workers' compensation insurance	-	-	7,204	7,783
Fringe benefits tax	-	-	7	37
	-	-	1,095,679	1,036,030

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

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

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout NSLHD's hospitals. VMO expenses of \$58.49 million (2021: \$50.06 million) represent part of the day-to-day running costs incurred in the normal operations of NSLHD. These costs are expensed as incurred.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

5. Other expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Advertising	192	168	192	168
Auditor's remuneration - audit of financial statements	242	232	242	232
Blood and blood products	11,366	11,062	11,366	11,062
Consultancies	3,553	536	3,553	536
Contractors	8,074	5,075	8,074	5,075
Domestic supplies and services	46,956	47,116	46,956	47,116
Drug supplies*	52,277	47,257	52,277	47,257
Food supplies	24,436	22,736	24,436	22,736
Fuel, light and power	9,911	10,262	9,911	10,262
Patient transport costs	9,760	9,155	9,760	9,155
Information management expenses	36,374	34,939	36,374	34,939
Insurance	1,534	1,295	1,534	1,295
Maintenance (see Note 5 (b))	65,246	90,422	65,246	90,422
Medical and surgical supplies	90,158	87,878	90,158	87,878
Motor vehicle expenses	1,318	1,618	1,318	1,618
Postal and telephone costs	2,227	2,658	2,227	2,658
Printing and stationery	1,591	1,655	1,591	1,655
Rates and charges	1,350	1,338	1,350	1,338
Hosted services purchased from entities controlled by the immediate parent	615	1,558	615	1,558
Specialised services (dental, radiology, pathology and allied health)	66,434	66,317	66,434	66,317
Staff related costs	9,099	9,915	9,099	9,915
Travel related costs	1,780	888	1,780	888
Other (see Note 5 (a))	262,155	290,419	262,155	290,419
	706,648	744,499	706,648	744,499

* Drug supplies includes \$3.41 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within NSLHD. Refer to Note 23 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 NSLHD.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

5. Other expenses (continued)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
(a) Other				
Contract for patient services	226,849	209,912	226,849	209,912
Corporate support services	13,975	10,547	13,975	10,547
Courier and freight	693	639	693	639
Isolated patient travel and accommodation assistance scheme	1	5	1	5
Legal services	5	693	5	693
Membership/professional fees	968	841	968	841
Public private partnership contracted services	8,052	47,000	8,052	47,000
Quality assurance / accreditation	136	147	136	147
Security services	2,758	1,345	2,758	1,345
Expenses relating to short-term leases	637	646	637	646
Expenses relating to leases of low-value assets	1,669	1,435	1,669	1,435
Variable lease payments, not included in lease liabilities	12	55	12	55
Other miscellaneous	6,400	17,154	6,400	17,154
	262,155	290,419	262,155	290,419
(b) Reconciliation of total maintenance expense				
Maintenance contracts	25,279	31,355	25,279	31,355
New / replacement equipment under \$10,000	30,552	52,482	30,552	52,482
Repairs maintenance / non contract	9,230	7,840	9,230	7,840
Other	185	(1,255)	185	(1,255)
	65,246	90,422	65,246	90,422
Maintenance expense - contracted labour and other (non-employee related) in Note 5				
Employee related/personnel services maintenance expense included in Notes 2 and 3.	3,404	2,726	3,404	2,726
	68,650	93,148	68,650	93,148

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 NSLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 29.

Insurance

NSLHD'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

NSLHD 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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

6. Depreciation and amortisation

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Depreciation - buildings	65,987	63,858	65,987	63,858
Depreciation - plant and equipment	20,697	15,642	20,697	15,642
Depreciation - infrastructure systems	1,739	1,665	1,739	1,665
Depreciation - right-of-use buildings	144	32	144	32
Depreciation - right-of-use plant and equipment	1,634	1,593	1,634	1,593
Amortisation - intangible assets	552	553	552	553
	90,753	83,343	90,753	83,343

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	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Non-government organisations	3,481	3,692	3,481	3,692
Grants to research organisations	170	149	170	149
Grants to entities controlled by the immediate parent*	962	1,020	962	1,020
Other grants*	5,551	1,390	5,551	1,390
	10,164	6,251	10,164	6,251

* NSLHD granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 23 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 \$0.10 million (2021: \$Nil) and to external third parties under other grants was \$Nil (2021: \$Nil).

Recognition and Measurement

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

8. Finance costs

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest expense from lease liabilities	95	72	95	72
Interest expense from financial liabilities at amortised cost*	71,201	69,690	71,201	69,690
	71,296	69,762	71,296	69,762

* Of the interest expense from financial liabilities at amortised cost, \$0.78 million (2021: \$0.82 million) related to financial liabilities relating to service concession arrangements. Refer to Note 24 for further details on service concession

Recognition and Measurement

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

9. Payments to Affiliated Health Organisations

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Recurrent sourced				
Greenwich & Neringah Hospitals (HammondCare)	23,561	22,368	23,561	22,368
Royal Rehabilitation Centre Sydney	20,725	19,825	20,725	19,825
	44,286	42,193	44,286	42,193

Recognition and Measurement

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

General operating expenses / revenues of Greenwich & Neringah Hospitals (HammondCare) and Royal Rehabilitation Centre, Sydney have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments and expense accruals made to the health organisations concerned. NSLHD is not deemed to own or control the various assets / liabilities of the aforementioned health organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

Northern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

10. Revenue

Recognition and Measurement

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

Under the GSF Act 2018, NSLHD'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 NSLHD which forms part of the consolidated fund and is not appropriated to NSLHD by an Act.

11. 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 NSLHD.

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 NSLHD 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. NSLHD'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 NSLHD to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of NSLHD. 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.

12. Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to NSLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and NSLHD 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.

NSLHD recognised additional Ministry of Health recurrent allocations of \$127.45 million (2021: \$110.97 million) and Ministry of Health capital allocations of \$1.69 million (2021: \$3.29 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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12. Ministry of Health allocations (continued)

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.

13. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Sale and recovery of pharmaceutical supplies	16,342	16,247	16,342	16,247
Sale of prostheses	8,362	9,250	8,362	9,250
Other	24,986	22,437	24,986	22,437
	49,690	47,934	49,690	47,934

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	81,621	80,801	81,621	80,801
- Nursing home fees	455	338	455	338
- Non inpatient fees	5,141	4,623	5,141	4,623
Department of Veterans' Affairs	6,153	10,065	6,153	10,065
Motor Accident Authority third party	13,624	11,994	13,624	11,994

Staff

Private use of motor vehicles	54	67	54	67
Salary packaging fee	1,024	1,001	1,024	1,001
Meals and accommodation	48	92	48	92
Child care fees	1,660	1,573	1,660	1,573

General community

Car parking	209	273	209	273
Clinical services (excluding clinical drug trials)	2,549	1,919	2,549	1,919
Commercial activities	2,445	2,906	2,445	2,906
Fees for conferences and training	13	20	13	20
Fees for medical records	222	211	222	211
Information retrieval	3	1	3	1

Non-NSW Health entities

Services to other organisations	2,568	2,330	2,568	2,330
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Entities controlled by the immediate parent

Hosted service revenues	8,871	9,463	8,871	9,463
Shared corporate service revenues	-	1	-	1

Other

Infrastructure fees - annual charge	3,409	6,350	3,409	6,350
Infrastructure fees - monthly facility charge	16,016	20,120	16,016	20,120
Other	12,967	6,218	12,967	6,218

	159,052	160,366	159,052	160,366
	208,742	208,300	208,742	208,300

Northern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. 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 NSLHD satisfies a performance obligation by transferring the promised goods.

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

13. 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 NSLHD satisfies the performance obligation by transferring the promised services.

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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13. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Rendering of services (continued)

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

14. Investment revenue

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest income from financial assets at amortised cost	845	870	845	870
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	(36)	96	(36)	96
	809	966	809	966

Recognition and Measurement

Interest income

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

15. Grants and other contributions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	(35)	3,348	(35)	3,348
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	8,695	8,404	8,695	8,404
Clinical trials and research grants	6,874	6,826	6,874	6,826
Commonwealth government grants received for community based services	10,337	10,164	10,337	10,164
Other grants from entities controlled by the immediate parent	437	732	437	732
Other grants	5,911	6,236	5,911	6,236
Grants without specific performance obligations				
Clinicals trial and research grants	5	111	5	111
Commonwealth government grants other*	3,116	2	3,116	2
Other grants from entities controlled by the immediate parent*	940	15,658	940	15,658
Other grants*	363	-	363	-
Donations	2,795	9,656	2,795	9,656
	39,438	61,137	39,438	61,137

* NSLHD 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 23 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 \$3.12 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$0.58 million (2021: \$Nil) and from external third parties under other grants was \$0.00 million (2021: \$Nil).

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

15. 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 NSLHD are recognised when NSLHD satisfies its obligations under the transfer. NSLHD 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 NSLHD satisfies a performance obligation by transferring the promised goods or services. NSLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. NSLHD 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 NSLHD 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. NSLHD receives volunteer services for the below activities:

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

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

Northern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Superannuation - defined benefit plans	3,920	4,181	-	-
Long service leave provision	(11,766)	(4,745)	-	-
	(7,846)	(564)	-	-

17. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Bad debts recovered	1	16	1	16
Commissions	41	39	41	39
Discounts	4	1	4	1
Insurance refunds	510	577	510	577
Rental income				
- other rental income	4,951	4,381	4,951	4,381
Revenue related to service concession arrangements*	9,389	9,389	9,389	9,389
Sponsorship	-	24	-	24
Unclaimed deposits	52	203	52	203
Other	6,116	7,569	6,116	7,569
	21,064	22,199	21,064	22,199

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

Recognition and Measurement

Other Income

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

Forgiveness of liabilities

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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18. Gains / (losses) on disposal

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	801	874	801	874
<i>Less: proceeds from disposal</i>	101	32	101	32
Net gains / (losses) on disposal	(700)	(842)	(700)	(842)
Right-of-use assets				
Written down value of assets disposed	-	6	-	6
<i>Less: lease liabilities extinguished</i>	-	6	-	6
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	(700)	(842)	(700)	(842)

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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19. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(161)	-	(161)	-
Foreign exchange gains / (losses)	(3)	-	(3)	-
	(164)	-	(164)	-

* Inventory write down includes COVID-19 vaccine wastage of \$0.14 million (2021: \$Nil) and impairment of \$0.02 million (2021: \$Nil). Refer to Note 23 for further details on COVID-19 vaccines.

Recognition and Measurement

Impairment losses on non-financial assets

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

- Note 22 Receivables
- Note 23 Inventories
- Note 24 Property, plant and equipment
- Note 25 Leases
- Note 26 Intangible assets

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

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

21. Cash and cash equivalents

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Cash at bank and on hand	107,581	91,894	107,581	91,894
Short-term deposits	-	29,869	-	29,869
	107,581	121,763	107,581	121,763

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)	107,581	121,763	107,581	121,763
	107,581	121,763	107,581	121,763

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

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

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

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

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

22. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Trade receivables from contracts with customers	39,665	34,698	39,665	34,698
Intra health receivables	4,619	4,984	4,619	4,984
Goods and Services Tax	12,866	15,503	12,866	15,503
Other receivables	2,091	1,225	2,091	1,225
Sub total	59,241	56,410	59,241	56,410
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(4,874)	(3,798)	(4,874)	(3,798)
- Other receivables	(1,444)	(2,261)	(1,444)	(2,261)
Sub total	52,923	50,351	52,923	50,351
Prepayments	6,947	2,193	6,947	2,193
	59,870	52,544	59,870	52,544

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

	Consolidated	Consolidated	Parent	Parent
Trade receivables from contracts with customers				
Balance at the beginning of the year	(3,798)	(4,626)	(3,798)	(4,626)
Amounts written off during the year	2,998	2,961	2,998	2,961
Amounts recovered during the year	(138)	(67)	(138)	(67)
(Increase) / decrease in allowance recognised in the net result ¹	(3,937)	(2,066)	(3,937)	(2,066)
Balance at the end of the year	(4,874)	(3,798)	(4,874)	(3,798)
Other receivables				
Balance at the beginning of the year	(2,261)	(1,392)	(2,261)	(1,392)
Amounts written off during the year	735	1,142	735	1,142
Amounts recovered during the year	(1)	(2)	(1)	(2)
(Increase) / decrease in allowance recognised in the net result	82	(2,008)	82	(2,008)
Balance at the end of the year	(1,444)	(2,261)	(1,444)	(2,261)
	(6,318)	(6,059)	(6,318)	(6,059)

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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22. Receivables (continued)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-current				
Prepayments	2,019	1,662	2,019	1,662
	2,019	1,662	2,019	1,662

¹ Includes total impairment loss of \$3.94 million (2021: \$2.07 million) recognised on receivables from contracts with customers.

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

Current and non-current include:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Patient fees - compensable	3,642	2,488	3,642	2,488
Patient fees - ineligible	6,813	5,856	6,813	5,856
Patient fees - inpatient & other	15,026	12,572	15,026	12,572
	25,481	20,916	25,481	20,916

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

	Consolidated 2022 \$000	Consolidated' 2021 \$000	Parent 2022 \$000	Parent' 2021 \$000
Contract receivables (included in Note 22)	44,200	39,598	44,200	39,598
Total contract receivables	44,200	39,598	44,200	39,598

¹ Prior year figures have been restated lower by \$0.022 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

NSLHD 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

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

In response to the COVID-19 pandemic, NSLHD has changed the terms and conditions with its counterparties to offer deferred payment terms and rent relief to some tenants. NSLHD has a rental receivables balance amount of \$0.80 million as at 2022 (2021: \$1.79 million). The expected impacts on the recoverability of these receivables is not considered significant.

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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23. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Held-for-distribution				
Drug supplies	3,581	2,813	3,581	2,813
Medical and surgical supplies	4,893	5,052	4,893	5,052
Engineering supplies	55	66	55	66
Other including goods in transit	148	171	148	171
Sub total	8,677	8,102	8,677	8,102
Less: Allowance for impairment				
- Drug supplies	(20)	-	(20)	-
	8,657	8,102	8,657	8,102

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

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

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$3.7 million (2021: \$Nil) and \$3.51 million (2021: \$Nil), respectively. \$0.14 million (2021: \$Nil) of vaccines were written-off and another \$0.02 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.04 million (2021: \$Nil) which is included as part of the inventory drug supplies.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost NSLHD 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.

Northern Sydney 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 Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	3,265,929	210,792	67,924	3,544,645
Less: accumulated depreciation and impairment	645,527	107,131	22,945	775,603
Net carrying amount	2,620,402	103,661	44,979	2,769,042

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	2,620,402	103,661	44,979	2,769,042
Additions	37,046	37,872	-	74,918
Reclassification to intangibles	-	(1,113)	-	(1,113)
Reclassification to assets held for sale	3,506	-	-	3,506
Disposals	(524)	(350)	-	(874)
Equity transfers - transfers in / (out)	(8,142)	-	-	(8,142)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	732	-	732
Net revaluation increments less revaluation decrements	(478)	-	-	(478)
Depreciation expense	(63,858)	(15,642)	(1,665)	(81,165)
Reclassifications	1,514	(2,203)	689	-
Net carrying amount at end of year	2,589,466	122,957	44,003	2,756,426

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

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

Northern Sydney 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 Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	3,255,653	225,781	68,613	3,550,047
Less: accumulated depreciation and impairment	666,187	102,824	24,610	793,621
Net carrying amount	2,589,466	122,957	44,003	2,756,426

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	2,589,466	122,957	44,003	2,756,426
Additions	37,811	17,130	-	54,941
Reclassification to intangibles	-	(2)	-	(2)
Disposals	-	(801)	-	(801)
Equity transfers - transfers in / (out)	(2,857)	-	-	(2,857)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	437	-	437
Net revaluation increments less revaluation decrements	269,778	-	5,203	274,981
Depreciation expense	(65,987)	(20,697)	(1,739)	(88,423)
Reclassifications	(3,262)	(1,504)	4,766	-
Net carrying amount at end of year	2,824,949	117,520	52,233	2,994,702

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	3,644,760	229,351	81,828	3,955,939
Less: accumulated depreciation and impairment	819,811	111,831	29,595	961,237
Net carrying amount	2,824,949	117,520	52,233	2,994,702

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

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

- land and buildings \$692.59 million (2021: \$637.56 million)
- plant and equipment \$22.98 million (2021: \$27.52 million)
- infrastructure systems \$24.12 million (2021: \$22.05 million)

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

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

Northern Sydney 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)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	3,229,522	210,793	67,924	3,508,239
Less: accumulated depreciation and impairment	627,067	107,131	22,945	757,143
Net carrying amount	2,602,455	103,662	44,979	2,751,096

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	2,602,455	103,661	44,979	2,751,095
Additions	37,046	37,872	-	74,918
Reclassification to intangibles	-	(1,113)	-	(1,113)
Reclassification to assets held for sale	3,506	-	-	3,506
Disposals	(524)	(350)	-	(874)
Equity transfers - transfers in / (out)	(8,142)	-	-	(8,142)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	732	-	732
Net revaluation increment less revaluation decrements	(478)	-	-	(478)
Depreciation expense	(62,948)	(15,642)	(1,665)	(80,255)
Reclassifications	1,514	(2,203)	689	-
Net carrying amount at end of year	2,572,429	122,957	44,003	2,739,389

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

Northern Sydney 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)

(b) Property, plant and equipment held and used by NSLHD (continued)

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	3,219,246	225,783	68,613	3,513,642
<i>Less: accumulated depreciation and impairment</i>	646,817	102,824	24,610	774,251
Net carrying amount	2,572,429	122,959	44,003	2,739,391

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	2,572,429	122,958	44,003	2,739,390
Additions	37,811	17,130	-	54,941
Reclassification to intangibles	-	(2)	-	(2)
Disposals	-	(801)	-	(801)
Equity transfers - transfers in / (out)	(2,857)	-	-	(2,857)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	437	-	437
Net revaluation increments less revaluation decrements	267,785	-	5,203	272,988
Depreciation expense	(65,080)	(20,697)	(1,739)	(87,516)
Reclassifications	(3,262)	(1,504)	4,766	-
Net carrying amount at end of year	2,806,826	117,521	52,233	2,976,580

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	3,603,853	229,352	81,828	3,915,033
<i>Less: accumulated depreciation and impairment</i>	797,027	111,831	29,595	938,453
Net carrying amount	2,806,826	117,521	52,233	2,976,580

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

Northern Sydney 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)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	36,406	-	-	36,406
Less: accumulated depreciation and impairment	18,460	-	-	18,460
Net carrying amount	17,946	-	-	17,946

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	17,946	-	-	17,946
Depreciation expense	(910)	-	-	(910)
Net carrying amount at end of year	17,036	-	-	17,036

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	36,406	-	-	36,406
Less: accumulated depreciation and impairment	19,370	-	-	19,370
Net carrying amount	17,036	-	-	17,036

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	17,036	-	-	17,036
Net revaluation increments less revaluation decrements	1,993	-	-	1,993
Depreciation expense	(907)	-	-	(907)
Net carrying amount at end of year	18,122	-	-	18,122

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	40,906	-	-	40,906
Less: accumulated depreciation and impairment	22,784	-	-	22,784
Net carrying amount	18,122	-	-	18,122

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

24. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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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 NSLHD.

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

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

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

	Useful lives
Buildings	40 years
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, and 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. NSLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 25.

Service concession assets

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

AASB 1059 Service Concession Arrangements (AASB 1059) requires the grantor to recognise the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

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

Northern Sydney 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)

Service concession assets (continued)

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

Description

Northern Beaches Hospital arrangement consist of a public hospital, a private hospital and the hospital car park located in the suburb of Frenchs Forest. The private hospital is not a service concession asset and is excluded from discussions below.

Period of arrangement

Northern Beaches Public Hospital - 20 years (2018 - 2038)
Northern Beaches Car Park - 40 years (2018 - 2058)

Terms of the arrangement

NSLHD has contracted HealthScope (Operator) to build, operate and manage the hospital and the car park for the duration of the arrangement. The construction of the public hospital was funded by NSLHD, paid upfront on completion of the construction works. The private hospital and the car park was fully funded by the Operator. NSLHD has no funding obligations for the private hospital. For the car park, NSLHD has granted rights to the Operator to operate and generate revenue from the car parks. Annual service level agreements are entered into for the delivery of public health services at the public hospital with the Operator, which is funded by NSLHD, paid on a monthly basis.

Rights and obligations

NSLHD is obliged to provide the Operator with access to the hospital and the car park. The Operator is responsible for the delivery of health services to public patients at the hospital which NSLHD is obliged to pay for. At the end of the arrangement, the Operator is obliged to return all assets back to NSLHD. NSLHD will be sharing a portion of the hospital facilities with the private operator for a additional term of 20 years after the expiry of the concession period. NSLHD is required to issue a notice outlining what shared services will be provided by different parties. NSLHD has rights to extend the arrangement for up to 5 years, by way of giving 3 years notice to the operator.

Changes in arrangements occurred during 2021

Nil

Changes in arrangements occurred during 2022

Nil

Northern Sydney Local Health District
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Carrying amounts of SCA	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Northern Beaches Public Hospital	542,852	27,524	22,051	592,427
Northern Beaches Car Park	49,381	-	-	49,381
	592,233	27,524	22,051	641,808
Year ended 30 June 2022				
Northern Beaches Public Hospital	590,482	22,978	24,115	637,576
Northern Beaches Car Park	54,005	-	-	54,005
	644,487	22,978	24,115	691,581

Description

The arrangement consist of two multi-storey car parks at Royal North Shore Hospital, namely P1 and P2.

Period of arrangement

P1 Car Park - 26.5 years (2010 - 2036)
P2 Car Park - 22 years (2014 - 2036)

Terms of the arrangement

NSLHD has contracted Infrashore (Operator) to build P1 car park and manage both P1 and P2 car parks for the duration of the arrangement. The construction of the P2 car park is funded by NSLHD, paid in instalments under a financing arrangement for the duration of the term. P1 car park was an existing carpark of NSLHD. NSLHD has granted rights to the Operator to operate and generate revenue from both the car parks. Upon grant of this right, the Operator has paid an upfront license fee to NSLHD.

Rights and obligations

NSLHD is obliged to provide the Operator with access to the carparks and obligated to pay for the construction of the P2 car park under the financing arrangement with the Operator. The Operator is responsible for operating the car parks and at the end of the arrangement, return all assets back to NSLHD. There is no provision for extension of the term.

Changes in arrangements occurred during 2021

Nil

Changes in arrangements occurred during 2022

Nil

Carrying amounts of SCA

Year ended 30 June 2021

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Royal North Shore Hospital P1 Car Park	23,515	-	-	23,515
Royal North Shore Hospital P2 Car Park	21,810	-	-	21,810
	45,325	-	-	45,325

Period ended 30 June 2022

Royal North Shore Hospital P1 Car Park	24,484	-	-	24,484
Royal North Shore Hospital P2 Car Park	23,614	-	-	23,614
	48,098	-	-	48,098

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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i. Initial recognition

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

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

ii. Subsequent to initial recognition

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

iii At the end of the arrangement

At the end of a service concession arrangement:

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

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

The last comprehensive revaluation was completed on 31 December 2019 and was based on an independent assessment.

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

An interim management revaluation was completed on 30 June 2022 indicating a cumulative increase of 3.00% for land, 12.36% for buildings and 12.36% for infrastructure. NSLHD used an external professionally qualified valuer to conduct the interim management revaluation. Indicators provided by CBRE Valuations Pty Ltd were applied as they were deemed material.

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

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.

NSLHD 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, NSLHD 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.

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25. Leases

(a) Entity as a lessee

NSLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 6 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. NSLHD 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 NSLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$0.07 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.

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

Right-of-use assets under leases

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

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	176	3,120	3,296
Additions	357	2,362	2,719
Reassessments	68	4	72
Depreciation expense	(144)	(1,634)	(1,778)
Balance at 30 June 2022	457	3,852	4,309

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	397	4,550	4,947
Additions	86	159	245
Reassessments	(275)	10	(265)
Disposals	-	(6)	(6)
Depreciation expense	(32)	(1,593)	(1,625)
Balance at 30 June 2021	176	3,120	3,296

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25. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Balance at 1 July	3,336	5,106
Additions	2,719	245
Interest expenses	95	72
Payments	(1,804)	(1,815)
Terminations / derecognition*	-	(7)
Other adjustments	73	(264)
Balance at 30 June	4,419	3,337

* Terminations / derecognition includes derecognition of lease liabilities of \$Nil with Property NSW as at 30 June 2022.

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

PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Depreciation expense of right-of-use assets	1,778	1,625
Interest expense on lease liabilities	95	72
Expenses relating to short-term leases	637	646
Expenses relating to leases of low-value assets	1,669	1,435
Variable lease payments, not included in the measurement of lease liabilities	12	55
Total amount recognised in the statement of comprehensive income	4,191	3,833

NSLHD had total cash outflows for leases of \$4.12 million for the year ended 30 June 2022 (2021: \$3.95 million).

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

NSLHD entered into a number of leases, with lease terms ranging from 5 years with various local councils for the use of community health buildings. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by NSLHD to provide different community health services. The community health buildings account for a small portion of the similar assets NSLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on NSLHD's operations.

Recognition and Measurement

NSLHD 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.

NSLHD 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.

25. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 6 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 4 years

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

Impairment losses for right-of-use assets

The market rent for some of NSLHD's office accommodation property leases were negatively impacted by COVID-19, indicating the carrying amount of such lease right-of-use assets exceeded their recoverable amounts. Impairment losses of \$Nil (2021: \$Nil) were recognised during the year to write down the carrying amount of affected leases to its recoverable amount.

Impairment losses for right-of-use assets are included in 'Other gains / (losses)' in the Statement of Comprehensive Income.

ii. Lease liabilities

At the commencement date of the lease, NSLHD 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 NSLHD; and
- payments of penalties for terminating the lease, if the lease term reflects NSLHD exercising the option to terminate.

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. NSLHD 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, NSLHD 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.

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

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

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

(b) Entity as a lessor

NSLHD leases few retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

NSLHD also leases spaces to NGO's under operating leases arrangements. Generally there are no rental payments as NSLHD provides market rental assistance grants to offset the rental payments.

Although NSLHD is exposed to changes in the residual value at the end of the current lease, NSLHD typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

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.

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26. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2020		
Cost (gross carrying amount)	7,766	7,766
Less: accumulated amortisation and impairment	5,174	5,174
Net carrying amount	2,592	2,592

	Software \$000	Total \$000
Year ended 30 June 2021		
Net carrying amount at beginning of year	2,592	2,592
Reclassifications from plant and equipment	1,113	1,113
Amortisation (recognised in depreciation and amortisation)	(553)	(553)
Net carrying amount at end of year	3,152	3,152

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	8,879	8,879
Less: accumulated amortisation and impairment	5,727	5,727
Net carrying amount	3,152	3,152

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	3,152	3,152
Reclassifications from plant and equipment	2	2
Amortisation (recognised in depreciation and amortisation)	(552)	(552)
Net carrying amount at end of year	2,602	2,602

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26. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software	Total
	\$000	\$000
At 30 June 2022		
Cost (gross carrying amount)	8,881	8,881
Less: accumulated amortisation and impairment	6,279	6,279
Net carrying amount	2,602	2,602

Recognition and Measurement

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

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

Computer software developed or acquired by NSLHD 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.

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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, NSLHD 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).

NSLHD 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	-	25,242	2,781,120	2,806,362
- Infrastructure systems	-	-	52,105	52,105
	-	25,242	2,833,225	2,858,467

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

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

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	48,095	2,291,791	2,339,886
- Infrastructure systems	-	826	43,030	43,856
	-	48,921	2,334,821	2,383,742

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

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

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

(b) Valuation techniques, inputs and processes

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

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

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

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

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

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

- For buildings and infrastructure, many assets are of a specialised nature or use, 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 NSLHD to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2021	2,291,791	43,030	2,334,821
Additions*	294,300	5,611	299,911
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	263,667	5,203	268,870
Depreciation expense	(65,781)	(1,739)	(67,520)
Equity transfers - transfers in / (out)	(2,857)	-	(2,857)
Fair value as at 30 June 2022	2,781,120	52,105	2,833,225

* 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 desktop revaluation.

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

2021	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	2,360,405	44,674	2,405,079
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	(478)	-	(478)
Disposals	(524)	-	(524)
Depreciation expense	(62,976)	(1,644)	(64,620)
Equity transfers - transfers in / (out)	(8,142)	-	(8,142)
Others	3,506	-	3,506
Fair value as at 30 June 2021	2,291,791	43,030	2,334,821

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

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28. Restricted assets

PARENT AND CONSOLIDATION

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

Category	1 July 2021 Opening \$000	Revenue \$000	Expense \$000	2022 Closing \$000
Community welfare	190	14	64	140
Facility improvements	34,209	1,852	8,106	27,955
Holds funds in perpetuity	60	4	-	64
Patient welfare	4,281	192	498	3,975
Private practice disbursements (No.2 Accounts)	41,871	3,644	5,550	39,965
Public contributions	3,427	433	274	3,586
Research	22,088	4,599	5,502	21,185
Staff welfare	56	7	1	62
Training and education including conferences	9,397	917	998	9,316
	115,579	11,662	20,993	106,248

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

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

Unclaimed monies

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

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.

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29. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Accrued salaries, wages and on-costs	16,536	16,681	-	-
Salaries and wages deductions	(5)	199	-	-
Payroll and fringe benefits tax	110	131	-	-
Accrued liability - purchase of personnel services	-	-	16,641	17,011
Creditors	29,052	26,439	29,052	26,439
Other creditors				
- Payables to entities controlled by the immediate parent	20,292	17,162	20,292	17,162
- PPP Monthly Service Fees RNS	19,601	19,771	19,601	19,771
- PPP Monthly Service Fees NBH	51,614	21,852	51,614	21,852
- Other	31,020	27,718	31,020	27,718
	168,220	129,953	168,220	129,953

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 NSLHD 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.

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30. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Contract liabilities	14,188	11,758	14,188	11,758
	14,188	11,758	14,188	11,758

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 increased during the year because of the timing of payments received.

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	11,758	9,260	11,758	9,260

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31. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Other loans and deposits	393	402	393	402
Lease liabilities (see Note 25)	1,611	1,355	1,611	1,355
Service concession financial liabilities*	1,448	1,359	1,448	1,359
Public Private Partnerships	9,131	6,200	9,131	6,200
	12,583	9,316	12,583	9,316
Non-current				
Other loans and deposits	1,728	2,120	1,728	2,120
Lease liabilities (see Note 25)	2,808	1,982	2,808	1,982
Service concession financial liabilities*	29,629	31,077	29,629	31,077
Public Private Partnerships	678,199	687,634	678,199	687,634
	712,364	722,813	712,364	722,813

* This relates to contractual payments made to the operator, refer to Note 24 for further details on NSLHD's service concession arrangements.

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

Other loans (EEGP Loan) still to be extinguished represent monies to be repaid to the NSW Treasury, which is controlled by the ultimate parent.

The Public, Private Partnership relate to the provision of service-enabling infrastructure that includes private sector delivering a combination of design, construction, financing, maintenance, operations and delivery of clinical and non-clinical services. Payments are made by NSLHD to the private sector entities on the basis of delivery of assets or service delivery. The liability to pay the private sector entities is based on financing arrangements involving Consumer Price Index (CPI)-linked finance and fixed finance.

Royal North Shore Hospital Campus redevelopment Public Private Partnership (PPP) Contract awarded in October 2008. Project construction completed and commissioned in October 2014. PPP Contract will expire in 2037.

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

Northern Sydney 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, public private partnerships 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 NSLHD 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

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

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

NSLHD 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

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	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2020	33,710	702,600	5,105	741,415
Cash flows	(1,274)	(6,242)	(1,743)	(9,259)
New leases	-	-	245	245
Lease terminations	-	-	(7)	(7)
Lease reassessments	-	-	(265)	(265)
30 June 2021	32,436	696,358	3,335	732,129
1 July 2021	32,436	696,358	3,335	732,129
Cash flows	(1,359)	(6,907)	(1,709)	(9,975)
New leases	-	-	2,719	2,719
Lease reassessments	-	-	74	74
30 June 2022	31,077	689,451	4,419	724,947

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

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32. Provisions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	100,461	97,644	-	-
Annual leave - obligations expected to be settled after 12 months	61,954	48,665	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,858	2,753	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	27,180	29,946	-	-
Provision for other employee benefits*	30,549	5,221	-	-
Provision for personnel services liability	-	-	222,002	185,316
Other	-	1,087	-	-
	222,002	185,316	222,002	185,316
Other Provisions				
Other	54,207	75,476	54,207	75,476
	54,207	75,476	54,207	75,476
Total current provisions	276,209	260,792	276,209	260,792
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	2,872	3,234	-	-
Provision for personnel services liability	-	-	2,872	3,234
Total non-current provisions	2,872	3,234	2,872	3,234
Aggregate employee benefits and related on-costs				
Provisions - current	222,002	185,316	-	-
Provisions - non-current	2,872	3,234	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	16,531	16,880	-	-
Liability - purchase of personnel services	-	-	241,405	205,430
	241,405	205,430	241,405	205,430

* Provision for other employee benefits includes a one-off payment to employees of \$25.25 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

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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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other				
Carrying amount at beginning of period	75,476	18,444	75,476	18,444
- Additional provisions recognised*	5,732	57,032	5,732	57,032
- Amounts used	(27,001)	-	(27,001)	-
Carrying amount at end of period	54,207	75,476	54,207	75,476

* Additional provisions recognised of \$5.73 million in 2022, includes a one-off payment to visiting medical officers of \$1.61 million (2021: \$Nil) and affiliated health organisations of \$0.90 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. NSLHD has recognised the provision amount by taking into consideration all available information at the reporting date and making best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.

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 20.08% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 19.68%). NSLHD has assessed the actuarial advice based on the NSLHD'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 NSLHD does not expect to settle the liability within 12 months as NSLHD does not have an unconditional right to defer settlement.

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

NSLHD'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. NSLHD 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 NSLHD.

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

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33. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Unearned revenue	1,840	1,427	1,840	1,427
Grant of right to operate liability under service concessions*	9,389	9,389	9,389	9,389
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	289	221	289	221
	11,518	11,037	11,518	11,037
Non-current				
Unearned revenue	18,481	19,630	18,481	19,630
Grant of right to operate liability under service concessions*	174,451	183,840	174,451	183,840
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	5,520	4,509	5,520	4,509
Other	178	188	178	188
	198,630	208,167	198,630	208,167

* This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 17 and Note 24 for further information on service concession arrangement.

Unearned revenue was derived from the following:

In October 2008, \$30 million was received in advance from University of Sydney, under the terms of contract for the use of Kolling building for the 30 years ending 2038.

In November 1996, \$7 million was received in advance from Ramsay Health Care Group, under the terms of contract to operate private health facility for the 50 years ending in 2046 and \$3 million received for the use of Royal North Shore car park facilities for the 40 years ending 2036.

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

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	4,730	7,249
Add: receipt of cash during the financial year	1,044	829
Deduct: income recognised during the financial year	(35)	3,348
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	5,809	4,730

Refer to Note 15 for a description of NSLHD's obligations under transfers received to acquire or construct non-financial assets to be controlled by NSLHD.

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

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34. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with NSLHD'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) An equity transfer was made to the Ministry of Health in accordance with the Real Property Disposal Framework. This has resulted in a decrease in net assets of \$2.86 million.

Equity transfers effected in the 2020/21 year were:

- (b) An equity transfer was made to the Ministry of Health in accordance with the Real Property Disposal Framework. This has resulted in a decrease in net assets of \$8.14 million.

Equity transfers effected comprised:

	2022 \$000	2021 \$000
(a) Land - Transfer to NSW Ministry of Health	2,857	6,502
(b) Buildings - Transfer to NSW Ministry of Health	-	1,640
	2,857	8,142

Assets and Liabilities transferred are as follows:

	2022 \$000	2021 \$000
Assets		
(a) Land and building transfer	(2,857)	(8,142)
Increase / (Decrease) in Net Assets From Equity Transfers	(2,857)	(8,142)

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, NSLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, NSLHD does not recognise that asset.

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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	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Within one year	8,919	27,058	8,919	27,058
Later than one year and not later than five years	-	1,267	-	1,267
Total (including GST)	8,919	28,325	8,919	28,325

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$8.92 million as at 30 June 2022 includes input tax credits of \$0.81 million that are expected to be recoverable from the Australian Taxation Office (2021: \$2.6 million).

36. Contingent liabilities and contingent assets

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

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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). NSLHD'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, NSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between NSLHD 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.

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Net result

The actual Net Result was higher than adjusted budget by \$29 million, primarily due to:

Net expenses increased by \$0.3 million due to increase of VMO expenses (\$3 million), Depreciation (\$1 million) and AHO payments (\$2 million) and decrease of Employee-related expenses (\$2.7 million), Finance costs (\$0.6 million) and Other expenses (\$2.4 million).

Net revenue increased by \$33 million mainly due to increased Ministry allocations (\$62 million) and decreased patient fees (\$17million), Grants (\$9 million) and Cost recovery (\$3 million).

Assets and liabilities

Actual consolidated total assets were favourable by \$279 million to the budget. The net variance is mainly due to Asset Indexation of movement (\$268 million), timing difference in Cash and Receivables (\$11 million).

Actual consolidated total liabilities were favourable by \$30 million to the budget. The net variance is mainly due to increase in provisions (\$54 million) and decrease in timing difference of payables and other liabilities (\$24 million).

Cash flows

Actual Operating cash flow were favourable by \$2 million to the budget. The variance to the budget is mainly related to increase in COVID-19 employee and Ministry funded escalations (\$62 million FAV) offset by reduced patient fees, vendor payments (\$60 million UNF).

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2021 are as follows:

	\$000
Initial allocation 1 July 2021	1,184,948
Award increases	223,191
2021/22 General escalations	72,683
COVID-19	127,450
2020/21 Year end adjustment / Salaries accrual	(21,442)
Additional Provision to support Northern Beaches Hospital FY21/22	5,997
AASB 1059 Service Concession Arrangements: Grantor	5,125
InforMH transfer of budget following transition to Health System Support Group	(4,424)
New Locally Funded Initiative Project - NSLHD	2,872
Collaborative Commissioning FY21/22	2,368
Public Private Partnership (PPP) Budget Supplementation FY 2021-22	1,653
Mental Health Program Retraction FY2021-22	(1,409)
Safeguards Child and Adolescent Mental Health Response Teams	1,260
Manly Adolescent and Young Adult Hospice (AYAH) capital contribution FY2021/22	1,100
Nurse and Midwifery Strategy Reserve	623
TMF Agency Performance Adjustment	572
2021-22 Defined Benefit Superannuation	538
s100 High Cost Drugs Co-Payment reimbursement for FY2021/22	435
Voluntary Redundancy	255
Other activity	2,681
Balance as per Statement of Comprehensive Income	1,606,476

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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 2022 \$000	Consolidated ¹ 2021 \$000	Parent 2022 \$000	Parent ¹ 2021 \$000
Net cash used on operating activities	50,691	84,967	50,691	84,967
Depreciation and amortisation expense	(90,753)	(83,343)	(90,753)	(83,343)
Allowance for impairment	(4,016)	(4,075)	(4,016)	(4,075)
(Increase) / decrease in other liabilities	9,042	12,795	9,042	12,795
Decrease / (increase) in provisions	(15,055)	(81,927)	(15,055)	(81,927)
Increase / (decrease) in inventory	557	(48)	557	(48)
Increase / (decrease) in prepayments and other assets	12,175	10,431	12,175	10,431
Decrease / (increase) in payables	(38,733)	22,289	(38,733)	22,289
Decrease / (increase) in contract liabilities	(2,429)	(2,498)	(2,429)	(2,498)
Net gain / (loss) on sale of property, plant and equipment	(700)	(842)	(700)	(842)
Increase / (decrease) in financial instruments at fair value	(58)	-	(58)	-
Assets donated or brought to account (Note 39)	437	732	437	732
Net result	(78,842)	(41,519)	(78,842)	(41,519)

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

39. Non-cash financing and investing activities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	437	732	437	732
Property, plant and equipment acquired by a lease	2,719	245	2,719	245
	3,156	977	3,156	977

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40. Trust funds

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NSLHD holds trust funds of \$4.9 million (2021: \$4.5 million) 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 NSLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	1,162	790	(830)	1,122
Refundable Deposits	150	1	(1)	150
Private Patient Trust Funds	1,269	30,866	(30,687)	1,448
Third Party Funds	1,927	2,770	(2,528)	2,169
Total trust funds	4,508	34,427	(34,046)	4,889

Category	1 July 2020			30 June 2021
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	1,359	673	(870)	1,162
Refundable Deposits	171	7	(28)	150
Private Patient Trust Funds	1,262	34,843	(34,836)	1,269
Third Party Funds	2,140	3,362	(3,575)	1,927
Total trust funds	4,932	38,885	(39,309)	4,508

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

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

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

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41. Financial instruments

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

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

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

(a) Financial instrument categories

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Class	Category	Carrying Amount 2022 \$000	Carrying Amount 2021 \$000
Financial assets			
Cash and cash equivalents (Note 21)	Amortised cost	107,581	121,763
Receivables (Note 22) ¹	Amortised cost	40,057	34,848
Total financial assets		147,638	156,611
Financial liabilities			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	724,947	732,129
Payables (Note 29) ²	Financial liabilities measured at amortised cost	168,110	129,822
Other liabilities (Note 33)	Financial liabilities measured at amortised cost	178	188
Total financial liabilities		893,235	862,139

Notes

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

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

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

NSLHD 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:

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

41. Financial instruments (continued)

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

When NSLHD 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 NSLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of NSLHD's continuing involvement in the asset. In that case, NSLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that NSLHD 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 NSLHD 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 NSLHD. 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 NSLHD, including cash, receivables and authority deposits. No collateral is held by NSLHD. NSLHD has not granted any financial guarantees.

Credit risk associated with NSLHD'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.

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

Cash and cash equivalents

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

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

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

Northern Sydney 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 and contract assets (continued)

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

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

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

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

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2022						
Expected credit loss rate	2.63%	2.33%	11.49%	28.57%	57.63%	15.13%
Estimated total gross carrying amount ¹	21,665	8,912	1,445	812	8,922	41,756
Expected credit loss	570	208	166	232	5,142	6,318
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
Expected credit loss rate	1.58%	3.25%	12.72%	21.48%	57.37%	16.87%
Estimated total gross carrying amount ¹	19,111	5,579	1,477	581	9,175	35,923
Expected credit loss	301	182	188	125	5,263	6,059

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 22.

NSLHD 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

NSLHD 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. NSLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2022 (2021: \$Nil).

Northern Sydney 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

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

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

NSLHD 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 NSLHD 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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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41. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2022								
Payables:								
- Creditors ²		168,110	-	-	168,110	168,110	-	-
Borrowings:								
- Other loans and deposits	1.94%	2,244	2,244	-	-	432	1,360	452
- Lease liabilities	2.30%	4,582	4,582	-	-	1,681	2,901	-
- Service concession financial liabilities	2.42%	37,532	37,532	-	-	2,200	9,387	25,945
- Public Private Partnership	10.23%	1,482,400	-	1,482,400	-	86,992	371,003	1,024,405
		1,694,868	44,358	1,482,400	168,110	259,415	384,651	1,050,802
2021								
Payables:								
- Creditors ²		129,822	-	-	129,822	129,822	-	-
Borrowings:								
- Other loans and deposits	1.98%	2,694	2,694	-	-	450	1,641	603
- Lease liabilities	1.99%	3,485	3,485	-	-	1,452	1,999	34
- Service concession financial liabilities	2.42%	39,676	39,676	-	-	2,144	9,149	28,383
- Public Private Partnership	9.91%	1,561,169	-	1,561,169	-	84,469	360,273	1,116,427
		1,736,846	45,855	1,561,169	129,822	218,337	373,062	1,145,447

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

Northern Sydney Local Health District
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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. NSLHD's exposures to market risk are primarily through interest rate risk on NSLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. NSLHD 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 NSLHD 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 NSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. NSLHD 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, NSLHD 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:

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	2022 \$000		2021 \$000	
	-1%	1%	-1%	1%
Net result	6,175	(6,175)	6,106	(6,106)
Equity	6,175	(6,175)	6,106	(6,106)

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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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. NSLHD has no direct equity investments. NSLHD holds units in the following TCorpIM Funds trusts:

Facility	Investment Sectors	Investment Horizon	2022 \$000	2021 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	-	29,869

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 NSLHD'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 %	2021 %	2022 \$000	2021 \$000
TCorpIM Cash Fund	10%	10%	-	2,987

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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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, NSLHD 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).

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2022 Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	-	-	-
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2021 Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	29,869	-	29,869

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 NSLHD'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.

Northern Sydney Local Health District
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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	675	695
Post-employment benefits	40	44
	715	739

During the financial year, Northern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$492K (2021: \$462K) for these services. This amount does not form part of the key management personnel compensation disclosed above.

NSLHD'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 NSLHD had with government related entities during the financial year

During the financial year and comparative year, NSLHD 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, corporate support services and pathology related costs.
- Various grants and subsidies towards research and other projects

42. Related party disclosures (continued)

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

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

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Various grants and subsidies towards research and other projects

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

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

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

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

Assets and liabilities as follows:

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

43. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS