



## INDEPENDENT AUDITOR'S REPORT

### Nepean Blue Mountains Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Nepean Blue Mountains Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

#### Basis for Opinion

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

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

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

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

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my [Subject] 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 42. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055

'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

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

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

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

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

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole [are / 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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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



Lisa Berwick  
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

16 October 2023  
SYDNEY

# Nepean Blue Mountains Local Health District

## Statement by the Accountable Authority

for the year ended 30 June 2023



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

1. The financial statements of the Nepean Blue Mountains Local Health District for the year ended 30 June 2023 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
  - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Nepean Blue Mountains Local Health District's financial position as at 30 June 2023 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  
**Chief Executive**  
10 October 2023

A handwritten signature in black ink, appearing to read 'Luke Bellman'.

Luke Bellman  
**Director, Finance & Corporate Services**  
10 October 2023

**Nepean Blue Mountains Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2023**

		Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual Restated 2022 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000
	<b>Notes</b>					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	661,646	659,850	620,950	-	-
Personnel services	3	-	-	-	645,498	623,999
Visiting medical officers	4	50,077	50,730	50,509	50,077	50,509
Operating expenses	5	338,809	328,428	346,820	338,809	346,820
Depreciation and amortisation	6	46,760	46,099	34,684	46,760	34,684
Grants and subsidies	7	4,106	3,945	5,260	4,106	5,260
Finance costs	8	699	305	490	699	490
<b>Total expenses excluding losses</b>		<b>1,102,097</b>	<b>1,089,357</b>	<b>1,058,713</b>	<b>1,085,949</b>	<b>1,061,762</b>
<b>Revenue</b>						
Ministry of Health recurrent allocations	10	987,601	958,994	909,164	987,601	909,164
Ministry of Health capital allocations	10	104,139	105,314	120,210	104,139	120,210
Acceptance by the Crown <sup>2</sup> of employee benefits	14	16,148	16,222	(3,049)	-	-
Sale of goods and services from contracts with customers	11	79,564	85,446	73,350	79,564	73,350
Investment revenue	12	2,471	964	481	2,471	481
Grants and other contributions	13	11,553	8,913	12,422	11,553	12,422
Other income	15	3,637	4,960	17,926	3,637	17,926
<b>Total revenue</b>		<b>1,205,113</b>	<b>1,180,813</b>	<b>1,130,504</b>	<b>1,188,965</b>	<b>1,133,553</b>
<b>Operating result</b>		<b>103,016</b>	<b>91,456</b>	<b>71,791</b>	<b>103,016</b>	<b>71,791</b>
Gains / (losses) on disposal	16	(18,326)	(225)	(624)	(18,326)	(624)
Impairment losses on financial assets	21	(1,588)	(300)	(2,045)	(1,588)	(2,045)
Other gains / (losses)	17	6	7	(302)	6	(302)
<b>Net result from continuing operations</b>	<b>38</b>	<b>83,108</b>	<b>90,938</b>	<b>68,820</b>	<b>83,108</b>	<b>68,820</b>
<b>Net result</b>		<b>83,108</b>	<b>90,938</b>	<b>68,820</b>	<b>83,108</b>	<b>68,820</b>
<b>Other comprehensive income</b>						
Changes in revaluation surplus of property, plant and equipment	24	29,098	-	61,874	29,098	61,874
<b>Total other comprehensive income</b>		<b>29,097</b>	<b>-</b>	<b>61,874</b>	<b>29,097</b>	<b>61,874</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>112,205</b>	<b>90,938</b>	<b>130,694</b>	<b>112,205</b>	<b>130,694</b>

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

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

The accompanying notes form part of these financial statements.

**Nepean Blue Mountains Local Health District**  
**Statement of Financial Position as at 30 June 2023**

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	Restated	Restated
	Notes	\$000	\$000	2022	1 July 2021	2023	2022	1 July 2021
				\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	20	82,215	58,873	63,143	45,506	82,215	63,143	45,506
Receivables	21	43,225	28,154	27,820	73,408	43,225	27,820	73,408
Inventories	23	4,665	3,802	4,772	3,872	4,665	4,772	3,872
		<b>130,105</b>	<b>90,829</b>	<b>95,735</b>	<b>122,786</b>	<b>130,105</b>	<b>95,735</b>	<b>122,786</b>
<b>Total current assets</b>		<b>130,105</b>	<b>90,829</b>	<b>95,735</b>	<b>122,786</b>	<b>130,105</b>	<b>95,735</b>	<b>122,786</b>
<b>Non-current assets</b>								
Receivables	21	25,787	25,787	26	931	25,787	26	931
Property, plant & equipment	24				-			-
- Land and buildings		1,126,776	1,089,587	1,048,463	893,187	1,126,776	1,048,463	893,187
- Plant and equipment		68,947	97,686	89,427	51,662	68,947	89,427	51,662
- Infrastructure systems		11,100	12,513	12,330	5,798	11,100	12,330	5,798
Total property, plant & equipment		1,206,823	1,199,786	1,150,220	950,647	1,206,823	1,150,220	950,647
Right-of-use assets	25	19,694	20,634	13,298	22,556	19,694	13,298	22,556
Intangible assets	26	1,408	657	490	418	1,408	490	418
<b>Total non-current assets</b>		<b>1,253,712</b>	<b>1,246,864</b>	<b>1,164,034</b>	<b>974,552</b>	<b>1,253,712</b>	<b>1,164,034</b>	<b>974,552</b>
<b>Total assets</b>		<b>1,383,817</b>	<b>1,337,693</b>	<b>1,259,769</b>	<b>1,097,338</b>	<b>1,383,817</b>	<b>1,259,769</b>	<b>1,097,338</b>

**Nepean Blue Mountains Local Health District**  
**Statement of Financial Position as at 30 June 2023 (continued)**

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	Restated	Restated
Notes		\$000	\$000	2022	1 July 2021	\$000	\$000	1 July 2021
				\$000	\$000			\$000
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Payables	29	82,110	62,093	67,766	53,370	82,110	67,766	53,370
Contract liabilities	30	251	74	74	39	251	74	39
Borrowings	31	5,460	1,188	5,016	6,914	5,460	5,016	6,914
Provisions	32	117,256	110,532	125,017	98,463	117,256	125,017	98,463
Other current liabilities	33	88	777	777	619	88	777	619
		<b>205,165</b>	<b>174,664</b>	<b>198,650</b>	<b>159,405</b>	<b>205,165</b>	<b>198,650</b>	<b>159,405</b>
<b>Total current liabilities</b>		<b>205,165</b>	<b>174,664</b>	<b>198,650</b>	<b>159,405</b>	<b>205,165</b>	<b>198,650</b>	<b>159,405</b>
<b>Non-current liabilities</b>								
Contract liabilities	30	556	1,081	1,081	-	556	1,081	-
Borrowings	31	20,219	25,332	14,409	22,813	20,219	14,409	22,813
Provisions	32	1,717	1,722	1,672	1,860	1,717	1,672	1,860
Other non-current liabilities	33	4,916	4,916	4,916	4,914	4,916	4,916	4,914
<b>Total non-current liabilities</b>		<b>27,408</b>	<b>33,051</b>	<b>22,078</b>	<b>29,587</b>	<b>27,408</b>	<b>22,078</b>	<b>29,587</b>
<b>Total liabilities</b>		<b>232,573</b>	<b>207,715</b>	<b>220,728</b>	<b>188,992</b>	<b>232,573</b>	<b>220,728</b>	<b>188,992</b>
<b>Net assets</b>		<b>1,151,244</b>	<b>1,129,978</b>	<b>1,039,041</b>	<b>908,346</b>	<b>1,151,244</b>	<b>1,039,041</b>	<b>908,346</b>
<b>EQUITY</b>								
Reserves		177,059	147,630	147,632	85,755	177,059	147,632	85,755
Accumulated funds		974,185	982,348	891,409	822,591	974,185	891,409	822,591
<b>Total Equity</b>		<b>1,151,244</b>	<b>1,129,978</b>	<b>1,039,041</b>	<b>908,346</b>	<b>1,151,244</b>	<b>1,039,041</b>	<b>908,346</b>

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

The accompanying notes form part of these financial statements.

**Nepean Blue Mountains Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2023**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2022</b>		<b>892,158</b>	<b>147,630</b>	<b>1,039,788</b>
Correction of error - long service leave calculations	19	(749)	-	(749)
<b>Restated balance at 1 July 2022</b>		<b>891,409</b>	<b>147,630</b>	<b>1,039,039</b>
<b>Net result for the year</b>		<b>83,108</b>	<b>-</b>	<b>83,108</b>
Net change in revaluation surplus of property, plant and equipment	24	-	29,098	29,098
<b>Total other comprehensive income</b>		<b>-</b>	<b>29,098</b>	<b>29,098</b>
<b>Total comprehensive income for the year</b>		<b>83,108</b>	<b>29,098</b>	<b>112,206</b>
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		(332)	331	(1)
<b>Balance at 30 June 2023</b>		<b>974,185</b>	<b>177,059</b>	<b>1,151,244</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2021</b>		<b>823,448</b>	<b>85,758</b>	<b>909,206</b>
Correction of error - long service leave calculations	19	(859)	-	(859)
<b>Balance at 1 July 2021</b>		<b>822,589</b>	<b>85,758</b>	<b>908,347</b>
<b>Restated net result for the year</b>		<b>68,820</b>	<b>-</b>	<b>68,820</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	24	-	61,874	61,874
<b>Total other comprehensive income</b>		<b>-</b>	<b>61,874</b>	<b>61,874</b>
<b>Restated total comprehensive income for the year</b>		<b>68,820</b>	<b>61,874</b>	<b>130,694</b>
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		-	-	-
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	34	-	-	-
<b>Restated balance at 30 June 2022</b>		<b>891,409</b>	<b>147,632</b>	<b>1,039,041</b>

The accompanying notes form part of these financial statements.

**Nepean Blue Mountains Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2023**

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(660,337)	(666,957)	(609,811)	-	-
Suppliers for goods and services		(432,244)	(439,458)	(357,240)	(432,244)	(357,240)
Grants and subsidies		(4,477)	(4,309)	(5,464)	(4,477)	(5,464)
Finance costs		(699)	(305)	(490)	(699)	(490)
Personnel services		-	-	-	(660,337)	(609,811)
<b>Total payments</b>		<b>(1,097,757)</b>	<b>(1,111,029)</b>	<b>(973,005)</b>	<b>(1,097,757)</b>	<b>(973,005)</b>
<b>Receipts</b>						
Ministry of Health recurrent allocations		987,601	958,994	909,164	987,601	909,164
Ministry of Health capital allocations		104,139	105,314	120,210	104,139	120,210
Reimbursements from the Crown <sup>2</sup>		10,240	10,240	9,534	10,240	9,534
Sale of goods and services		75,370	86,718	61,055	75,370	61,055
Interest received		2,471	963	481	2,471	481
Grants and other contributions		9,371	7,724	8,882	9,371	8,882
Other		19,702	31,531	54,665	19,702	54,665
<b>Total receipts</b>		<b>1,208,894</b>	<b>1,201,484</b>	<b>1,163,991</b>	<b>1,208,894</b>	<b>1,163,991</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	38	<b>111,137</b>	<b>90,455</b>	<b>190,986</b>	<b>111,137</b>	<b>190,986</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of property, plant and equipment and intangibles		(85,729)	(92,045)	(166,240)	(85,729)	(166,240)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(85,728)</b>	<b>(92,045)</b>	<b>(166,240)</b>	<b>(85,728)</b>	<b>(166,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of borrowings and advances		(640)	-	(632)	(640)	(632)
Payment of principal portion of lease liabilities		(5,697)	(2,680)	(6,477)	(5,697)	(6,477)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(6,337)</b>	<b>(2,680)</b>	<b>(7,109)</b>	<b>(6,337)</b>	<b>(7,109)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Opening cash and cash equivalents	20	63,143	63,143	45,506	63,143	45,506
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	20	<b>82,215</b>	<b>58,873</b>	<b>63,143</b>	<b>82,215</b>	<b>63,143</b>

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

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

The accompanying notes form part of these financial statements.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

The Nepean Blue Mountains Local Health District (the NBMLHD), as a reporting entity, was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The NBMLHD is a NSW Government entity and is controlled by the Ministry of Health, which is the immediate parent. The Ministry of Health is 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 NBMLHD is also a parent entity in its own right, as it controls the operations of the:

- \* Hospital Facilities and the Community Health Centres within its designated geographical remit; and
- \* The Nepean Blue Mountains Local Health District Special Purpose Service Entity which provides personnel services to the NBMLHD to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The consolidated entity includes the NBMLHD as a parent entity and the NBMLHD Special Purpose Service Entity. The consolidated financial statements disclose balances for the parent entity and the consolidated entity.

In preparing the consolidated financial statements, 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 2023 have been authorised for issue by the Chief Executive on 28 September 2023.

#### b) Basis of preparation

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

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

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

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

Other circumstances why the going concern assumption is appropriate include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The NBMLHD has the capacity to review the timing of Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- \* The NBMLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the NBMLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.
- \* From 1 July 2023, the NBMLHD's Service Agreement will have an adjusted state efficient price to incorporate the additional costs for COVID-19 expenditure.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

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

The NBMLHD 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 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 the NBMLHD's presentation and functional currency.

### c) Statement of Compliance

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

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

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

- \* amount of GST incurred by the NBMLHD 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).

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 1. Statement of Significant Accounting Policies

#### 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.

#### g) Changes in estimates

##### (i) Componentisation

During 2023, the NBMLHD conducted a review of the useful lives of its specialised buildings. As part of the review, new depreciation useful lives were determined for each of the four major specialised building components, which previously were all depreciated over 40 years. As a result, the NBMLHD has revised the accounting policy for the useful lives for specialised buildings, effective from 1 July 2022. The new useful lives were determined as follows:

	Useful lives 2023	Useful lives 2022
Structure / shell / building fabric	70 years	40 years
Fit out	30 years	40 years
Combined fit out and trunk reticulated building systems	30 years	40 years
Site engineering services / central plant	55 years	40 years

The net effect of the change in useful lives on actual and expected depreciation expense (increase / (decrease)), included in the Statement of Comprehensive Income is as follows:

#### PARENT AND CONSOLIDATED

	2023 Actual \$'000	Future years Expected \$'000
<b>Expenses</b>		
Depreciation and amortisation	(5,983)	(7,246)

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

##### (i) Effective for the first time in 2022-23

Several amendments and interpretations apply for the first time in 2022-23. The NBMLHD has assessed the new and amended standards and interpretations that are effective for the first time and have determined they are unlikely to have a material impact on the financial statements of the NBMLHD.

##### (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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

#### i) Impact of COVID-19 on Financial Reporting for 2022-23

The COVID-19 pandemic has resulted in significant changes in the NBMLHD activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2022-23 and increased disclosures are presented in the following notes:

- \* Note 5 Operating expenses
- \* Note 7 Grants and subsidies
- \* Note 10 Ministry of Health allocations
- \* Note 11 Sale of goods and services from contracts with customers
- \* Note 13 Grants and other contributions
- \* Note 17 Other gains / (losses)
- \* Note 23 Inventories
- \* Note 29 Payables
- \* Note 32 Provisions
- \* Note 37 Adjusted budget review
- \* Note 43 Events after the reporting period

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 2. Employee related expenses

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	574,946	564,664	-	-
Superannuation - defined benefit plans	1,603	1,868	-	-
Superannuation - defined contribution plans	57,420	52,872	-	-
Long service leave	15,094	(7,003)	-	-
Redundancies	1,983	119	-	-
Workers' compensation insurance	10,578	8,397	-	-
Fringe benefits tax	22	33	-	-
Other staff related	-	-	-	-
	<b>661,646</b>	<b>620,950</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 'Long service leave' costs has been restated to be lower by \$0.91 million in the prior year for the consolidated entity. Refer to Note 19 for further details regarding restatement as a result of an error.

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

Employee related costs of \$0.19 million (2022: \$7.64 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

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

#### 3. Personnel services

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	574,946	564,664
Superannuation - defined benefit plans	-	-	-	(3)
Superannuation - defined contribution plans	-	-	57,420	52,872
Long service leave	-	-	549	(2,083)
Redundancies	-	-	1,983	119
Workers' compensation insurance	-	-	10,578	8,397
Fringe benefits tax	-	-	22	33
Other staff related	-	-	-	-
	<b>-</b>	<b>-</b>	<b>645,498</b>	<b>623,999</b>

<sup>1</sup> 'Long service leave' costs has been restated to be lower by \$0.11 million in the prior year for the parent entity. Refer to Note 19 for further details regarding restatement as a result of an error.

Personnel services of Nepean Blue Mountains Local Health District were provided by its controlled entity, Nepean Blue Mountains Local Health District Special Purpose Service Entity.

Personnel services of \$0.19 million (2022: \$7.64 million) 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 specialty input in a number of disciplines throughout the NBMLHD's hospitals. VMO expenses of \$50.08 million (2022: \$50.51 million) represent part of the day-to-day running costs incurred in the normal operations of the NBMLHD. These costs are expensed as incurred.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 5. Operating expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Advertising	203	122	203	122
Auditor's remuneration - audit of financial statements	176	179	176	179
Blood and blood products	4,670	4,546	4,670	4,546
Consultancies	1,586	1,825	1,586	1,825
Contractors	726	715	726	715
Domestic supplies and services	10,233	8,350	10,233	8,350
Drug supplies*	30,180	35,081	30,180	35,081
Food supplies	15,839	14,767	15,839	14,767
Fuel, light and power	6,829	4,570	6,829	4,570
Patient transport costs	8,790	8,760	8,790	8,760
Information management expenses	23,253	20,702	23,253	20,702
Insurance	1,092	961	1,092	961
Maintenance (see Note 5 (b))	17,011	23,040	17,011	23,040
Medical and surgical supplies	50,693	49,304	50,693	49,304
Motor vehicle expenses	852	733	852	733
Occupancy agreement expenses - Property NSW	2,855	-	2,855	-
Postal and telephone costs	1,792	1,112	1,792	1,112
Printing and stationery	2,380	1,911	2,380	1,911
Rates and charges	1,133	645	1,133	645
Hosted services purchased from entities controlled by the immediate parent	67	62	67	62
Specialised services (dental, radiology, pathology and allied health)	42,249	42,564	42,249	42,564
Staff related costs	5,657	3,407	5,657	3,407
Travel related costs	3,087	1,023	3,087	1,023
Other (see Note 5 (a))	107,456	122,441	107,456	122,441
	<b>338,809</b>	<b>346,820</b>	<b>338,809</b>	<b>346,820</b>

\* Drug supplies includes \$0.11 million (2022: \$3.59 million) of COVID-19 vaccinations administered by vaccination hubs within the NBMLHD. 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 the NBMLHD.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 5. Operating expenses (continued)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>(a) Other</b>				
Contract for patient services	84,863	101,629	84,863	101,629
Corporate support services <sup>1</sup>	4,343	3,961	4,343	3,961
Courier and freight	222	335	222	335
Disability equipment support expenses <sup>1</sup>	390	381	390	381
Isolated patient travel and accommodation assistance scheme*	-	132	-	132
Legal services	246	184	246	184
Membership/professional fees	503	479	503	479
Quality assurance / accreditation	202	7	202	7
Security services	4,359	3,795	4,359	3,795
Expenses relating to short-term leases	1,947	2,381	1,947	2,381
Expenses relating to leases of low-value assets	51	1,142	51	1,142
Other miscellaneous	10,330	8,015	10,330	8,015
	<b>107,456</b>	<b>122,441</b>	<b>107,456</b>	<b>122,441</b>

<sup>1</sup> Disability equipment payments under the Enable NSW program has been reclassified from 'Corporate support services' to 'Disability equipment support expenses' in the current year. The prior period 'Disability equipment support expenses' has been restated higher by \$0.381 million and 'Corporate support services' lower by \$0.381 million to reflect this change.

\* From 1 July 2022, the isolated patient travel and accommodation assistance scheme program is being managed by HealthShare NSW, a controlled entity of the immediate parent.

#### (b) Reconciliation of total maintenance expense

Maintenance contracts	7,081	6,630	7,081	6,630
New / replacement equipment under \$10,000	5,738	12,578	5,738	12,578
Repairs maintenance / non contract	4,269	3,832	4,269	3,832
Other	(77)	-	(77)	-
Maintenance expense - contracted labour and Employee related/personnel services maintenance expense included in Notes 2 and 3*.	2,367	2,461	2,367	2,461
	<b>19,378</b>	<b>25,501</b>	<b>19,378</b>	<b>25,501</b>

\* This balance consists of employees who have been classified as providing maintenance services for the NBMLHD and the expense is included in employee related expenses / personnel services in Notes 2 and 3.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 5. Operating expenses (continued)

#### **Recognition and Measurement**

Operating expenses includes non-employee costs incurred in delivering the services provided by the NBMLHD. These expenses are recognised in the reporting period in which they are incurred.

#### **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.

#### **Insurance**

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

#### **Lease expense**

The NBMLHD 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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 6. Depreciation and amortisation

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Depreciation - buildings	29,373	21,980	29,373	21,980
Depreciation - plant and equipment	10,560	5,975	10,560	5,975
Depreciation - infrastructure systems	679	500	679	500
Depreciation - right-of-use buildings	719	1,966	719	1,966
Depreciation - right-of-use plant and equipment	5,349	4,189	5,349	4,189
Amortisation - intangible assets	80	74	80	74
	<b>46,760</b>	<b>34,684</b>	<b>46,760</b>	<b>34,684</b>

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

### 7. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-government organisations	3,714	3,414	3,714	3,414
Grants to research organisations	64	65	64	65
Grants to entities controlled by the immediate parent*	288	492	288	492
Other grants*	40	1,289	40	1,289
	<b>4,106</b>	<b>5,260</b>	<b>4,106</b>	<b>5,260</b>

\* The NBMLHD 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 as a grant under grants to entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.28 million) and under other grants (external third parties) was \$0.01 million (2022: \$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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 8. Finance costs

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest expense from lease liabilities	624	408	624	408
Interest expense from financial liabilities at amortised cost*	73	81	73	81
Other interest charges	2	1	2	1
	<b>699</b>	<b>490</b>	<b>699</b>	<b>490</b>

#### Recognition and Measurement

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 9. Revenue

#### Recognition and Measurement

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

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

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

### 10. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) appropriates the sum of \$18,729.86 million to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2022-23. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the NBMLHD.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority of s4.7 of the GSF Act 2018, 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 the NBMLHD 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 other entities the principal department is administratively responsible for and which receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The NBMLHD's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations authorising officers of the NBMLHD to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the the NBMLHD. 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.

### 10. Ministry of Health allocations

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

The NBMLHD recognised additional Ministry of Health recurrent allocations of \$32.50 million (2022: \$85.80 million) and Ministry of Health capital allocations of \$Nil (2022: \$Nil) to cover costs incurred for the testing, diagnosis, treatment and vaccination of COVID-19 patients.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Sale and recovery of pharmaceutical supplies	11,715	13,481	11,715	13,481
Sale of prostheses	1,658	1,177	1,658	1,177
Other <sup>1</sup>	2,028	568	2,028	568
	<b>15,401</b>	<b>15,226</b>	<b>15,401</b>	<b>15,226</b>

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

##### **Patients**

##### Patient Fees:

- Inpatient fees	29,463	25,535	29,463	25,535
- Nursing home fees	352	355	352	355
- Non inpatient fees	1,664	1,554	1,664	1,554
Allocation from inter area patient inflows	-	-	-	-
Department of Veterans' Affairs	5,622	5,748	5,622	5,748
Motor Accident Authority third party	2,239	1,920	2,239	1,920
Private use of motor vehicles	6	7	6	7
Salary packaging fee	4	5	4	5
Meals and accommodation	14	16	14	16
Child care fees	1,422	1,515	1,422	1,515

##### **General community**

Car parking	3,271	2,692	3,271	2,692
Clinical services (excluding clinical drug trials)	287	237	287	237
Fees for conferences and training	116	248	116	248
Fees for medical records	87	175	87	175
Information retrieval	-	1	-	1

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

Services to other organisations	812	896	812	896
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Shared corporate service revenues	8	101	8	101
Infrastructure fees - annual charge	7,825	5,254	7,825	5,254
Infrastructure fees - monthly facility charge	10,099	10,008	10,099	10,008
Other	872	1,857	872	1,857
	<b>64,163</b>	<b>58,124</b>	<b>64,163</b>	<b>58,124</b>
	<b>79,564</b>	<b>73,350</b>	<b>79,564</b>	<b>73,350</b>

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

#### Recognition and Measurement

##### Sale of goods

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

#### Recognition and Measurement (continued)

##### Rendering of services

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 11. 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.

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

### 12. Investment revenue

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest income from financial assets at amortised cost	2,471	481	2,471	481
	<b>2,471</b>	<b>481</b>	<b>2,471</b>	<b>481</b>

#### Recognition and Measurement

##### *Interest income*

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 13. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	690	701	690	701
Clinical trials and research grants	1,247	1,009	1,247	1,009
Commonwealth government grants received for community based services	2,569	2,685	2,569	2,685
Commonwealth government grants other	131	539	131	539
Grants from entities controlled by the ultimate parent	488	436	488	436
Other grants from entities controlled by the immediate parent	1,573	773	1,573	773
Other grants	1,975	1,139	1,975	1,139
Commonwealth government grants other*	1,411	3,621	1,411	3,621
Grants from entities controlled by the ultimate parent	7	341	7	341
Other grants from entities controlled by the immediate parent*	416	870	416	870
Other grants*	553	(30)	553	(30)
<b>Donations</b>				
Donations	493	338	493	338
Volunteer services	-	-	-	-
	<b>11,553</b>	<b>12,422</b>	<b>11,553</b>	<b>12,422</b>

\* The NBMLHD 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 under Commonwealth government grants other (Commonwealth government) was \$0.08 million (2022: \$3.63 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.57 million) and under other grants (external third parties) was \$Nil (2022: \$Nil).

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 13. Grants and other contributions

#### Recognition and Measurement

##### *Grants and other contributions*

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

Revenue from grants with sufficiently specific performance obligations are recognised when the NBMLHD satisfies a performance obligation by transferring the promised goods or services. The NBMLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The NBMLHD 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 an agreed timetable or on achievement of different milestones 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 the NBMLHD obtains control over the granted assets (e.g. cash).

##### *Volunteer services*

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
Superannuation - defined benefit plans	1,603	1,870	-	-
Long service leave provision	14,545	(4,920)	-	-
	<b>16,148</b>	<b>(3,050)</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 'Long service leave provision' revenue has been restated to be lower by \$0.80 million in the prior year for the consolidated and parent entity. Refer to Note 19 for further details regarding restatement as a result of an error.

### 15. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Commissions	120	125	120	125
Discounts	115	-	115	-
Insurance refunds	42	180	42	180
Rental income				
- other rental income	807	701	807	701
Sponsorship	198	127	198	127
Other	2,355	16,793	2,355	16,793
	<b>3,637</b>	<b>17,926</b>	<b>3,637</b>	<b>17,926</b>

### Recognition and Measurement

#### **Insurance refunds**

Insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for Government entities. Insurance refunds are recognised when TMF accepts the insurance claim.

#### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. The rental income is incidental to the purpose for holding the property.

#### **Other income**

Other income arises from varying arrangements. Income is generally recognised on an accrual basis and/or when the right to receive the income has been established in accordance with the substance of the relevant agreement.

#### **Forgiveness of liabilities**

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 16. Gains / (losses) on disposal

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	18,204	707	18,204	707
Less: proceeds from disposal	1	-	1	-
<b>Net gains / (losses) on disposal</b>	<b>(18,203)</b>	<b>(707)</b>	<b>(18,203)</b>	<b>(707)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	283	7,130	283	7,130
Less: lease liabilities extinguished	160	7,219	160	7,219
<b>Net gains / (losses) on disposal*</b>	<b>(123)</b>	<b>89</b>	<b>(123)</b>	<b>89</b>
<b>Intangible assets</b>				
Written down value of assets disposed	-	6	-	6
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>(6)</b>
<b>Total gains / (losses) on disposal</b>	<b>(18,326)</b>	<b>(624)</b>	<b>(18,326)</b>	<b>(624)</b>

\* As at 30 June 2022, \$0.09 million of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$6.53 million and the lease liability of \$6.61 million with Property NSW, an entity of the ultimate parent. Please refer to Note 25 for further details on the derecognition.

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory write down*	6	(301)	6	(301)
Foreign exchange gains / (losses)	-	(1)	-	(1)
	<b>6</b>	<b>(302)</b>	<b>6</b>	<b>(302)</b>

\* Inventory write down includes COVID-19 vaccine wastage of \$0.16 million (2022: \$0.13 million), Monkeypox vaccine wastage of \$0.005 million (2022: \$Nil) and impairment decrement of COVID-19 vaccines of \$(0.17) million (2022: impairment increment of \$0.17 million). Refer to Note 23 for further details on COVID-19 vaccines.

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 19. Prior period error

During the year it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised. The issue only impacted employees who had a period of part time service under certain awards during their employment. It was identified that the accrual for enhanced entitlement did not start on the completion of first 10 years of service by the employee, rather it started upon the completion of full-time equivalency of 10 years of service. This has resulted in an under accrual and / or underpayment of long service leave entitlements for such employees in current and prior years.

The NBMLHD's liability for long service leave are assumed by The Crown in right of the State of New South Wales. The NBMLHD accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits'. Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the NBMLHD.

The incorrect calculation of long service leave entitlements has resulted in lower 'Employee related expenses' and lower 'Acceptance by the Crown of employee benefits' revenue in the Statement of Comprehensive Income in prior years. Any consequential on-costs has resulted in lower 'Provisions' liability in the Statement of Financial Position and lower 'Employee related expenses' in the Statement of Comprehensive Income. The error has been corrected during the year, with retrospective adjustments made in the prior periods.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matter are shown below.

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

		Consolidated Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
	Notes						
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Employee related expenses	2	621,860	(910)	620,950	-	-	-
Personnel services	3	-	-	-	624,111	(112)	623,999
<b>Total expenses excluding</b>		<b>1,059,623</b>	<b>(910)</b>	<b>1,058,713</b>	<b>1,061,874</b>	<b>(112)</b>	<b>1,061,762</b>
<b>Revenue</b>							
Acceptance by the Crown of employee benefits	14	(2,251)	(798)	(3,049)	-	-	-
<b>Total revenue</b>		<b>1,131,302</b>	<b>(798)</b>	<b>1,130,504</b>	<b>1,133,553</b>	<b>-</b>	<b>1,133,553</b>
<b>Operating result</b>		<b>71,679</b>	<b>112</b>	<b>71,791</b>	<b>71,679</b>	<b>112</b>	<b>71,791</b>
<b>Net result from continuing operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>		<b>68,708</b>	<b>112</b>	<b>68,820</b>	<b>68,708</b>	<b>112</b>	<b>68,820</b>
<b>Total other comprehensive income</b>		<b>61,874</b>	<b>-</b>	<b>61,874</b>	<b>61,874</b>	<b>-</b>	<b>61,874</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>130,582</b>	<b>112</b>	<b>130,694</b>	<b>130,582</b>	<b>112</b>	<b>130,694</b>

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 19. Prior period error (continued)

#### Statement of Financial Position as at 1 July 2021 (extract)

		Consolidated Actual 1 July 2021	Consolidated Adjustment 1 July 2021	Consolidated Restated 1 July 2021	Parent Actual 1 July 2021	Parent Adjustment 1 July 2021	Parent Restated 1 July 2021
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Provisions	32	97,674	789	98,463	97,674	789	98,463
<b>Total current liabilities</b>		<b>158,616</b>	<b>789</b>	<b>159,405</b>	<b>158,616</b>	<b>789</b>	<b>159,405</b>
<b>Non-current liabilities</b>							
Provisions	32	1,790	70	1,860	1,790	70	1,860
<b>Total non-current liabilities</b>		<b>29,517</b>	<b>70</b>	<b>29,587</b>	<b>29,517</b>	<b>70</b>	<b>29,587</b>
<b>Total liabilities</b>		<b>188,133</b>	<b>859</b>	<b>188,992</b>	<b>188,133</b>	<b>859</b>	<b>188,992</b>
<b>Net assets</b>		<b>909,205</b>	<b>(859)</b>	<b>908,346</b>	<b>909,205</b>	<b>(859)</b>	<b>908,346</b>
<b>EQUITY</b>							
Accumulated funds		823,450	(859)	822,591	823,450	(859)	822,591
<b>Total Equity</b>		<b>909,205</b>	<b>(859)</b>	<b>908,346</b>	<b>909,205</b>	<b>(859)</b>	<b>908,346</b>

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

#### Statement of Financial Position as at 30 June 2022 (extract)

		Consolidated Actual 2022	Consolidated Adjustment 2022	Consolidated Restated 2022	Parent Actual 2022	Parent Adjustment 2022	Parent Restated 2022
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Provisions	32	124,331	686	125,017	124,331	686	125,017
<b>Total current liabilities</b>		<b>197,964</b>	<b>686</b>	<b>198,650</b>	<b>197,964</b>	<b>686</b>	<b>198,650</b>
<b>Non-current liabilities</b>							
Provisions	32	1,612	60	1,672	1,612	60	1,672
<b>Total non-current liabilities</b>		<b>22,018</b>	<b>60</b>	<b>22,078</b>	<b>22,018</b>	<b>60</b>	<b>22,078</b>
<b>Total liabilities</b>		<b>219,982</b>	<b>746</b>	<b>220,728</b>	<b>219,982</b>	<b>746</b>	<b>220,728</b>
<b>Net assets</b>		<b>1,039,787</b>	<b>(746)</b>	<b>1,039,041</b>	<b>1,039,787</b>	<b>(746)</b>	<b>1,039,041</b>
<b>EQUITY</b>							
Accumulated funds		892,156	(747)	891,409	892,156	(747)	891,409
<b>Total Equity</b>		<b>1,039,788</b>	<b>(747)</b>	<b>1,039,041</b>	<b>1,039,788</b>	<b>(747)</b>	<b>1,039,041</b>

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2022.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 20. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	82,215	63,143	82,215	63,143
	<b>82,215</b>	<b>63,143</b>	<b>82,215</b>	<b>63,143</b>

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

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

Cash and cash equivalents (per Statement of Financial Position)	82,215	63,143	82,215	63,143
	<b>82,215</b>	<b>63,143</b>	<b>82,215</b>	<b>63,143</b>

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

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

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of the NBMLHD for payments to suppliers and employees. HealthShare NSW makes payments after the NBMLHD has reviewed and approved the invoices and employee rosters. The NBMLHD's approval of invoices and employee rosters provides authority to HealthShare NSW to make payments. These payments are reported as expenditures and cash outflows in the financial statements of the NBMLHD.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of the NBMLHD to fund these payments. Upon payment, they are reported as revenue (Ministry of Health recurrent and capital allocations) and cash inflows in the financial statements of the NBMLHD.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 21. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Trade receivables from contracts with customers	21,470	8,572	21,470	8,572
Intra health receivables	5,640	14,120	5,640	14,120
Goods and Services Tax	4,114	3,285	4,114	3,285
Other receivables	12,909	2,385	12,909	2,385
<b>Sub total</b>	<b>44,133</b>	<b>28,362</b>	<b>44,133</b>	<b>28,362</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(2,053)	(1,339)	(2,053)	(1,339)
- Other receivables	(24)	(483)	(24)	(483)
<b>Sub total</b>	<b>42,056</b>	<b>26,540</b>	<b>42,056</b>	<b>26,540</b>
Prepayments	1,169	1,280	1,169	1,280
	<b>43,225</b>	<b>27,820</b>	<b>43,225</b>	<b>27,820</b>

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

<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(1,339)	(693)	(1,339)	(693)
Amounts written off during the year	1,323	914	1,323	914
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(2,037)	(1,560)	(2,037)	(1,560)
<b>Balance at the end of the year</b>	<b>(2,053)</b>	<b>(1,339)</b>	<b>(2,053)</b>	<b>(1,339)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	(483)	(10)	(483)	(10)
Amounts written off during the year	10	11	10	11
(Increase) / decrease in allowance recognised in the net result	449	(484)	449	(484)
<b>Balance at the end of the year</b>	<b>(24)</b>	<b>(483)</b>	<b>(24)</b>	<b>(483)</b>
	<b>(2,077)</b>	<b>(1,822)</b>	<b>(2,077)</b>	<b>(1,822)</b>

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 21. Receivables (continued)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Prepayments	25,787	26	25,787	26
	<b>25,787</b>	<b>26</b>	<b>25,787</b>	<b>26</b>

## 21. Receivables (continued)

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

Current and non-current include:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Patient fees - compensable	634	548	634	548
Patient fees - ineligible	2,955	2,515	2,955	2,515
Patient fees - inpatient & other	4,411	3,835	4,411	3,835
	<b>8,000</b>	<b>6,898</b>	<b>8,000</b>	<b>6,898</b>

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

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
Contract receivables (included in Note 21)	27,109	22,692	27,109	22,692
<b>Total contract receivables</b>	<b>27,109</b>	<b>22,692</b>	<b>27,109</b>	<b>22,692</b>

<sup>1</sup> Prior year figures have been restated higher by \$0.089 million as a result of items previously excluded under contract receivables.

### Recognition and Measurement

The NBMLHD recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, the NBMLHD considers:

- Whether the NBMLHD has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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

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

### Subsequent measurement

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

### Impairment

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 22. Contract assets

#### Recognition and Measurement

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

The contract asset balance has [increased / decreased] during the year due to the timing of the rights to invoice and the obligations met.

	<b>Consolidated</b>	<b>Consolidated<sup>1</sup></b>	<b>Parent</b>	<b>Parent<sup>1</sup></b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Contract receivables (included in Note 21)	27,109	22,692	27,109	22,692
	<b>27,109</b>	<b>22,692</b>	<b>27,109</b>	<b>22,692</b>

<sup>1</sup> Prior year figures have been restated higher by \$0.089 million as a result of items previously excluded under contract receivables.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 23. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
<b>Held-for-distribution</b>				
Drug supplies	2,587	3,239	2,587	3,239
Medical and surgical supplies	2,025	1,703	2,025	1,703
Other including goods in transit	53	(1)	53	(1)
<b>Sub total</b>	<b>4,665</b>	<b>4,941</b>	<b>4,665</b>	<b>4,941</b>
- Drug supplies	-	(169)	-	(169)
	<b>4,665</b>	<b>4,772</b>	<b>4,665</b>	<b>4,772</b>

#### Recognition and Measurement

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

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

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

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.08 million (2022: \$4.21 million) and \$0.12 million (2022: \$3.87 million), respectively. \$0.16 million (2022: \$0.13 million) of COVID-19 vaccines were written-off and \$0.17 million allowance for impairment was reversed (2022: An allowance for impairment was provided for \$0.17 million). COVID-19 vaccine closing inventory balance as at 30 June 2023, was \$0. million (2022: \$0.2 million) which is

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 24. Property, plant and equipment

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

###### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2021 - fair value</b>				
Gross carrying amount	1,362,437	108,101	20,942	1,491,480
Less: accumulated depreciation and impairment	469,250	56,439	15,144	540,833
<b>Net carrying amount</b>	<b>893,187</b>	<b>51,662</b>	<b>5,798</b>	<b>950,647</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	893,187	51,662	5,798	950,647
Additions	156,414	9,620	-	166,034
Reclassification to intangibles	-	54	-	54
Disposals	-	(707)	-	(707)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	773	-	773
Net revaluation increments less revaluation decrements	61,093	-	781	61,874
Depreciation expense	(21,980)	(5,975)	(500)	(28,455)
Reclassifications	(40,251)	34,000	6,251	-
<b>Net carrying amount at end of year</b>	<b>1,048,463</b>	<b>89,427</b>	<b>12,330</b>	<b>1,150,220</b>

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

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

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

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

###### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2022 - fair value</b>				
Gross carrying amount	1,604,934	140,573	30,000	1,775,507
Less: accumulated depreciation and impairment	556,471	51,146	17,670	625,287
<b>Net carrying amount</b>	<b>1,048,463</b>	<b>89,427</b>	<b>12,330</b>	<b>1,150,220</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2023</b>				
Net carrying amount at beginning of year	1,048,463	89,427	12,330	1,150,220
Additions	74,229	10,617	183	85,029
Reclassification to intangibles	-	(281)	-	(281)
Disposals	(16,600)	(1,604)	-	(18,204)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,573	-	1,573
Net revaluation increments less revaluation decrements	30,221	-	(1,123)	29,098
Depreciation expense	(29,373)	(10,560)	(679)	(40,612)
Reclassifications	19,836	(20,225)	389	-
<b>Net carrying amount at end of year</b>	<b>1,126,776</b>	<b>68,947</b>	<b>11,100</b>	<b>1,206,823</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2023 - fair value</b>				
Gross carrying amount	1,757,801	115,665	30,580	1,904,046
Less: accumulated depreciation and impairment	631,025	46,718	19,480	697,223
<b>Net carrying amount</b>	<b>1,126,776</b>	<b>68,947</b>	<b>11,100</b>	<b>1,206,823</b>

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

The net carrying amount of service concession assets included in each class of property, plant and equipment as at 30 June 2023:

- land and buildings \$60.14 million (2022: \$60.99 million)
- plant and equipment \$2.37 million (2022: \$2.79 million)
- infrastructure systems \$0.76 million (2022: \$0.66 million)

During the current period, the net carrying amount of \$0.08 million (2022: \$Nil) for existing assets of the NBMLHD has been reclassified as service concession assets.

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

#### Recognition and Measurement

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

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

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

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 the NBMLHD are deemed to be controlled by the NBMLHD and are reflected as such in the financial statements.

##### *Capitalisation thresholds*

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

##### *Major inspection costs*

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

##### *Restoration costs*

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

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

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 2023	Useful lives 2022
Buildings	30-70 years	40 years
Buildings - leasehold improvements	3-10 years	3-10 years
Plant and equipment	4-20 years	4-20 years
Infrastructure Systems	40 years	40 years

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

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

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

In 2023, the estimated useful lives for buildings were revised. Refer Note 1 (g) for further details regarding the change and the impacts.

#### **Right-of-use assets acquired by lessees**

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The NBMLHD 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 the NBMLHD's service concession arrangements in place.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

#### Service concession assets (continued)

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

Description	[Public hospitals Hospital car parks Hospital facilities]			
<b>Name and description of the SCA</b>	Hawkesbury Hospital was built under a Public Private Partnership (PPP) arrangement that is now treated as part of service			
<b>Period of arrangement</b>	30 years (1994-2024)			
<b>Terms of the arrangement</b>	The consolidated entity contracted St John of God Health Care (Operator for Hawkesbury Hospital) to build, operate and manage the hospital and the car park for the duration of the arrangement. The construction of Hawkesbury Hospital was funded by the consolidated entity. Hawkesbury Hospital was paid over time under a financing arrangement with the Operator. There are no remaining future construction payments. Annual service level agreements are entered into for the delivery of public health services at Hawkesbury Hospital with the Operator, which is funded by the consolidated entity, paid on a monthly basis.			
<b>Rights and obligations</b>	The consolidated entity is obligated to provide the Operator access to Hawkesbury Hospital and the carpark. The Operator is responsible for the delivery of health services to public patients at the hospital which the consolidated entity is obligated to pay for under the annual service agreements. At the end of the arrangement, the Operator is obligated to return all assets back to the consolidated entity. An extension of 18 months was negotiated with the Operator in 2022. The extension allows both parties to define and agree on the principles of a new service agreement, which will replace the existing service agreement.			
<b>Changes in arrangements occurred during 2022</b>	Nil, except an extension of 18 months was agreed for Hawkesbury Hospital arrangement with the Operator.			
<b>Changes in arrangements occurred during 2023</b>	Nil			
<b>Carrying amounts of SCA</b>	<b>Land and Buildings</b>	<b>Plant and Equipment</b>	<b>Infrastructure Systems</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Year ended 30 June 2022</b>				
Hawkesbury Hospital	54,638	2,873	656	58,167
	<b>54,638</b>	<b>2,873</b>	<b>656</b>	<b>58,167</b>
<b>Year ended 30 June 2023</b>				
Hawkesbury Hospital	60,139	2,371	573	63,083
	<b>60,139</b>	<b>2,371</b>	<b>573</b>	<b>63,083</b>

#### i. Initial recognition

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

Where the asset is an existing asset of the NBMLHD, the asset is reclassified as a service concession asset and measured 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.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

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#### *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:

- The NBMLHD accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the NBMLHD 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. The NBMLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The NBMLHD uses an independent professionally qualified valuer for such interim revaluations.

The last comprehensive revaluation was completed on 31 December 2020 and was based on an independent assessment.

Indices were subsequently obtained from external professionally qualified valuers since the last comprehensive revaluation. Indices obtained indicated a cumulative increase of 19.81% in market prices for land and material increases in construction and labour costs of 17.95% for buildings and 29.51% for infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment for land, buildings and infrastructure in 2022 and 2023.

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

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

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

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

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

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

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

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

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

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

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

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

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#### 25. Leases

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

The NBMLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of <1 to 10> years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The NBMLHD does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the NBMLHD 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 \$0.62 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 \$0.46 million.

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

The NBMLHD 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.

During the financial year ended 30 June 2022, the NBMLHD derecognised all leases with Property NSW (PNSW), an entity of the ultimate parent. A new 'substitution right' clause was added to the lease arrangements with PNSW, providing PNSW with a substantive substitution right to relocate the NBMLHD during the term of the agreement. As a result of this new clause, those agreements were no longer accounted for as a lease within the scope of AASB 16.

The corresponding right-of-use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in 'Gains/(Losses) on disposal' (refer to Note 16). From 1 July 2022, the accommodation charges are recognised as 'occupancy agreement expenses - Property NSW (refer to Note 5) when incurred over the agreement duration.

The NBMLHD continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the NBMLHD receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. Therefore, the NBMLHD's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 25. Leases (continued)

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

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

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

##### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2022	895	12,402	13,297
Additions	311	11,170	11,481
Reassessments	937	330	1,267
Disposals	-	(283)	(283)
Depreciation expense	(719)	(5,349)	(6,068)
<b>Balance at 30 June 2023</b>	<b>1,424</b>	<b>18,270</b>	<b>19,694</b>

##### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	8,296	14,260	22,556
Additions	509	3,066	3,575
Reassessments	583	(131)	452
Disposals*	(6,525)	(605)	(7,130)
Depreciation expense	(1,966)	(4,189)	(6,155)
<b>Balance at 30 June 2022</b>	<b>897</b>	<b>12,401</b>	<b>13,298</b>

\* 30 June 2022 disposals include the derecognition of the right-of-use assets of \$6.53 million with Property NSW.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 25. Leases (continued)

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

##### Lease liabilities

The following table presents liabilities under leases.

##### PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Balance at 1 July	13,376	23,047
Additions	11,481	3,575
Interest expenses	624	409
Payments	(6,322)	(6,886)
Terminations / derecognition*	(160)	(7,219)
Other adjustments	1,267	451
<b>Balance at 30 June</b>	<b>20,266</b>	<b>13,377</b>

\* 30 June 2022 terminations / derecognition includes the derecognition of lease liabilities of \$6.61 million with Property NSW.

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

##### PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Depreciation expense of right-of-use assets	6,068	6,155
Interest expense on lease liabilities	624	408
Expenses relating to short-term leases	1,947	2,381
Expenses relating to leases of low-value assets	51	1,142
(Gains) / losses on disposal*	122	(89)
<b>Total amount recognised in the statement of comprehensive income</b>	<b>8,812</b>	<b>9,997</b>

\* 30 June 2022 (gains) / losses on disposal includes \$0.09 million of net gains on disposal as a result of the derecognition of leases with Property NSW.

The NBMLHD had total cash outflows for leases of \$8.32 million for the year ended 30 June 2023 (2022: \$10.41 million).

### Recognition and Measurement

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

The NBMLHD 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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 25. Leases (continued)

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

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

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

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

	<b>Useful lives</b>
Buildings	1 to 10 years
Plant and equipment	1 to 10 years
Motor vehicles and other equipment	1 to 10 years
Aeromedical	1 to 10 years

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

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

##### *ii. Lease liabilities*

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 25. Leases (continued)

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

##### ii. Lease liabilities (continued)

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

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

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

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

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

The NBMLHD 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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 26. Intangible assets

#### PARENT AND CONSOLIDATION

	Software \$000	Total \$000
<b>At 1 July 2021</b>		
Cost (gross carrying amount)	1,101	1,101
Less: accumulated amortisation and impairment	683	683
<b>Net carrying amount</b>	<b>418</b>	<b>418</b>

	Software \$000	Total \$000
<b>Year ended 30 June 2022</b>		
Net carrying amount at beginning of year	418	418
Additions - acquired separately	206	206
Reclassifications <to or from> plant and equipment	(54)	(54)
Disposals	(6)	(6)
Amortisation (recognised in depreciation and amortisation)	(74)	(74)
<b>Net carrying amount at end of year</b>	<b>490</b>	<b>490</b>

	Software \$000	Total \$000
<b>At 1 July 2022</b>		
Cost (gross carrying amount)	1,017	1,017
Less: accumulated amortisation and impairment	527	527
<b>Net carrying amount</b>	<b>490</b>	<b>490</b>

	Software \$000	Total \$000
<b>Year ended 30 June 2023</b>		
Net carrying amount at beginning of year	490	490
Additions - acquired separately	717	717
Reclassifications <to or from> plant and equipment	281	281
Amortisation (recognised in depreciation and amortisation)	(80)	(80)
<b>Net carrying amount at end of year</b>	<b>1,408</b>	<b>1,408</b>

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 26. Intangible assets (continued)

##### PARENT AND CONSOLIDATION

	Software \$000	Total \$000
<b>At 30 June 2023</b>		
Cost (gross carrying amount)	2,015	2,015
Less: accumulated amortisation and impairment	607	607
<b>Net carrying amount</b>	<b>1,408</b>	<b>1,408</b>

##### Recognition and Measurement

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

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

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

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

Computer software developed or acquired by the NBMLHD 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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

#### PARENT AND CONSOLIDATION

##### Fair value measurement and hierarchy

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

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

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

The NBMLHD 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
2023	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	5,365	992,464	997,829
- Infrastructure systems	-	-	10,918	10,918
	-	5,365	1,003,382	1,008,747

There were no transfers between level 1 and 2 during the year ended 30 June 2023.

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
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	6,050	536,686	542,736
- Infrastructure systems	-	-	7,093	7,093
	-	6,050	543,779	549,829

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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

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

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).

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

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

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

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

- For buildings and infrastructure, many assets are of a specialised nature or use, including some modified residential properties and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However some residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

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

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

###### PARENT AND CONSOLIDATION

2023	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2022</b>	536,686	7,093	543,779
Additions*	454,048	5,626	459,674
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	28,621	(1,122)	27,499
Depreciation expense	(26,891)	(679)	(27,570)
<b>Fair value as at 30 June 2023</b>	<b>992,464</b>	<b>10,918</b>	<b>1,003,382</b>

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

There were no transfers between level 2 or 3 during the period ended 30 June 2023.

2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2021</b>	495,235	5,422	500,657
Additions*	3,096	1,390	4,486
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	60,335	781	61,116
Depreciation expense	(21,980)	(500)	(22,480)
<b>Fair value as at 30 June 2022</b>	<b>536,686</b>	<b>7,093</b>	<b>543,779</b>

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

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 28. Restricted assets

##### PARENT AND CONSOLIDATION

The NBMLHD'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 2023.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	-	3	-	3
Facility improvements	11,814	1,024	4,109	8,729
Patient welfare	4,631	211	318	4,524
Private practice disbursements (No.2 Accounts)	46,450	9,816	4,975	51,291
Public contributions	371	353	112	612
Research	1,231	615	32	1,814
Staff welfare	1,441	53	131	1,363
Training and education including conferences	1,583	385	423	1,545
	<b>67,521</b>	<b>12,460</b>	<b>10,100</b>	<b>69,881</b>

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise expended.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Section 19(2) exemption funds	Improving access to primary care in rural and remote areas.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

##### Unclaimed monies

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

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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 29. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	13,039	9,729	-	-
Salaries and wages deductions	133	129	-	-
Payroll and fringe benefits tax	(25)	12	-	-
Accrued liability - purchase of personnel services	-	-	13,147	9,870
Creditors <sup>1*</sup>	45,644	43,658	45,644	43,658
Other creditors				
- Payables to entities controlled by the immediate parent	22,999	14,004	22,999	14,004
- Goods and Services Tax	-	-	-	-
- Other <sup>1</sup>	320	234	320	234
	<b>82,110</b>	<b>67,766</b>	<b>82,110</b>	<b>67,766</b>

\* Creditors in 2022 included a one-off payment to affiliated health organisations of \$1.19 million for the recognition of service during the COVID-19 pandemic.

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

#### Recognition and Measurement

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 30. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Contract liabilities	251	74	251	74
	<b>251</b>	<b>74</b>	<b>251</b>	<b>74</b>
<b>Non-current</b>				
Contract liabilities	556	1,081	556	1,081
	<b>556</b>	<b>1,081</b>	<b>556</b>	<b>1,081</b>

#### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2023 was impacted by the timing of payments received for [sale of goods and services from contracts with customers | grants and other contributions]. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2023. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has [increased / decreased] during the year because of the timing of payments received.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	74	39	74	39

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 31. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Other loans and deposits	649	639	649	639
Lease liabilities (see Note 25)	4,811	4,377	4,811	4,377
	<b>5,460</b>	<b>5,016</b>	<b>5,460</b>	<b>5,016</b>
<b>Non-current</b>				
Other loans and deposits	4,764	5,409	4,764	5,409
Lease liabilities (see Note 25)	15,455	9,000	15,455	9,000
	<b>20,219</b>	<b>14,409</b>	<b>20,219</b>	<b>14,409</b>

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

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

Final repayment of loan is scheduled for 30 June 2031

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 31. Borrowings (continued)

#### Recognition and Measurement

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

#### *Financial liabilities at amortised cost*

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

Borrowings are classified as current liabilities unless the NBMLHD 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*

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

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

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

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

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

The NBMLHD 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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Recognition and Measurement

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

The NBMLHD has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2023 and as at 30 June 2022.

### Changes in liabilities arising from financing activities

#### PARENT AND CONSOLIDATION

	Derivatives	Service concession arrangements	Other loans and deposits	Leases	Total liabilities from financing activities
	\$000	\$000	\$000	\$000	\$000
<b>1 July 2021</b>	-	-	<b>6,680</b>	<b>23,047</b>	<b>29,727</b>
Cash flows	-	-	(632)	(6,477)	(7,109)
New leases	-	-	-	3,575	3,575
Lease terminations*	-	-	-	(7,219)	(7,219)
Lease reassessments	-	-	-	451	451
<b>30 June 2022</b>	-	-	<b>6,048</b>	<b>13,377</b>	<b>19,425</b>
<b>1 July 2022</b>	-	-	<b>6,048</b>	<b>13,377</b>	<b>19,425</b>
Cash flows	-	-	(635)	(5,698)	(6,333)
New leases	-	-	-	11,481	11,481
Lease terminations	-	-	-	(160)	(160)
Lease reassessments	-	-	-	1,267	1,267
Non-cash changes other	-	-	-	-	-
<b>30 June 2023</b>	-	-	<b>5,413</b>	<b>20,267</b>	<b>25,680</b>

\* Lease terminations include the derecognition of lease liabilities of \$6.61 million with Property NSW as at the 30 June 2022. Please refer to Note 25 for further details on the derecognition.

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.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 32. Provisions

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	62,203	56,830	-	-
Annual leave - obligations expected to be settled after 12 months	33,773	31,725	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,307	1,204	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	16,179	15,782	-	-
Provision for other employee benefits*	3,677	18,432	-	-
Provision for personnel services liability	-	-	117,139	123,973
Other	-	-	-	-
	<b>117,139</b>	<b>123,973</b>	<b>117,139</b>	<b>123,973</b>
<b>Other Provisions</b>				
Restoration costs	-	-	-	-
Other	117	1,044	117	1,044
	<b>117</b>	<b>1,044</b>	<b>117</b>	<b>1,044</b>
<b>Total current provisions</b>	<b>117,256</b>	<b>125,017</b>	<b>117,256</b>	<b>125,017</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	1,717	1,672	-	-
	<b>1,717</b>	<b>1,672</b>	<b>1,717</b>	<b>1,672</b>
<b>Total non-current provisions</b>	<b>1,717</b>	<b>1,672</b>	<b>1,717</b>	<b>1,672</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	117,139	123,973	-	-
Provisions - non-current	1,717	1,672	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	13,172	9,858	-	-
Liability - purchase of personnel services	-	-	132,028	135,503
	<b>132,028</b>	<b>135,503</b>	<b>132,028</b>	<b>135,503</b>

\* Provision for other employee benefits in 2022 included a one-off payment to employees of \$14.88 million for the recognition of service during the COVID-19 pandemic.

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 32. Provisions (continued)

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Other</b>				
Carrying amount at beginning of period	1,044	-	1,044	-
- Additional provisions recognised*	-	1,044	-	1,044
- Amounts used	(927)	-	(927)	-
<b>Carrying amount at end of period</b>	<b>117</b>	<b>1,044</b>	<b>117</b>	<b>1,044</b>

\* Additional provisions recognised in 2022 included a one-off payment of \$Nil to visiting medical officers and \$1.04 million to affiliated health organisations for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. The NBMLHD 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 2023 (comparable on-costs for 30 June 2022 were 20.78%). The NBMLHD has assessed the actuarial advice based on the NBMLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the NBMLHD does not expect to settle the liability within 12 months as the NBMLHD does not have an unconditional right to defer settlement.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 32. Provisions (continued)

#### **Recognition and Measurement (continued)**

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

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

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

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

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

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

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

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

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

#### **Other provisions**

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

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

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 33. Other liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Unearned revenue	76	165	76	165
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	12	139	12	139
Other	-	473	-	473
	<b>88</b>	<b>777</b>	<b>88</b>	<b>777</b>
<b>Non-current</b>				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,916	4,916	4,916	4,916
	<b>4,916</b>	<b>4,916</b>	<b>4,916</b>	<b>4,916</b>

#### PARENT AND CONSOLIDATION

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

	2023 \$'000	2022 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	5,055	4,986
Add: receipt of cash during the financial year	(127)	69
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>4,928</b>	<b>5,055</b>

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

The NBMLHD 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.

#### 34. Equity

##### **Revaluation surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the NBMLHD'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**

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Equity transfers

#### Recognition and Measurement

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

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

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

### 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 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Within one year	101,532	33,938	101,532	33,938
Later than one year and not later than five years	165,296	5,547	165,296	5,547
<b>Total (including GST)</b>	<b>266,828</b>	<b>39,485</b>	<b>266,828</b>	<b>39,485</b>

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

The total 'Capital expenditure commitments' of \$266.83 million as at 30 June 2023 includes input tax credits of 24.26 million that are expected to be recoverable from the Australian Taxation Office (2022: 39.49 million).

### 36. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

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

#### (a) Contingent liabilities

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

#### (b) Contingent assets

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

#### PARENT AND CONSOLIDATION

##### Net result

The actual Net Result was lower than adjusted budget by \$8 million, primarily due to:

Unfavourability on expenses \$12.75m and loss on disposal and impairment \$19.39m have been partially offset by favourability on revenue by \$24.30m

Expense unfavourability is mainly driven by higher expenditure on Goods & Services \$11.31m. Revenue favourability is mainly driven by Ministry of Health recurrent allocations \$28.61m.

##### Assets and liabilities

The favourability in Total Assets is at \$46.12m, the majority relating to Property Plant and Equipment. Total Liabilities have an unfavourability of \$24.86m against budget.

##### Cash flows

The actual cash and cash equivalent balances was higher than adjusted budget by \$23.3m, primarily due to the District's increased operating activities (\$14.0m) and decreased investing activities (\$6.3m) and Increase in financing activities (\$3.0m).

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2022 are as follows:

	<b>\$000</b>
Initial allocation, 1 July 2022	791,014
Nepean redevelopment	51,348
COVID19 Response	32,504
General escalations	20,481
Workforce bonus	17,115
Other adjustments	6,113
Workforce resilience	8,692
Other COVID related	8,619
Intrahealth eHealth uplift	3,817
Deferred care	3,418
Other growth adjustments	2,396
Drug and Alcohol ICE uplift	2,164
TMF Adjustment	2,058
LFI - NBMLHD Central Sterilisation Service Departments	1,710
Rural workforce sustainability	1,634
Towards zero suicides	1,262
Voluntary redundancy	1,142
New Natural Gas Contract	1,011
Tranche 2: Safeguards Child and Adolescent Mental Health Response Team	840
Nurse and Midwifery Strategy Reserve	755
Enhancing End of Life Care	610
Other price adjustments	291
<b>Balance as per Statement of Comprehensive Income</b>	<b>958,994</b>

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 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 2023 \$000	Consolidated <sup>1,2</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1,2</sup> 2022 \$000
Net cash used on operating activities	111,137	190,986	111,137	190,986
Depreciation and amortisation expense	(46,760)	(34,684)	(46,760)	(34,684)
Allowance for impairment	(1,582)	(2,346)	(1,582)	(2,346)
(Increase) / decrease in other liabilities	216	(158)	216	(158)
Decrease / (increase) in provisions	7,717	(26,368)	7,717	(26,368)
Increase / (decrease) in inventory	(113)	1,200	(113)	1,200
Increase / (decrease) in prepayments and other assets	42,314	(44,676)	42,314	(44,676)
Increase / (decrease) in contract assets	-	-	-	-
Decrease / (increase) in payables	(13,434)	(14,167)	(13,434)	(14,167)
Decrease / (increase) in contract liabilities	348	(1,116)	348	(1,116)
Net gain / (loss) on sale of property, plant and equipment	(18,203)	(713)	(18,203)	(713)
Net gain / (loss) on disposal of right-of-use assets	(123)	89	(123)	89
Assets donated or brought to account (Note 39)	1,590	773	1,590	773
<b>Net result</b>	<b>83,107</b>	<b>68,820</b>	<b>83,107</b>	<b>68,820</b>

<sup>1</sup> 'Decrease / (increase) in provisions' has been restated to be lower by \$0.11 million in the prior year for the consolidated and parent entity. Refer to Note 19 for further details regarding restatement as a result of an error.

<sup>2</sup> Inventory write down has been reclassified from 'Increase / (decrease) in prepayments and other assets' to 'Increase / (decrease) in Inventory' in the current year. The prior period comparatives have been restated to reflect this change.

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Assets donated or brought to account	1,590	773	1,590	773
Property, plant and equipment acquired by a lease	11,481	3,575	11,481	3,575
	<b>13,071</b>	<b>4,348</b>	<b>13,071</b>	<b>4,348</b>

## Nepean Blue Mountains Local Health District

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

for the year ended 30 June 2023

#### 40. Trust funds

##### PARENT AND CONSOLIDATION

The NBMLHD holds trust funds of \$5.5 million (2022: \$5.3 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 the NBMLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2022			30 June 2023
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	320	1	(1)	320
Refundable Deposits	3,332	2,291	(2,339)	3,284
Private Patient Trust Funds	371	7,201	(7,201)	371
Third Party Funds	1,324	22,699	(22,482)	1,541
<b>Total trust funds</b>	<b>5,347</b>	<b>32,192</b>	<b>(32,023)</b>	<b>5,516</b>

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	320	1	(1)	320
Refundable Deposits	3,545	2,370	(2,583)	3,332
Private Patient Trust Funds	1,405	5,473	(6,507)	371
Third Party Funds	1,218	19,991	(19,885)	1,324
<b>Total trust funds</b>	<b>6,488</b>	<b>27,835</b>	<b>(28,976)</b>	<b>5,347</b>

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 41. Financial instruments

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

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

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

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2023 \$000	Carrying Amount 2022 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 20)	Amortised cost	82,215	63,143
Receivables (Note 21) <sup>1</sup>	Amortised cost	37,942	23,255
Financial assets at fair value (Note )	Fair value through profit or loss - mandatory classification	-	-
Other financial assets (Note )	Amortised cost	-	-
<b>Total financial assets</b>		<b>120,157</b>	<b>86,398</b>
<b>Financial liabilities</b>			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	25,679	19,425
Payables (Note 29) <sup>2</sup>	Financial liabilities measured at amortised cost	82,135	67,754
Other liabilities (Note 33)	Financial liabilities measured at amortised cost	-	473
<b>Total financial liabilities</b>		<b>107,814</b>	<b>87,652</b>

##### Notes

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

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

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

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 41. Financial instruments (continued)

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

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

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

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

#### (c) Offsetting financial instruments

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

#### (d) Financial risk

##### i. Credit risk

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

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

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

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

##### Cash and cash equivalents

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

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

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

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

The NBMLHD 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.

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 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. The NBMLHD has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2023 and 30 June 2022 was determined as follows:

#### PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	3.38%	11.95%	19.04%	18.09%	24.65%	6.04%
Estimated total gross carrying amount <sup>1</sup>	28,549	1,892	1,150	293	2,495	34,379
Expected credit loss	964	226	219	53	615	2,077
30 June 2022	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.74%	6.09%	10.30%	9.66%	9.12%	4.67%
Estimated total gross carrying amount <sup>1</sup>	6,193	1,314	699	207	2,545	10,958
Expected credit loss	108	80	72	20	232	512

#### Notes

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 21 and the contract assets total in Note 22.

The NBMLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022.

##### ii. Liquidity risk

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 41. Financial instruments (continued)

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

##### ii. Liquidity risk (continued)

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 41. Financial instruments (continued)

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

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2023</b>								
Payables:								
- Creditors <sup>2</sup>		82,135	-	-	82,135	82,135	-	-
Borrowings:								
- Other loans and deposits	1.24	6,057	6,057	-	-	713	3,563	1,781
- Lease liabilities	3.16	22,017	22,017	-	-	5,232	13,787	2,998
		<b>110,209</b>	<b>28,074</b>	<b>-</b>	<b>82,135</b>	<b>88,080</b>	<b>17,350</b>	<b>4,779</b>
<b>2022</b>								
Payables:								
- Creditors <sup>2</sup>		67,754	-	-	67,754	67,754	-	-
Borrowings:								
- Other loans and deposits	1.24	6,414	6,414	-	-	713	2,851	2,850
- Lease liabilities	1.85	14,037	14,037	-	-	4,683	7,995	1,359
		<b>88,205</b>	<b>20,451</b>	<b>-</b>	<b>67,754</b>	<b>73,150</b>	<b>10,846</b>	<b>4,209</b>

#### Notes:

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 41. Financial instruments (continued)

#### iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the NBMLHD 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 2022. The analysis assumes that all other variables remain constant.

#### *Interest Rate Risk*

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

However, the NBMLHD is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

#### **PARENT AND CONSOLIDATION**

	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(565)	565	(432)	432
Equity	(565)	565	(432)	432

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 42. Related party disclosures

#### PARENT AND CONSOLIDATION

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

Key management personnel compensation is as follows:

	2023 \$000	2022 \$000
Short-term employee benefits	1,363	1,564
Post-employment benefits	126	131
	<b>1,489</b>	<b>1,695</b>

During the financial year, Nepean Blue Mountains Local Health District obtained key management personnel services from the immediate parent and incurred \$0.387 million (2022: \$0.410 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The NBMLHD'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 (2022: \$Nil).

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

There were no transactions with the ultimate parent during the financial period (2022: \$Nil).

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

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

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

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

# Nepean Blue Mountains Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 42. Related party disclosures (continued)

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

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

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

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

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

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

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

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some terms 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
- 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**