



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

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

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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 audit opinion.

Emphasis of Matter – Presentation of Budget Information

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

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

5 October 2023
SYDNEY

South Eastern Sydney 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 South Eastern Sydney 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 South Eastern Sydney 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 'Tobi Wilson'.

Tobi Wilson
Chief Executive
29 September 2023

A handwritten signature in black ink, appearing to read 'Ian Anderson'.

Ian Anderson
Director of Finance
29 September 2023

South Eastern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual Restated 2022 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,370,049	1,372,711	1,309,170	-	-
Personnel services	3	-	-	-	1,335,981	1,322,288
Visiting medical officers	4	69,699	67,541	68,364	69,699	68,364
Operating expenses	5	598,007	576,934	618,359	598,007	618,359
Depreciation and amortisation	6	104,659	104,136	86,796	104,659	86,796
Grants and subsidies	7	17,779	16,947	18,487	17,779	18,487
Finance costs	8	604	541	529	604	529
Payments to Affiliated Health Organisations	9	58,532	58,588	59,885	58,532	59,885
Total expenses excluding losses		2,219,329	2,197,398	2,161,590	2,185,261	2,174,708
Revenue						
Ministry of Health recurrent allocations	12	1,826,054	1,773,003	1,738,292	1,826,054	1,738,292
Ministry of Health capital allocations	12	169,115	171,886	158,814	169,115	158,814
Acceptance by the Crown ² of employee benefits	16	34,068	34,169	(13,118)	-	-
Sale of goods and services from contracts with customers	13	252,542	267,012	214,199	252,542	214,199
Investment revenue	14	4,381	2,376	189	4,381	189
Grants and other contributions	15	49,314	48,676	61,770	49,314	61,770
Other income	17	13,581	18,859	17,904	13,581	17,904
Total revenue		2,349,055	2,315,981	2,178,050	2,314,987	2,191,168
Operating result		129,726	118,583	16,460	129,726	16,460
Gains / (losses) on disposal	18	(357)	-	(662)	(357)	(662)
Impairment losses on financial assets	23	(3,920)	(2,658)	(812)	(3,920)	(812)
Other gains / (losses)	19	83	93	(582)	83	(582)
Net result from continuing operations	40	125,532	116,018	14,404	125,532	14,404
Net result		125,532	116,018	14,404	125,532	14,404
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	26	86,086	-	154,375	86,086	154,375
Total other comprehensive income		86,086	-	154,375	86,086	154,375
TOTAL COMPREHENSIVE INCOME		211,618	116,018	168,779	211,618	168,779

¹ Unaudited adjusted budget, see Note 39.

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

See Note 21 for details regarding restated prior year balances for the SESLHD.

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Financial Position as at 30 June 2023

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	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
ASSETS								
Current assets								
Cash and cash equivalents	22	129,460	117,359	114,198	61,964	129,460	114,198	61,964
Receivables	23	82,041	38,132	67,463	90,759	82,041	67,463	90,759
Inventories	24	31,867	26,003	27,077	25,383	31,867	27,077	25,383
Financial assets at fair value		-	-	-	44,473	-	-	44,473
Total current assets		243,368	181,494	208,738	222,579	243,368	208,738	222,579
Non-current assets								
Receivables	23	24,490	24,491	494	559	24,490	494	559
Other financial assets	25	8,190	7,948	7,948	7,713	8,190	7,948	7,713
Property, plant & equipment	26							
- Land and buildings		2,291,445	2,209,412	2,149,390	1,909,816	2,291,445	2,149,390	1,909,816
- Plant and equipment		138,260	138,690	122,310	105,148	138,260	122,310	105,148
- Infrastructure systems		55,595	52,216	57,596	57,934	55,595	57,596	57,934
Total property, plant & equipment		2,485,300	2,400,318	2,329,296	2,072,898	2,485,300	2,329,296	2,072,898
Right-of-use assets	27	25,493	26,369	25,646	23,788	25,493	25,646	23,788
Intangible assets	28	228	145	218	212	228	218	212
Total non-current assets		2,543,701	2,459,271	2,363,602	2,105,170	2,543,701	2,363,602	2,105,170
Total assets		2,787,069	2,640,765	2,572,340	2,327,749	2,787,069	2,572,340	2,327,749

South Eastern Sydney Local Health District
Statement of Financial Position as at 30 June 2023 (continued)

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	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
LIABILITIES								
Current liabilities								
Payables	31	145,513	128,354	141,745	101,524	145,513	141,745	101,524
Contract liabilities	32	893	175	175	371	893	175	371
Borrowings	33	4,927	4,180	5,435	5,424	4,927	5,435	5,424
Provisions	34	269,738	260,985	295,993	258,454	269,738	295,993	258,454
Other current liabilities	35	63,885	40,383	40,143	43,486	63,885	40,143	43,486
Total current liabilities		484,956	434,077	483,491	409,259	484,956	483,491	409,259
Non-current liabilities								
Borrowings	33	21,675	23,669	21,407	19,230	21,675	21,407	19,230
Provisions	34	4,823	4,763	4,689	4,715	4,823	4,689	4,715
Other non-current liabilities	35	8,598	6,839	7,353	7,923	8,598	7,353	7,923
Total non-current liabilities		35,096	35,271	33,449	31,868	35,096	33,449	31,868
Total liabilities		520,052	469,348	516,940	441,127	520,052	516,940	441,127
Net assets		2,267,017	2,171,417	2,055,400	1,886,622	2,267,017	2,055,400	1,886,622
EQUITY								
Reserves		607,130	523,188	523,188	368,771	607,130	523,188	368,771
Accumulated funds		1,659,887	1,648,229	1,532,212	1,517,851	1,659,887	1,532,212	1,517,851
Total Equity		2,267,017	2,171,417	2,055,400	1,886,622	2,267,017	2,055,400	1,886,622

¹ Unaudited adjusted budget, see Note 39.

See Note 21 for details regarding restated prior year balances for the SESLHD.

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2023

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2022		1,533,851	523,188	2,057,039
Correction of error - long service leave calculations	21	(1,640)	-	(1,640)
Restated balance at 1 July 2022		1,532,211	523,188	2,055,399
Net result for the year		125,532	-	125,532
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	86,086	86,086
Total other comprehensive income		-	86,086	86,086
Total comprehensive income for the year		125,532	86,086	211,618
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		2,144	(2,144)	-
Balance at 30 June 2023		1,659,887	607,130	2,267,017

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,519,722	368,771	1,888,493
Correction of error - long service leave calculations	21	(1,872)	-	(1,872)
Restated balance at 1 July 2021		1,517,850	368,771	1,886,621
Restated net result for the year		14,404	-	14,404
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	154,375	154,375
Total other comprehensive income		-	154,375	154,375
Restated total comprehensive income for the year		14,404	154,375	168,779
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(42)	42	-
Restated balance at 30 June 2022		1,532,212	523,188	2,055,400

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,377,931)	(1,389,915)	(1,297,995)	-	-
Suppliers for goods and services		(719,669)	(707,129)	(674,184)	(719,669)	(674,184)
Grants and subsidies		(84,344)	(83,567)	(85,474)	(84,344)	(85,474)
Finance costs		(604)	(541)	(1,295)	(604)	(1,295)
Personnel services		-	-	-	(1,377,931)	(1,297,995)
Total payments		(2,182,548)	(2,181,152)	(2,058,948)	(2,182,548)	(2,058,948)
Receipts						
Ministry of Health recurrent allocations		1,826,054	1,773,003	1,738,292	1,826,054	1,738,292
Ministry of Health capital allocations		169,115	171,886	158,814	169,115	158,814
Reimbursements from the Crown ²		23,562	23,562	20,436	23,562	20,436
Sale of goods and services		236,568	269,179	226,537	236,568	226,537
Interest received		4,117	2,149	688	4,117	688
Grants and other contributions		50,648	50,618	54,717	50,648	54,717
Other		80,958	69,137	56,597	80,958	56,597
Total receipts		2,391,022	2,359,534	2,256,081	2,391,022	2,256,081
NET CASH FLOWS FROM OPERATING ACTIVITIES	40	208,474	178,382	197,133	208,474	197,133
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		2,140	2,119	-	2,140	-
Proceeds from sale of financial assets		-	-	43,711	-	43,711
Purchases of property, plant and equipment and intangibles		(189,025)	(175,491)	(183,019)	(189,025)	(183,019)
Other		-	3,682	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(186,885)	(169,690)	(139,308)	(186,885)	(139,308)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(6,327)	(5,531)	(5,591)	(6,327)	(5,591)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(6,327)	(5,531)	(5,591)	(6,327)	(5,591)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		15,262	3,161	52,234	15,262	52,234
Opening cash and cash equivalents	22	114,198	114,198	61,964	114,198	61,964
CLOSING CASH AND CASH EQUIVALENTS	22	129,460	117,359	114,198	129,460	114,198

¹ Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

a) Reporting entity

The South Eastern Sydney Local Health District (the SESLHD), 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 SESLHD 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 SESLHD 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 South Eastern Sydney Local Health District Special Purpose Service Entity which provides personnel services to the SESLHD 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 SESLHD as a parent entity and the SESLHD 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 29 September 2023.

b) Basis of preparation

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

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

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

Each year the Secretary of NSW Health, the Chair of SESLHD Board and the Chief Executive, through the Service Agreement agree 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 SESLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where SESLHD 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. The deferral of the NSW 2023-24 Budget until 19 September 2023 has necessitated a staged approach to the service agreements and budget allocation for the financial year 2023-24. The SESLHD has received, from the Ministry of Health, interim funding allocation for the first quarter of 2023-24, initial full year activity targets, key performance indicators and performance deliverables for the year and a commitment to receive and execute the final 2023-24 Service agreement in September 2023.

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 SESLHD 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.

South Eastern Sydney 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

- * The SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.
- * From 1 July 2023, the SESLHD's Service Agreement will have an adjusted state efficient price to incorporate the additional costs for COVID-19 expenditure.

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 SESLHD 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 SESLHD's presentation and functional currency.

c) Statement of Compliance

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

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

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

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

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

e) 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).

South Eastern Sydney 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, a review of the useful lives of specialised buildings was conducted. 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 SESLHD 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
Expenses		
Depreciation and amortisation	3,665	2,416

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 SESLHD 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 SESLHD.

(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.

South Eastern Sydney 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

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

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

- * Note 5 Operating expenses
- * Note 7 Grants and subsidies
- * Note 12 Ministry of Health allocations
- * Note 15 Grants and other contributions
- * Note 19 Other gains / (losses)
- * Note 24 Inventories
- * Note 34 Provisions
- * Note 39 Adjusted budget review

South Eastern Sydney 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 ¹ 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	1,197,746	1,200,736	-	-
Superannuation - defined benefit plans	4,546	5,089	-	-
Superannuation - defined contribution plans	120,263	113,239	-	-
Long service leave	30,336	(23,666)	-	-
Redundancies	578	343	-	-
Workers' compensation insurance	16,484	13,333	-	-
Fringe benefits tax	96	96	-	-
	1,370,049	1,309,170	-	-

¹ 'Long service leave' costs has been restated to be lower by \$1.88 million in the prior year for the consolidated entity. Refer to Note 21 for further details regarding restatement as a result of an error.

Refer to Note 34 for further details on recognition and measurement of employee related expenses.

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

The long service leave in 2022 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 ¹ 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	1,197,746	1,200,736
Superannuation - defined contribution plans	-	-	120,263	113,239
Long service leave	-	-	813	(5,459)
Redundancies	-	-	578	343
Workers' compensation insurance	-	-	16,484	13,333
Fringe benefits tax	-	-	97	96
	-	-	1,335,981	1,322,288

¹ 'Long service leave' costs has been restated to be lower by \$0.23 million in the prior year for the parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

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

Personnel services of \$Nil (2022: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input in a number of disciplines throughout the SESLHD's hospitals. VMO expenses of \$69.7 million (2022: \$68.36 million) represent part of the day-to-day running costs incurred in the normal operations of the SESLHD. These costs are expensed as incurred.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

5. Operating expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Advertising	425	459	425	459
Auditor's remuneration - audit of financial statements	282	265	282	265
Blood and blood products	13,135	13,314	13,135	13,314
Consultancies	834	361	834	361
Contractors	5,104	12,367	5,104	12,367
Domestic supplies and services	27,680	29,519	27,680	29,519
Drug supplies*	82,528	85,018	82,528	85,018
Food supplies	32,939	30,898	32,939	30,898
Fuel, light and power	15,601	11,660	15,601	11,660
Patient transport costs	11,973	12,848	11,973	12,848
Information management expenses	51,831	45,596	51,831	45,596
Insurance	2,364	2,094	2,364	2,094
Maintenance (see Note 5 (b))	54,889	53,848	54,889	53,848
Medical and surgical supplies	106,833	106,005	106,833	106,005
Motor vehicle expenses	1,180	1,207	1,180	1,207
Postal and telephone costs	3,401	4,058	3,401	4,058
Printing and stationery	3,739	3,615	3,739	3,615
Rates and charges	1,726	1,615	1,726	1,615
Hosted services purchased from entities controlled by the immediate parent	337	396	337	396
Specialised services (dental, radiology, pathology and allied health)	87,512	97,750	87,512	97,750
Staff related costs	13,726	14,014	13,726	14,014
Travel related costs	7,772	3,370	7,772	3,370
Other (see Note 5 (a))	72,196	88,082	72,196	88,082
	598,007	618,359	598,007	618,359

* Drug supplies includes \$0.25 million (2022: \$9.31 million) of COVID-19 vaccinations administered by vaccination hubs within the SESLHD. Refer to Note 24 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 SESLHD.

South Eastern Sydney 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
(a) Other				
Contract for patient services	41,460	57,107	41,460	57,107
Corporate support services ¹	10,387	9,021	10,387	9,021
Courier and freight	1,588	1,376	1,588	1,376
Disability equipment support expenses ¹	2,642	2,578	2,642	2,578
Isolated patient travel and accommodation assistance scheme*	-	215	-	215
Legal services	270	178	270	178
Membership/professional fees	1,592	1,875	1,592	1,875
Quality assurance / accreditation	169	269	169	269
Security services	1,433	1,255	1,433	1,255
Expenses relating to short-term leases	2,135	3,191	2,135	3,191
Expenses relating to leases of low-value assets	464	389	464	389
Other miscellaneous	10,056	10,628	10,056	10,628
	72,196	88,082	72,196	88,082

¹ 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 \$2.578 million and 'Corporate support services' lower by \$2.578 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	21,266	23,400	21,266	23,400
New / replacement equipment under \$10,000	19,728	17,352	19,728	17,352
Repairs maintenance / non contract	15,610	15,182	15,610	15,182
Other	(1,715)	(2,086)	(1,715)	(2,086)
Maintenance expense - contracted labour and Employee related/personnel services maintenance expense included in Notes 2 and 3*.	5,030	5,335	5,030	5,335
	59,919	59,183	59,919	59,183

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

5. Operating expenses (continued)

Recognition and Measurement

Operating expenses includes non-employee costs incurred in delivering the services provided by the SESLHD. 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 SESLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government entities. The expense / (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance for NSW, a controlled entity of the ultimate parent.

Lease expense

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

6. Depreciation and amortisation

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Depreciation - buildings	74,509	57,241	74,509	57,241
Depreciation - plant and equipment	18,360	18,504	18,360	18,504
Depreciation - infrastructure systems	5,380	4,948	5,380	4,948
Depreciation - right-of-use buildings	2,685	2,543	2,685	2,543
Depreciation - right-of-use plant and equipment	3,653	3,518	3,653	3,518
Amortisation - intangible assets	72	42	72	42
	104,659	86,796	104,659	86,796

Depreciation - buildings is higher by \$3.67 million in 2023 due to a change in the useful lives for specialised buildings. Refer to Note 1(g) for further details.

Refer to Note 26 Property, plant and equipment, Note 27 Leases, and Note 28 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	14,980	14,265	14,980	14,265
Grants to research organisations	882	1,111	882	1,111
Grants to entities controlled by the immediate parent*	823	1,337	823	1,337
Other grants*	1,094	1,774	1,094	1,774
	17,779	18,487	17,779	18,487

* The SESLHD granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 24 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 \$0.06 million (2022: \$0.75 million) and under other grants (external third parties) was \$Nil (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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

8. Finance costs

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest expense from lease liabilities	604	529	604	529
	604	529	604	529

Recognition and Measurement

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

9. Payments to Affiliated Health Organisations

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Recurrent sourced				
Calvary Health Care Sydney	37,848	39,238	37,848	39,238
War Memorial Hospital Waverley	19,193	19,122	19,193	19,122
Eastern Sydney SCARBA Centre	1,491	1,525	1,491	1,525
	58,532	59,885	58,532	59,885

Recognition and Measurement

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

General operating expenses / revenues of Calvary Health Care Sydney, War Memorial Hospital Waverley and Eastern Sydney SCARBA Centre have only been included in the Statement of Comprehensive Income prepared to the extent of the payments made / received or accrued to the health organisations concerned. SESLHD is not deemed to own or control the various assets / liabilities of the aforementioned health organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

10. Revenue

Recognition and Measurement

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

Under the GSF Act 2018, the SESLHD's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of 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 SESLHD which forms part of the consolidated fund and is not appropriated to the SESLHD by an Act.

11. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) (and the subsequent variations, if applicable) 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 SESLHD.

The Treasury and Energy Legislation Amendment Act 2022 made some amendments to sections 4.7 and 4.9 of the Government Sector Finance Act 2018 (the GSF Act). These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for the SESLHD, being the Minister for Health, is taken to have been given an appropriation out of the Consolidated Fund under the authority section 4.7 of the GSF Act, at the time the SESLHD receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the SESLHD. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that the SESLHD receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

On 16 June 2023, the GSF Amendment (Deemed Appropriations) Regulation 2023 was approved to bring the GSF regulations in line with the above deemed appropriation amendments to the GSF Act.

A summary of compliance is disclosed in the financial statements of the Annual Report of the Ministry of Health. It has been prepared by aggregating the spending authorities of the Minister for Health for the services of the Ministry of Health. It reflects the status at the point in time this disclosure statement is being made. The SESLHD's spending authority and expenditure is included in the summary of compliance.

The delegation / sub-delegations for 2023 and 2022, authorising officers of the SESLHD to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the SESLHD. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the Ministry of Health to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriations Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of the Ministry of Health.

The State Budget and related Appropriation Bill for year commencing 1 July 2023 has been delayed and is anticipated to be tabled in September 2023. Pursuant to section 4.10 of the GSF Act, the Treasurer has authorised the payment of specified sums out of the Consolidated Fund to meet the requirements of this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2022-23 annual Appropriation Act.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

12. Ministry of Health allocations

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

The SESLHD recognised additional Ministry of Health recurrent allocations of \$49.13 million (2022: \$168.00 million) and Ministry of Health capital allocations of \$Nil (2022: \$2.00 million) to cover costs incurred for the testing, diagnosis, treatment and vaccination of COVID-19 patients.

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. 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	37,428	37,316	37,428	37,316
Sale of prostheses	10,587	9,382	10,587	9,382
Other ¹	300	386	300	386
	48,315	47,084	48,315	47,084

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	115,294	91,230	115,294	91,230
- Nursing home fees	398	138	398	138
- Non inpatient fees	7,968	6,560	7,968	6,560
Department of Veterans' Affairs	9,542	11,287	9,542	11,287
Motor Accident Authority third party	12,699	8,335	12,699	8,335
Multi Purpose Service Centre fees	-	173	-	173

Staff

Private use of motor vehicles	27	33	27	33
Salary packaging fee	473	563	473	563
Meals and accommodation	252	176	252	176
Child care fees	1,276	1,232	1,276	1,232

General community

Car parking	3,056	2,013	3,056	2,013
Clinical services (excluding clinical drug trials)	4,848	368	4,848	368
Commercial activities	1,082	1,043	1,082	1,043
Fees for conferences and training	325	527	325	527
Fees for medical records	250	254	250	254
Information retrieval	1	41	1	41

Non-NSW Health entities

Services to other organisations	3,854	2,175	3,854	2,175
---------------------------------	-------	-------	-------	-------

Entities controlled by the immediate parent

Hosted service revenues	11,326	10,988	11,326	10,988
Shared corporate service revenues	-	59	-	59

Other

Infrastructure fees - annual charge	13,503	8,900	13,503	8,900
Infrastructure fees - monthly facility charge	17,508	20,767	17,508	20,767
Other	545	253	545	253

	204,227	167,115	204,227	167,115
	252,542	214,199	252,542	214,199

¹ Enteral nutrition income has been reclassified from 'Enteral nutrition' to 'Sale of goods - other' in the current year. The prior period 'Sale of goods - other' has been restated higher by \$0.007 million and 'Enteral nutrition' lower by \$0.007 million to reflect this change.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

Recognition and Measurement

Sale of goods

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

Recognition and Measurement (continued)

Rendering of services

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

Recognition and Measurement (continued)

Rendering of services (continued)

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

Refer to Note 32 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the SESLHD expects to recognise the unsatisfied portion as revenue.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

14. Investment revenue

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest income from financial assets at amortised cost	4,117	263	4,117	263
Finance income on the net investment in the lease	242	235	242	235
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	-	(338)	-	(338)
Royalties	-	5	-	5
Dividends	22	24	22	24
	4,381	189	4,381	189

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).

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss includes distributions received as well as movements in the fair value.

Royalties

Royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

Dividend income

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

15. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	-	1,647	-	1,647
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	10,220	9,642	10,220	9,642
Clinical trials and research grants	6,303	6,752	6,303	6,752
Commonwealth government grants received for community based services	5,918	8,787	5,918	8,787
Commonwealth government grants other	115	595	115	595
Grants from entities controlled by the ultimate parent	30	-	30	-
Other grants from entities controlled by the immediate parent	614	15	614	15
Other grants	11,252	10,249	11,252	10,249
Grants without specific performance obligations				
Clinical trial and research grants	235	305	235	305
Commonwealth government grants other*	2,559	13,833	2,559	13,833
Other grants from entities controlled by the immediate parent*	2,044	2,286	2,044	2,286
Other grants*	859	404	859	404
Donations				
Donations	9,165	7,255	9,165	7,255
	49,314	61,770	49,314	61,770

* The SESLHD 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 24 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received under Commonwealth government grants other (Commonwealth government) was \$0.09 million (2022: \$9.53 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$0.01 million (2022: \$1.16 million) and under other grants (external third parties) was \$Nil (2022: \$0.04 million).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

15. Grants and other contributions

Recognition and Measurement

Grants and other contributions

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

Revenue from grants with sufficiently specific performance obligations are recognised when the SESLHD satisfies a performance obligation by transferring the promised goods or services. The SESLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The SESLHD uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on 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 32 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 SESLHD obtains control over the granted assets (e.g. cash).

Volunteer services

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Superannuation - defined benefit plans	4,546	5,089	-	-
Long service leave provision	29,523	(18,207)	-	-
	34,069	(13,118)	-	-

¹ 'Long service leave provision' revenue has been restated to be lower by \$1.65 million in the prior year for the consolidated entity. Refer to Note 21 for further details regarding restatement as a result of an error.

17. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other income comprises the following:				
Commissions	80	155	80	155
Discounts	149	218	149	218
Insurance refunds	377	561	377	561
Rental income				
- other rental income	8,955	8,162	8,955	8,162
Revenue related to service concession arrangements*	514	3,969	514	3,969
Sponsorship	89	39	89	39
Unclaimed deposits	4	-	4	-
Other	3,413	4,800	3,413	4,800
	13,581	17,904	13,581	17,904

* This revenue reflects the progressive unwinding of the 'grant of right to operate liability' (Note 35) over the remaining period of the arrangement. Refer to Note 26 for further details on service concession arrangements.

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

18. Gains / (losses) on disposal

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	521	674	521	674
Less: proceeds from disposal	21	-	21	-
Net gains / (losses) on disposal	(500)	(674)	(500)	(674)
Right-of-use assets				
Written down value of assets disposed	454	389	454	389
Less: lease liabilities extinguished	450	401	450	401
Net gains / (losses) on disposal	(4)	12	(4)	12
Assets held for sale				
Written down value of assets disposed	1,972	-	1,972	-
Less: proceeds from disposal	2,119	-	2,119	-
Net gains / (losses) on disposal	147	-	147	-
Financial assets				
Written down value of assets disposed	-	43,711	-	43,711
Less: proceeds from disposal	-	43,711	-	43,711
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	(357)	(662)	(357)	(662)

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

19. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory write down*	93	(579)	93	(579)
Foreign exchange gains / (losses)	(10)	(3)	(10)	(3)
	83	(582)	83	(582)

* Inventory write down includes COVID-19 vaccine wastage of \$0.05 million (2022: \$0.41 million), Monkeypox vaccine wastage of \$0.025 million (2022: \$Nil) and impairment decrement of COVID-19 vaccines of \$(0.17) million (2022: impairment increment of \$0.17 million). Refer to Note 24 for further details on COVID-19 vaccines.

Recognition and Measurement

Impairment losses on non-financial assets

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

- Note 23 Receivables
- Note 24 Inventories
- Note 26 Property, plant and equipment
- Note 27 Leases
- Note 28 Intangible assets

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

The SESLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The SESLHD determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 30 Restricted assets.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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						
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	1,311,049	(1,879)	1,309,170	-	-	-
Personnel services	3	-	-	-	1,322,520	(232)	1,322,288
Total expenses excluding		2,163,469	(1,879)	2,161,590	2,174,940	(232)	2,174,708
Revenue							
Acceptance by the Crown of employee benefits	16	(11,471)	(1,647)	(13,118)	-	-	-
Total revenue		2,179,697	(1,647)	2,178,050	2,191,168	-	2,191,168
Operating result		16,228	232	16,460	16,228	232	16,460
Net result		14,172	232	14,404	14,172	232	14,404
Total other comprehensive income		154,375	-	154,375	154,375	-	154,375
TOTAL COMPREHENSIVE INCOME		168,547	232	168,779	168,547	232	168,779

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

21. Prior period error (continued)

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

	Notes	Consolidated Actual 1 July 2021 \$000	Consolidated Adjustment 1 July 2021 \$000	Consolidated Restated 1 July 2021 \$000	Parent Actual 1 July 2021 \$000	Parent Adjustment 1 July 2021 \$000	Parent Restated 1 July 2021 \$000
LIABILITIES							
Current liabilities							
Provisions	34	256,740	1,714	258,454	256,740	1,714	258,454
Total current liabilities		407,545	1,714	409,259	407,545	1,714	409,259
Non-current liabilities							
Provisions	34	4,557	158	4,715	4,557	158	4,715
Total non-current liabilities		31,710	158	31,868	31,710	158	31,868
Total liabilities		439,255	1,872	441,127	439,255	1,872	441,127
Net assets		1,888,494	(1,872)	1,886,622	1,888,494	(1,872)	1,886,622
EQUITY							
Accumulated funds		1,519,723	(1,872)	1,517,851	1,519,723	(1,872)	1,517,851
Total Equity		1,888,494	(1,872)	1,886,622	1,888,494	(1,872)	1,886,622

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)

	Notes	Consolidated Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
LIABILITIES							
Current liabilities							
Provisions	34	294,490	1,503	295,993	294,490	1,503	295,993
Total current liabilities		481,988	1,503	483,491	481,988	1,503	483,491
Non-current liabilities							
Provisions	34	4,552	137	4,689	4,552	137	4,689
Total non-current liabilities		33,312	137	33,449	33,312	137	33,449
Total liabilities		515,300	1,640	516,940	515,300	1,640	516,940
Net assets		2,057,040	(1,640)	2,055,400	2,057,040	(1,640)	2,055,400
EQUITY							
Accumulated funds		1,533,852	(1,640)	1,532,212	1,533,852	(1,640)	1,532,212
Total Equity		2,057,040	(1,640)	2,055,400	2,057,040	(1,640)	2,055,400

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	129,460	114,198	129,460	114,198
	129,460	114,198	129,460	114,198

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)	129,460	114,198	129,460	114,198
	129,460	114,198	129,460	114,198

Refer to Note 43 for details regarding credit risk and market risk arising from financial instruments.

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

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of the SESLHD for payments to suppliers and employees. HealthShare NSW makes payments after the SESLHD has reviewed and approved the invoices and employee rosters. The SESLHD'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 SESLHD.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of the SESLHD 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 SESLHD.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Trade receivables from contracts with customers	50,811	36,338	50,811	36,338
Intra health receivables	21,070	13,192	21,070	13,192
Goods and Services Tax	5,647	6,616	5,647	6,616
Other receivables	4,598	5,151	4,598	5,151
Sub total	82,126	61,297	82,126	61,297
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(4,643)	(2,925)	(4,643)	(2,925)
- Other receivables	(309)	(38)	(309)	(38)
Sub total	77,174	58,334	77,174	58,334
Prepayments	4,867	9,129	4,867	9,129
	82,041	67,463	82,041	67,463

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

Trade receivables from contracts with customers

Balance at the beginning of the year	(2,925)	(3,147)	(2,925)	(3,147)
Amounts written off during the year	1,918	953	1,918	953
(Increase) / decrease in allowance recognised in the net result ¹	(3,635)	(731)	(3,635)	(731)
Balance at the end of the year	(4,643)	(2,925)	(4,643)	(2,925)

Other receivables

Balance at the beginning of the year	(38)	(94)	(38)	(94)
Amounts written off during the year	13	137	13	137
(Increase) / decrease in allowance recognised in the net result	(284)	(81)	(284)	(81)
Balance at the end of the year	(309)	(38)	(309)	(38)
	(4,952)	(2,963)	(4,952)	(2,963)

Non-current

Prepayments	24,490	494	24,490	494
	24,490	494	24,490	494

¹ Includes total impairment loss of \$3.64 million (2022: \$0.73 million) recognised on receivables from contracts with customers.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Receivables (continued)

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

Current include:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Patient fees - compensable	2,146	263	2,146	263
Patient fees - ineligible	13,264	7,670	13,264	7,670
Patient fees - inpatient & other	18,625	17,189	18,625	17,189
	34,035	25,122	34,035	25,122

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 43.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent' 2022 \$000
Contract receivables (included in Note 23)	71,881	49,530	71,881	49,530
Total contract receivables	71,881	49,530	71,881	49,530

Recognition and Measurement

The SESLHD 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 SESLHD considers:

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

Impairment

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

24. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Held-for-distribution				
Drug supplies	8,298	9,106	8,298	9,106
Medical and surgical supplies	20,646	17,853	20,646	17,853
Other including goods in transit	2,923	290	2,923	290
Sub total	31,867	27,249	31,867	27,249
Less: Allowance for impairment				
- Drug supplies	-	(172)	-	(172)
	31,867	27,077	31,867	27,077

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

The value attributable to the COVID-19 vaccines received was measured at its fair value based on replacement cost. The SESLHD 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 SESLHD.

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.1 million (2022: \$10.73 million) and \$0.3 million (2022: \$10.06 million), respectively. \$0.05 million (2022: \$0.41 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 \$0.01 million (2022: \$0.26 million) which is included as part of the inventory drug supplies.

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

25. Other financial assets

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-current				
Receivables on finance leases as lessor (Note 27 (b))	8,190	7,948	8,190	7,948
	8,190	7,948	8,190	7,948

Refer to Note 43 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	3,066,655	248,436	197,923	3,513,014
Less: accumulated depreciation and impairment	1,156,839	143,288	139,989	1,440,116
Net carrying amount	1,909,816	105,148	57,934	2,072,898
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	1,909,816	105,148	57,934	2,072,898
Additions	147,002	36,373	-	183,375
Disposals	-	(674)	-	(674)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	15	-	15
Net revaluation increments less revaluation decrements	149,765	-	4,610	154,375
Depreciation expense	(57,241)	(18,504)	(4,948)	(80,693)
Reclassifications	48	(48)	-	-
Net carrying amount at end of year	2,149,390	122,310	57,596	2,329,296

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	3,469,049	271,981	215,142	3,956,172
Less: accumulated depreciation and impairment	1,319,659	149,671	157,546	1,626,876
Net carrying amount	2,149,390	122,310	57,596	2,329,296

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2023				
Net carrying amount at beginning of year	2,149,390	122,310	57,596	2,329,296
Additions	135,318	34,720	8	170,046
Reclassification to assets held for sale	(1,972)	-	-	(1,972)
Disposals	-	(521)	-	(521)
Transfers within NSW Health entities through Statement of Comprehensive Income	180	434	-	614
Net revaluation increments less revaluation decrements	82,951	-	3,135	86,086
Depreciation expense	(74,509)	(18,360)	(5,380)	(98,249)
Reclassifications	87	(323)	236	-
Net carrying amount at end of year	2,291,445	138,260	55,595	2,485,300

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,764,358	285,596	228,273	4,278,227
Less: accumulated depreciation and impairment	1,472,913	147,336	172,678	1,792,927
Net carrying amount	2,291,445	138,260	55,595	2,485,300

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

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

- land and buildings \$62.68 million (2022: \$61.65 million)
- plant and equipment \$Nil (2022: \$Nil)
- infrastructure systems \$Nil (2022: \$Nil)

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,992,631	248,436	197,924	3,438,991
Less: accumulated depreciation and impairment	1,117,815	143,288	139,989	1,401,092
Net carrying amount	1,874,816	105,148	57,935	2,037,899
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	1,874,816	105,148	57,935	2,037,899
Additions	145,722	36,373	-	182,095
Disposals	-	(673)	-	(673)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	15	-	15
Net revaluation increment less revaluation decrements	147,725	-	4,610	152,335
Depreciation expense	(54,923)	(18,507)	(4,948)	(78,378)
Reclassifications	566	(47)	-	519
Net carrying amount at end of year	2,113,906	122,309	57,597	2,293,812

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	3,393,744	271,980	215,143	3,880,867
Less: accumulated depreciation and impairment	1,279,838	149,671	157,546	1,587,055
Net carrying amount	2,113,906	122,309	57,597	2,293,812

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2023				
Net carrying amount at beginning of year	2,113,906	122,309	57,596	2,293,811
Additions	135,296	34,720	8	170,024
Reclassification to assets held for sale	(1,972)	-	-	(1,972)
Disposals	-	(521)	-	(521)
Transfers within NSW Health entities through Statement of Comprehensive Income	180	434	-	614
Net revaluation increments less revaluation decrements	80,749	-	3,135	83,884
Depreciation expense	(72,949)	(18,360)	(5,380)	(96,689)
Reclassifications	87	(324)	236	(1)
Net carrying amount at end of year	2,255,297	138,258	55,595	2,449,150

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,686,829	285,595	228,273	4,200,697
Less: accumulated depreciation and impairment	1,431,532	147,336	172,678	1,751,546
Net carrying amount	2,255,297	138,259	55,595	2,449,151

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	74,025	-	-	74,025
Less: accumulated depreciation and impairment	39,024	-	-	39,024
Net carrying amount	35,001	-	-	35,001

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	35,001	-	-	35,001
Additions	1,280	-	-	1,280
Net revaluation increment less revaluation decrements	2,040	-	-	2,040
Depreciation expense	(2,318)	-	-	(2,318)
Reclassifications	(519)	-	-	(519)
Net carrying amount at end of year	35,484	-	-	35,484

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	75,305	-	-	75,305
<i>Less: accumulated depreciation and impairment</i>	39,821	-	-	39,821
Net carrying amount	35,484	-	-	35,484

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2023				
Net carrying amount at beginning of year	35,484	-	-	35,484
Additions	22	-	-	22
Net revaluation increments less revaluation decrements	2,202	-	-	2,202
Depreciation expense	(1,560)	-	-	(1,560)
Net carrying amount at end of year	36,148	-	-	36,148

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	77,529	-	-	77,529
<i>Less: accumulated depreciation and impairment</i>	41,381	-	-	41,381
Net carrying amount	36,148	-	-	36,148

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. 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 SESLHD and records all costs incurred as work in progress or expenses and subsequently transfers to the SESLHD. The costs are then accordingly reflected in the SESLHD's financial statements. The SESLHD acquires most assets in this manner.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 36).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Assets not able to be reliably measured

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

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

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

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

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

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

Further information on leases is contained in Note 27.

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 SESLHD's service concession arrangements in place.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

Service concession assets (continued)

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

Description	Hospital Car Parks			
Name and description of the SCA	The arrangements consist of multiple car parks at Prince of Wales Hospital and St George Hospital.			
Period of arrangement	Prince of Wales Hospital car park 25 years (1998 – 2023) St George Hospital car park 25 years (1999 - 2024)			
Terms of the arrangement	SESLHD has contracted International Parking Group (Operator) to build, manage and operate both car parks for the duration of the arrangement. The car parks were fully funded by the operator. SESLHD has granted rights to the Operator to operate and generate revenue from the car parks. Upon grant of this right, the operator has paid an upfront license fee to SESLHD.			
Rights and obligations	SESLHD is obliged to provide the operator with access to the carparks. The operator is responsible for maintaining and operating the car parks during the period of the arrangement. At the end of the arrangement, the operator will return all the assets back to SESLHD. There is no provision for extension of the term in the contract.			
Changes in arrangements occurred during 2022	Nil			
Changes in arrangements occurred during 2023	Nil			
Carrying amounts of SCA	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Prince of Wales Hospital car park	51,618	-	-	51,618
St George Hospital car park	10,032	-	-	10,032
	61,650	-	-	61,650
Year ended 30 June 2023				
Prince of Wales Hospital car park	52,302	-	-	52,302
St George Hospital car park	10,378	-	-	10,378
	62,680	-	-	62,680

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

Service concession assets (continued)

i. Initial recognition

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

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

ii. Subsequent to initial recognition

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

iii. At the end of the arrangement

At the end of a service concession arrangement:

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. 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 29 for further information regarding fair value.

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

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 8.82% in market prices for land and material increases in construction and labour costs of 14.12% for buildings and 15.19% 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 SESLHD has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Property, plant and equipment (continued)

Impairment of property, plant and equipment

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

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

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases

(a) Entity as a lessee

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

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

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

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

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

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

Right-of-use assets under leases

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

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2022	15,966	9,680	25,646
Additions	2,984	3,016	6,000
Reassessments	424	215	639
Disposals	(454)	-	(454)
Depreciation expense	(2,685)	(3,653)	(6,338)
Balance at 30 June 2023	16,235	9,258	25,493
Balance at 1 July 2021	11,989	11,800	23,789
Additions	2,539	1,445	3,984
Reassessments	4,310	13	4,323
Disposals	(329)	(60)	(389)
Depreciation expense	(2,543)	(3,518)	(6,061)
Balance at 30 June 2022	15,966	9,680	25,646

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

27. 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	26,842	24,654
Additions	5,898	3,857
Interest expenses	604	529
Payments	(6,931)	(6,120)
Terminations / derecognition	(450)	(401)
Other adjustments	639	4,323
Balance at 30 June	26,602	26,842

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

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Depreciation expense of right-of-use assets	6,338	6,061
Interest expense on lease liabilities	604	529
Expenses relating to short-term leases	2,135	3,191
Expenses relating to leases of low-value assets	464	389
(Gains) / losses on disposal	4	(12)
Total amount recognised in the statement of comprehensive income	9,545	10,158

The SESLHD had total cash outflows for leases of \$9.53 million for the year ended 30 June 2023 (2022: \$9.70 million).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement

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

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

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 22 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

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

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

ii. Lease liabilities

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

The SESLHD's lease liabilities are included in borrowings in Note 33.

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

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(b) Entity as a lessor

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

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

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

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

Lessor for finance leases

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Unguaranteed residual amounts - undiscounted	146,463	146,463
Less: unearned finance income	(138,273)	(138,515)
Net investment in finance lease	8,190	7,948

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and Measurement

Lessor for finance leases

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

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

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

Lessor for operating leases

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

PARENT AND CONSOLIDATION

	2023	2022
	\$'000	\$'000
Within one year	6,245	3,828
One to two years	6,211	3,759
Two to three years	6,211	3,759
Three to four years	6,191	3,750
Four to five years	5,992	3,711
Later than five years	47,722	37,563
Total (excluding GST)	78,572	56,370

Recognition and Measurement

Lessor for operating leases

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	685	685
Less: accumulated amortisation and impairment	473	473
Net carrying amount	212	212

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	212	212
Additions - acquired separately	48	48
Amortisation (recognised in depreciation and amortisation)	(42)	(42)
Net carrying amount at end of year	218	218

	Software \$000	Total \$000
At 1 July 2022		
Cost (gross carrying amount)	733	733
Less: accumulated amortisation and impairment	515	515
Net carrying amount	218	218

	Software \$000	Total \$000
Year ended 30 June 2023		
Net carrying amount at beginning of year	218	218
Additions - acquired separately	82	82
Amortisation (recognised in depreciation and amortisation)	(72)	(72)
Net carrying amount at end of year	228	228

	Software \$000	Total \$000
At 30 June 2023		
Cost (gross carrying amount)	720	720
Less: accumulated amortisation and impairment	492	492
Net carrying amount	228	228

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Intangible assets (continued)

Recognition and Measurement

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

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

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

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

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

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

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

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2023	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 26)				
- Land and buildings	-	202,617	1,859,872	2,062,489
- Infrastructure systems	-	-	55,595	55,595
	-	202,617	1,915,467	2,118,084

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 26.

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 26)				
- Land and buildings	-	192,256	1,356,590	1,548,845
- Infrastructure systems	-	-	57,596	57,596
	-	192,256	1,414,186	1,606,441

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 26.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

(b) Valuation techniques, inputs and processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 26).

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

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

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. 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
Fair value as at 1 July 2022	1,356,590	57,596	1,414,186
Additions*	461,876	244	462,120
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 26)	109,521	3,135	112,656
Depreciation expense	(68,115)	(5,380)	(73,495)
Fair value as at 30 June 2023	1,859,872	55,595	1,915,467

* 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
Fair value as at 1 July 2021	1,296,615	57,934	1,354,549
Additions*	19,904	-	19,904
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 26)	98,202	4,610	102,812
Depreciation expense	(58,131)	(4,948)	(63,079)
Fair value as at 30 June 2022	1,356,590	57,596	1,414,186

* 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

30. Restricted assets

PARENT AND CONSOLIDATION

The SESLHD's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2023.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	2,433	516	812	2,137
Facility improvements	17,060	5,470	2,374	20,156
Holds funds in perpetuity	801	1,203	1,171	833
Patient welfare	8,464	1,840	912	9,392
Private practice disbursements (No.2 Accounts)	33,460	14,112	10,393	37,179
Public contributions	290	738	164	864
Research	27,430	13,891	8,175	33,146
Staff welfare	2,069	2,293	1,997	2,365
Training and education including conferences	17,517	6,767	7,106	17,178
	109,524	46,830	33,104	123,250

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

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

Unclaimed monies

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

31. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Accrued salaries, wages and on-costs	24,774	20,937	-	-
Salaries and wages deductions	381	376	-	-
Payroll and fringe benefits tax	202	242	-	-
Accrued liability - purchase of personnel services	-	-	25,357	21,555
Creditors ¹	81,685	96,074	81,685	96,074
Other creditors				
- Payables to entities controlled by the immediate parent	38,471	24,115	38,471	24,115
- Other ¹	-	1	-	1
	145,513	141,745	145,513	141,745

¹ Manual creditors has been reclassified from 'Other creditors - other' to 'Creditors' in the current year. The prior period 'Other creditors - other' has been restated lower by \$51.227 million and 'Creditors' has been restated higher by \$51.227 million to reflect this change.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 43.

Recognition and Measurement

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Contract liabilities	893	175	893	175
	893	175	893	175

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 and 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 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	175	371	175	371
Transaction price allocated to the remaining performance obligations from contracts with customers	4,300	7,153	4,300	7,153

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

Specific revenue class	2024 \$'000	2025 \$'000	2026 \$'000	≥ 2027 \$'000
Grants and other contributions	2,492	1,763	45	-
	2,492	1,763	45	-

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Lease liabilities (see Note 27)	4,927	5,435	4,927	5,435
	4,927	5,435	4,927	5,435
Non-current				
Lease liabilities (see Note 27)	21,675	21,407	21,675	21,407
	21,675	21,407	21,675	21,407

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 31 December 2041.

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 SESLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 43 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

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

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Leases \$000	Total liabilities from financing activities \$000
1 July 2021	24,654	24,654
Cash flows	(5,591)	(5,591)
New leases	3,857	3,857
Lease terminations	(401)	(401)
Lease reassessments	4,323	4,323
30 June 2022	26,842	26,842
1 July 2022	26,842	26,842
Cash flows	(6,327)	(6,327)
New leases	5,898	5,898
Lease terminations	(450)	(450)
Lease reassessments	639	639
30 June 2023	26,602	26,602

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. Provisions

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	144,854	131,755	-	-
Annual leave - obligations expected to be settled after 12 months	76,469	81,270	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,822	2,563	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	38,549	38,068	-	-
Provision for other employee benefits*	6,851	38,899	-	-
Provision for personnel services liability	-	-	269,545	292,555
	269,545	292,555	269,545	292,555
Other Provisions				
Restoration costs	193	52	193	52
Other	-	3,386	-	3,386
	193	3,438	193	3,438
Total current provisions	269,738	295,993	269,738	295,993
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	4,080	4,007	-	-
Provision for personnel services liability	-	-	4,080	4,007
	4,080	4,007	4,080	4,007
Other Provisions				
Restoration costs	743	682	743	682
	743	682	743	682
Total non-current provisions	4,823	4,689	4,823	4,689
Aggregate employee benefits and related on-costs				
Provisions - current	269,545	292,555	-	-
Provisions - non-current	4,080	4,007	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 31)	25,155	21,313	-	-
Liability - purchase of personnel services	-	-	298,780	317,875
	298,780	317,875	298,780	317,875

¹ Long service leave consequential on-costs has been restated to be higher by \$1.64 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$1.64 million in the prior year for the parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

* Provision for other employee benefits in 2022 included a one-off payment to employees of \$32.07 million for the recognition of service during the COVID-19 pandemic.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Restoration costs				
Carrying amount at beginning of period	734	231	734	231
- Additional provisions recognised	202	503	202	503
Carrying amount at end of period	936	734	936	734

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across the SESLHD's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other				
Carrying amount at beginning of period	3,386	6,700	3,386	6,700
- Amounts used	(3,386)	(3,314)	(3,386)	(3,314)
Carrying amount at end of period	-	3,386	-	3,386

* Additional provisions recognised in 2022 included a one-off payment of \$1.67 million to visiting medical officers and \$1.72 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 SESLHD 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 20.98% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 20.38%). The SESLHD has assessed the actuarial advice based on the SESLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the SESLHD does not expect to settle the liability within 12 months as the SESLHD does not have an unconditional right to defer settlement.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

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

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

Consequential on-costs

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

Other provisions

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. Other liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Unearned revenue	63,371	39,629	63,371	39,629
Grant of right to operate liability under service concessions*	514	514	514	514
	63,885	40,143	63,885	40,143
Non-current				
Unearned revenue	1,534	1,659	1,534	1,659
Grant of right to operate liability under service concessions*	257	770	257	770
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	6,807	4,924	6,807	4,924
	8,598	7,353	8,598	7,353

* This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 17 and Note 26 for further information on service concession arrangement.

Unearned revenue was derived from the following:

- In June 1998 \$18.5 million was received as income in advance from International Parking (Randwick) Pty Ltd under the terms of contract to provide and operate a car park facility at the Prince of Wales Hospital campus for the 25 years ending June 2023.
- In June 1999 \$4.5 million was received as income in advance from International Parking Pty Ltd under the terms of contract to provide and operate a car park facility at the St George Hospital campus for the 25.5 years ending December 2024.
- In October 1996 \$5 million was received as income in advance from HCoA Operations (Australia) Pty Ltd (which since then, has been acquired by ANZ Hospitals Senior Holdco Pty Ltd), under the terms of contract to provide and operate a private hospital facility at the Prince of Wales Hospital campus for the 40 years ending October 2036.
- In December 2019 a capital funding deed and agreement was entered into with the University of NSW. Under the terms of the agreement, the University has committed to a funding contribution towards a nominated space and integration at the Randwick Hospital Campus up to an amount of \$62.8M. This facility is under construction and is part of the broader Randwick Development Plan. As at 30 June 2023 the University NSW has contributed \$62.8M (2021: \$39M) as part of the funding deed and are included under unearned revenue. No revenue has been recognised so far as the lease has not yet commenced.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. Other liabilities (continued)

PARENT AND CONSOLIDATION

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

	2023	2022
	\$'000	\$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	4,924	4,855
<i>Add:</i> receipt of cash during the financial year	1,883	1,716
<i>Deduct:</i> income recognised during the financial year	-	1,647
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	6,807	4,924

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 26.

Accumulated funds

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

Reserves

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

Increase / (decrease) in net assets from equity transfers

Equity transfers effected in the 2022/23 year were:

(a) Nil

Equity transfers effected in the 2021/22 year were:

(b) Nil

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

37. 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	146,013	94,478	146,013	94,478
Later than one year and not later than five years	195,793	89,367	195,793	89,367
Total (including GST)	341,806	183,845	341,806	183,845

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$341.81 million as at 30 June 2023 includes input tax credits of \$31.07 million that are expected to be recoverable from the Australian Taxation Office (2022: \$16.71 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$78.57 million as at 30 June 2023 includes taxable sales of \$7.86 million that are expected to be payable to the Australian Taxation Office (2022: \$5.60 million).

38. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

The SESLHD is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements. The majority of capital commitments contracted are related to capital works overseen by the Health Administration Corporation which are fully funded.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

39. Adjusted budget review

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

PARENT AND CONSOLIDATION

Net result

The actual Net Result was higher than adjusted budget by \$9.5 million, primarily due to the District's Net Results being impacted by increase in expenses (\$21.9 million) and impairment lossess (\$1.6 million) that were offset by increases in revenues (\$33.0 million) for the year ended 30 June 2023.

Assets and liabilities

The actual Net Assets was higher than the adjusted budget by \$95.6 million, primarily due to an increase in assets of \$146.3 million (from increased PPE movements \$85.0 million and increases in current assets of \$61.9 million) which were offset by increases in liabilities of \$50.7 million (mostly in current liabilities).

Cash flows

The actual cash and cash equivalent balances was higher than adjusted budget by \$12.1 million, primarily from increases in operating activities (\$30.1 million) which were offset by decrease in investing activities (\$17.2 million) and financing activities (\$0.8 million).

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2022 are as follows:

	\$000
Initial allocation, 1 July 2022	1,568,484
Award increases	38,431
COVID-19 Response	49,130
COVID-19 Workforce Bonus	35,454
SESLHD Own Source Revenue budget reduction one off FY23	20,000
Deferred Care Elective Surgery	16,978
Recovery and Workforce Resilience	15,489
January to June NWAU and Population Health	4,473
New Natural Gas Contract	3,772
Infrastructure As A Service IaaS	3,548
RMR Budget relief	2,000
Intra Health Technology Expense 2022-23 MS Uplift	1,736
Queens Memorial Public Holiday	1,320
Nurse and Midwifery Strategy Reserve	1,233
Drug and Alcohol Services Ice Inquiry Implementation Support	1,000
S100 Highly Specialised Drugs Co-payments	910
Mpox (monkeypox) vaccination clinics	863
Enhancing End of Life Care	760
Medical Imaging Positions - DIMPS and RPS	738
Translational Research Grants	722
WORKERS COMPENSATION TMF Agency Performance Adjustment	670
Other	5,292
Balance as per Statement of Comprehensive Income	1,773,003

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

40. 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 ^{1,2} 2022 \$000	Parent 2023 \$000	Parent ^{1,2} 2022 \$000
Net cash used on operating activities	208,474	197,133	208,474	197,133
Depreciation and amortisation expense	(104,659)	(86,796)	(104,659)	(86,796)
Allowance for impairment	(3,827)	(1,391)	(3,827)	(1,391)
(Increase) / decrease in other liabilities	(24,986)	3,912	(24,986)	3,912
Decrease / (increase) in provisions	26,123	(37,512)	26,123	(37,512)
Increase / (decrease) in inventory	4,697	2,272	4,697	2,272
Increase / (decrease) in prepayments and other assets	23,805	(24,117)	23,805	(24,117)
Decrease / (increase) in payables	(4,234)	(38,415)	(4,234)	(38,415)
Decrease / (increase) in contract liabilities	(718)	196	(718)	196
Increase / (decrease) in financial instruments at fair value	-	(762)	-	(762)
Net gain / (loss) on sale of property, plant and equipment	(353)	(674)	(353)	(674)
Net gain / (loss) on disposal of right-of-use assets	(4)	12	(4)	12
Assets donated or brought to account (Note 41)	1,057	29	1,057	29
Other	157	517	157	517
Net result	125,532	14,404	125,532	14,404

¹ 'Decrease / (increase) in provisions' has been restated to be lower by \$0.23 million in the prior year for the consolidated and parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

² 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.

41. Non-cash financing and investing activities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Assets donated or brought to account	1,057	29	1,057	29
Property, plant and equipment acquired by a lease	6,000	3,984	6,000	3,984
	7,057	4,013	7,057	4,013

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

42. Trust funds

PARENT AND CONSOLIDATION

The SESLHD holds trust funds of \$3.8 million (2022: \$2.9 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 SESLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2022			30 June 2023
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	304	2,576	(1,616)	1,264
Refundable Deposits	384	77	(53)	408
Private Patient Trust Funds	25	43,471	(43,471)	25
Third Party Funds	2,154	399	(492)	2,061
Total trust funds	2,867	46,523	(45,632)	3,758

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	298	3,032	(3,026)	304
Refundable Deposits	378	58	(52)	384
Private Patient Trust Funds	12	39,719	(39,706)	25
Third Party Funds	1,980	1,032	(858)	2,154
Total trust funds	2,668	43,841	(43,642)	2,867

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 44.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments

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

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

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

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2023 \$000	Carrying Amount 2022 \$000
Financial assets			
Cash and cash equivalents (Note 22)	Amortised cost	129,460	114,198
Receivables (Note 23) ¹	Amortised cost	71,527	51,718
Other financial assets (Note 25)	Amortised cost	8,190	7,948
Total financial assets		209,177	173,864
Financial liabilities			
Borrowings (Note 33)	Financial liabilities measured at amortised cost	26,602	26,842
Payables (Note 31) ²	Financial liabilities measured at amortised cost	145,311	141,503
Total financial liabilities		171,913	168,345

Notes

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

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

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

(b) Derecognition of financial assets and financial liabilities

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

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

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

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

The loss allowance for trade receivables, other receivables, contract assets and lease receivables as at 30 June 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	1.57%	4.00%	22.79%	29.54%	42.66%	7.79%
Estimated total gross carrying amount ¹	49,176	3,676	1,457	2,011	7,279	63,599
Expected credit loss	774	147	332	594	3,105	4,952
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	1.24%	6.86%	9.33%	25.42%	38.54%	5.99%
Estimated total gross carrying amount ¹	39,696	2,405	1,431	781	5,125	49,437
Expected credit loss	491	165	134	199	1,975	2,963

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 23 and the contract assets total in Note .

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

ii. Liquidity risk

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

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

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

The SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2023								
Payables:								
- Creditors ²		145,311	-	-	145,311	145,311	-	-
Borrowings:								
- Lease liabilities	2.39%	29,332	29,332	-	-	5,799	14,894	8,638
		174,643	29,332	-	145,311	151,110	14,894	8,638
2022								
Payables:								
- Creditors ²		141,503	-	-	141,503	141,503	-	-
Borrowings:								
- Lease liabilities	1.88%	28,820	28,820	-	-	5,842	14,229	8,749
		170,323	28,820	-	141,503	147,345	14,229	8,749

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

iii. Market risk

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

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

However, the SESLHD is not permitted to borrow external to the 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	(1,110)	1,110	(953)	953
Equity	(1,110)	1,110	(953)	953

Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The SESLHD is exposed to foreign exchange risks associated with commercial contracts payments denominated in foreign currency. The SESLHD's risk management strategy is to hedge foreign currency risks by maintaining foreign currency denominated bank accounts, buying foreign currencies from TCorp at the time of purchase commitment or entering into foreign exchange derivative contracts as approved within internal policies and guidelines set out under NSW Health's Procurement Policy and broader framework under NSW Foreign Exchange Risk Policy (TPP18-03). The forward foreign exchange derivative contracts are economic hedges which enables the SESLHD to exchange a fixed amount of foreign currency for fixed AUD amount at a specified future settlement date, ensuring cash flow certainty.

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023	2022
	\$000	\$000
Short-term employee benefits	487	355
Post-employment benefits	53	35
	540	390

During the financial year, South Eastern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$456 thousand (2022: \$446 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the 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 SESLHD had with government related entities during the financial year

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Rental accommodation for the HIV and Related Programs Unit (HARP) at the

South Eastern Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Related party disclosures (continued)

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- 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 term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

45. 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