

Financial report



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Performance against 2006/07 Budget Allocation

NSW Health is the major provider of health services to the NSW public and comprises 28 per cent of NSW General Government Sector expenditures as compared to 24 per cent a decade ago.

The Operating Statement identifies that total expenses for 2006/07 amounted to \$12.04 billion which is a 6.8 per cent increase over 2005/06. An average of \$32.99 million is expended each day.

User charges, where applied, are not based on full cost recovery or on commercial returns and instead reflect a contribution to the operating costs of health services. Because of these financial arrangements, the Department's performance measurement is best reflected in the net cost of providing those services. For the year ending 30 June 2007, this net cost was \$10.35 billion compared with \$9.79 billion in 2005/06.

The NSW Government increased its funding for operating and capital needs to the NSW Department of Health from the Consolidated Fund by \$480 million or 4.9 per cent to \$10.187 billion in 2006/07.

Consolidated Funds are used to meet both recurrent and capital expenditures, and are accounted for after Net Cost of Service is calculated in order to determine the movement in accumulated funds for the year.

While capital funding is shown in the Operating Statement, capital expenditure is not treated as an expense. By its nature, it is reflected in the Balance Sheet.

The amount the Department receives from year to year for capital purposes varies in line with its Capital Works Program but does influence the amount reported as the Result For the Year. The result reported is also influenced by the extent of third party contributions restricted by donor conditions.

Expenses incurred throughout the health system are varied but the major categories include:

- ▶ \$7.39 billion for salaries and employee related expenses (\$6.96 billion in 2005/06)
- ▶ \$82 million for food (\$81 million in 2005/06)
- ▶ \$1.06 billion for drugs, medical and surgical supplies (\$918 million in 2005/06)
- ▶ \$78 million for fuel, light and power (\$72 million in 2005/06)
- ▶ \$468 million for visiting medical staff (\$441 million in 2005/06).

The financial statements identify that, whilst \$418 million was charged for depreciation and amortisation on Property, Plant and Equipment and Intangibles, an amount of \$550 million was incurred in capital expenditure. This constitutes a real increase in the value of health assets and reflects the significant capital works program to improve NSW Health infrastructure.

Since 30 June 2001, the total assets of NSW Health have increased by \$3.486 billion or over 50 per cent to \$10.45 billion. The most significant movement has been the increase in Property, Plant & Equipment and Intangible Assets of \$2.837 billion or 45.4 per cent which reflects the injection of capital funding referenced above and the independent revaluations of assets.

Cash and Other Financial Assets have also increased by \$449 million since 30 June 2001 to \$907 million flowing from factors such as increased monies held as restricted assets (eg donations) of \$307 million, increased Salaries and Wages accruals of \$93 million and increased superannuation liability of \$32 million. The cash/other financial asset movement in 2006/07 was \$47 million.

Total Liabilities since June 2001 have increased by some \$1.284 billion or 75 per cent to \$3 billion. This generally comprises:

- ▶ an increase in Payables of \$402 million stemming from the introduction of the Goods and Services Tax, the reclassification of Salary Accruals and salary related payments from Provisions to Payables in accordance with revised Australian Accounting Standards
- ▶ an increase in Employee entitlements or Provisions of \$955 million due to various Award movements that have occurred together with changes in the measurement of leave values to accord with revised Australian Accounting Standards
- ▶ a reduction in Borrowings (\$69 million) due to the finalisation of the Port Macquarie agreement since June 2001.

Health Services Liquidity and Creditor Payments – Health Services are required to utilise best practice liquidity management to maximise revenue and have funds available to pay staff, creditors and other cash liabilities as they fall due. However, payments to suppliers must be made in accordance with contract or normal terms unless payment is disputed over the

condition or quantum of goods and services or the late receipt of invoices.

The NSW Department of Health monitors creditor performance on a regular basis and, where liquidity management is found to be deficient, requires relevant health services to improve performance, and implement strategies. The Department monitors progress, both in the short term and on a long term basis to achieve acceptable payment terms to suppliers.

Since 2004/05, the Department has set a benchmark that creditor payments should not exceed between 35 and 45 days from receipt of invoice

In 2006/07, all eleven major Health Services monitored achieved the 45 day requirement at 30 June 2007. The Department continues to work with Health Services to effect improvements in creditor payment and management.

Performance at balance date in the past three years against Trade Creditor benchmarks reported by health services is:

	30 June 2005	30 June 2006	30 June 2007
Value of General Accounts not paid within 45 days, \$M	13.2	1.3	0
Number of Health Services reporting General Creditors > 45 days	1	1	0

2006/07 Major Funding Initiatives

The 2006/07 State Expenditure Budget was \$11.688 billion, ie a 7.6 per cent increase over the initial budget for 2005/06.

The 2006/07 health budget was directed towards addressing a number of demand pressures including a growing and ageing population, advances in health technology, increasing consumer expectations and increasing rates of obesity, diabetes and other lifestyle related illnesses.

Key features of the 2006/07 recurrent expenditure on healthcare in NSW included:

- better integration of healthcare services including establishment of after-hours GP clinics at Nepean, Albury and Liverpool Hospitals and continuation of the successful after-hours GP clinic at Campbelltown Hospital
- better access to care, reflected in improvements in triage performance for patients requiring care in emergency departments and declines in waiting lists for elective surgery
- enhanced mental health services including more mental health beds at Dubbo, Broken Hill and Justice Health; expansion of the Housing Accommodation Support Initiative (HASI) to 850 places; and establishment of specialist amphetamine treatment services at Newcastle and St Vincent's Hospitals
- increases in the nursing workforce to 42,184 as at June 2007, an increase of 24 per cent or 8,180 since January 2002
- better access to renal services through upgrading of facilities, an increase in number of dialysis chairs, recruitment and up-skilling of staff and allocation of more than \$5 million to establish six new in-centre of satellite renal dialysis services at

Northern Beaches, Royal Prince Alfred Hospital, Fairfield, Sutherland, Bega and Taree and to expand community and outreach capacity to provide support for patients on home haemodialysis

- access to cardiac services in rural areas through establishment of specialist services for the diagnosis and treatment of heart conditions, with a third rural public Cardiac Catheterisation Laboratory opened in Coffs Harbour in September 2006.

The financial year 2006/07 was the third year of the \$241 million four year mental health package of enhancements to a range of services, including additional beds in acute settings as well as improvements to community mental health services. In 2006/07 major new mental health initiatives totalled \$38 million (\$300 million over five years) and included:

- \$1.5 million (\$13.5 million over five years) to Non Government Organisations to support families and carers.
- \$5 million (\$58 million over five years) to expand supported accommodation under the Housing and Accommodation Support Initiative.
- \$6.8 million (\$51.4 million over five years) for out of hours emergency and acute community responses.
- \$2.7 million (\$26.3 million over five years) from Statewide 24 hour mental health support by telephone.

An additional \$16 million was also provided to the Brain and Mind Research Institute.

Initial cash allocations in 2006/07 to health services were increased by over \$770 million or on average by 9.4 per cent compared to 2005/06 as follows:

Health Service	2006/07 \$M	2005/06 \$M	Increase	
			\$M	%
Sydney South West Area Health Service	1,721.9	1,572.1	149.8	9.5
South Eastern Sydney Illawarra Area Health Service	1,628.1	1,494.6	133.5	8.9
Sydney West Area Health Service	1,215.6	1,117.4	98.2	8.8
Northern Sydney Central Coast Area Health Service	1,160.7	1,068.3	92.4	8.6
Hunter New England Area Health Service	1,064.0	968.2	95.8	9.9
North Coast Area Health Service	627.1	565.6	61.5	10.9
Greater Southern Area Health Service	514.6	467.9	46.7	10.0
Greater Western Area Health Service	457.2	418.0	39.2	9.4
The Children's Hospital at Westmead	197.6	175.1	22.5	12.8
Ambulance Service	295.6	274.3	21.3	7.8
Justice Health	83.9	72.0	11.9	16.5
Total	8,966.3	8,193.5	772.8	9.4

Note: These figures reflect initial Net Cash Allocations for 2005/06 and 2006/07.

Consolidated financial statements

The Department is required under the Annual Reports (Departments) Act to present the annual financial statements of each of its controlled entities.

This has been achieved by tabling the 2006/07 annual financial statements of each Health Service before Parliament as a second volume to this report.

Key indicators and comparatives at a Consolidated NSW Health level are:

NSW Health Key Financial Indicators

	2006/07 \$M	2005/06 \$M	Increase on previous Year \$M	Increase on previous Year %
Expenses	12,040	11,270	+770	+6.8
Revenue	1,702	1,505	+197	+13.1
Net Cost of Service	10,352	9,789	+563	+5.8
Recurrent Appropriation	9,801	9,226	+575	+6.2
Capital Appropriation	386	481	(95)	(19.8)
Net Assets	7,441	7,184	+257	+3.6
Total Assets	10,449	10,020	+429	+4.3
Total Liabilities	3,008	2,836	+172	+6.1

Source: Audited Financial Statements

2006/07 Total Expenses Comparisons

Expenses Include	2006/07 \$M	2005/06 \$M	2004/05 \$M	2003/04 \$M	2002/03 \$M
Salaries and employee related expenses	7,391	6,961	6,381	5,893	5,339
Food	82	81	75	76	73
Drugs, medical and surgical supplies	1,061	918	842	766	699
Fuel, light and power	78	72	64	61	59
Visiting medical staff	468	441	402	381	361

Source: Audited Financial Statements

Movement in Key Financial Indicators Over the Last 6 Years

	June 2007 \$M	June 2006 \$M	June 2005 \$M	June 2004 \$M	June 2003 \$M	June 2002 \$M
Assets						
Property, Plant & Equipment & Intangibles	9,083	8,729	8,408	7,426	6,926	6,612
Inventories	115	108	72	66	68	64
Cash & Investments	907	860	868	683	666	504
Receivables	317	295	192	162	165	183
Other	27	28	52	42	35	40
Total	10,449	10,020	9,592	8,380	7,860	7,403
Liabilities						
Payables	751	711	690	543	525	470
Provisions	2,179	2,002	1,700	1,507	1,391	1,181
Interest Bearing Liabilities	36	48	82	109	105	105
Other	42	75	64	65	77	75
Total	3,008	2,836	2,536	2,224	2,098	1,831
Equity	7,441	7,184	7,056	6,156	5,762	5,572

Source: Audited Financial Statements

2007/08 and Forward Years

The 2007/08 Expense budget of \$12.5 billion represents an increase of \$831 million or 7.1 per cent over that provided in 2006/07.

Key Initiatives for 2007/08

In 2007/08, work will escalate to align resources to NSW Health's seven strategic directions. This will involve improving hospital productivity, reviewing and reforming services in light of current evidence and best practice, greater investment in early intervention and prevention activities and increasing the emphasis on healthcare at home.

NSW Health has redirected \$70 million in savings in 2006/07 and thereafter to increase a range of frontline services including joint replacement, neurology, surgery, chronic disease, cardiology and gastroscopy, by reducing over 1,000 administrative positions.

The establishment of HealthSupport as a single statewide coordinator of linen services, food services, procurement, payroll and accounts management is expected to deliver further efficiency savings for redirection to frontline health services.

In per capita terms, health expenditure in the 2007/08 Budget equates to approximately \$1,800 for every person in New South Wales.

Key features of the 2007/08 recurrent expenditure budget for NSW Health include:

- \$54 million for 70 acute hospital beds, including 30 at Tweed Hospital, 360 community based bed equivalents for transitional aged care, building on the 1,226 bed and bed equivalents announced in the past two years to deliver more elective surgery, faster emergency care and treatment in the home.
- \$6 million in 2007/08 for four intensive care beds, a paediatric intensive care bed and three neonatal intensive care cots.
- A commitment of \$14.2 million over four years to establish the NSW Statewide Eyesight Pre-Schooler Screening program.
- A contribution of \$6.5 million over four years to support a national campaign promoting the importance of physical activity and healthy diet in reducing chronic disease.
- The opening of After Hours General Practice Services at Shoalhaven, Dubbo, Broken Hill and Ryde Hospitals.
- The development of an integrated and sustainable primary health care sector through the Health One NSW initiative. The Mt Druitt service opened in early 2007 with planning well advanced for services at Corowa, Cootamundra, Molong, Rylestone and Manilla.
- As agreed through the Council of Australian Governments, NSW is committing significant resources during 2007/08 to progress a range of initiatives including the National Health Call Centre Network (\$25.6 million over four years), the Electronic Health Record (\$21.7 million over four years) and the Australian Better Health Initiative with \$83.7 million to be provided by NSW over four years.
- Advancement of various mental health initiatives including an additional \$5 million per year for the Mental Health Housing and Accommodation Support Initiative, \$5.3 million for rollout of the Mental Health Telephone Access Line, \$2 million to support front line mental health non-government organisations and \$3 million annually for the Recovery and Resource Services Program.
- Provision of a further \$18.5 million to continue to address elective surgery waiting lists.
- An additional \$8 million for oral health, including \$4 million to reduce waiting times for children.
- The provision of \$18 million over four years for the Healthy At Home Program.
- The allocation of an additional \$3 million to support patients with renal conditions.
- Providing \$35.8 million over four years for a range of nurse initiatives including scholarships for enrolled nurses and registered nurses, professional development opportunities for nurse unit managers, the establishment of 30 nurse practitioner positions, an increase of 80 clinical nurse educator positions, rural midwifery training and ongoing roll out of 10 hour night shifts. NSW Health will also spend \$46.5 million for ongoing initiatives to expand nurse numbers and enhance their clinical expertise.
- Progressive statewide implementation of the Electronic Medical Record to manage patients more effectively and safely in the hospital environment.

Independent Audit report

NSW Department of Health



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

The Department of Health and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Department of Health (the Department), and the Department and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department and the consolidated entity as at 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Director-General's Responsibility for the Financial Report

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial report.

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

My opinion does not provide assurance:

- about the future viability of the Department or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

SYDNEY
30 November 2007

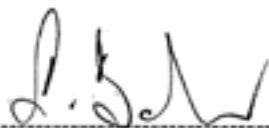
Certification of Accounts

NSW Department of Health

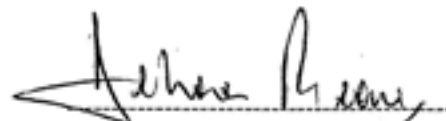
CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The financial statements of the NSW Health Department (parent entity) and the consolidated entity comprising the Department and its controlled activities for the year ended 30 June 2007 have been prepared in accordance with the requirements of applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AEIFRS), the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Ken Barker
Chief Financial Officer



Debora Picone
Director-General

29 November 2007

Statement of recognised income and expense

NSW Department of Health

for the year ended 30 June 2007

Actual 2007 \$000	PARENT Budget 2007 \$000	Actual 2006 \$000	Notes	CONSOLIDATED		
				Actual 2007 \$000	Budget 2007 \$000	Actual 2006 \$000
38,727	-----	-----	32	272,060	-----	214,574
-----	-----	-----		(50)	-----	(784)
38,727	-----	-----	32	272,010	-----	213,790
30,148	4,405	101,874		(18,156)	71,497	69,031
68,875	4,405	101,874	32	253,854	71,497	282,821
EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS:						
-----	-----	-----		-----	-----	7,056,126
-----	-----	-----	32,45	-----	-----	(1,271)
-----	-----	20,518	32,44	-----	-----	(121,671)
-----	-----	-----	32,44	-----	-----	(27,084)
-----	-----	20,518		-----	-----	6,906,100
-----	-----	97,703		-----	-----	63,193
-----	-----	4,171	32	-----	-----	5,838
-----	-----	101,874		-----	-----	69,031

The accompanying notes form part of these Financial Statements

Summary of compliance with financial directives

NSW Department of Health

Supplementary Financial Statements

	2007				2006			
	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000
Original Budget Appropriation/Expenditure								
Appropriation Act	9,821,729	9,770,508	385,685	385,685	9,102,306	9,091,835	455,503	455,503
Additional Appropriations	-----	-----			16,433	12,543		
S24 PF&AA – Transfers of functions between departments	-----	-----			7,984	7,984		
	9,821,729	9,770,508	385,685	385,685	9,126,723	9,112,362	455,503	455,503
Other Appropriations/ Expenditure								
Treasurer's Advance	26,010	26,010	50	50	5,000	5,000	33,282	25,576
Section 22 – expenditure for certain works and services	-----	-----	-----	-----	83,339	83,339	-----	-----
Transfers to/from another agency (S27 of the Appropriation Act)	4,076	4,076	-----	-----	25,341	25,341	6,186	-----
	30,086	30,086	50	50	113,680	113,680	39,468	25,576
Total Appropriations Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	9,851,815	9,800,594	385,735	385,735	9,240,403	9,226,042	494,971	481,079
Amount drawn down against Appropriation		9,800,594		385,735		9,226,042		481,079
Liability to Consolidated Fund *		-----		-----		-----		-----

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

* The "Liability to Consolidated Fund" represents the difference between the "Amount Drawn down against Appropriation" and the "Total Expenditure/Net Claim on Consolidated Fund".

Notes to and forming part of the Financial Statements

NSW Department of Health

for the year ended 30 June 2007

1. The NSW Department of Health Reporting Entity

- (a) The NSW Department of Health economic entity comprises all the operating activities of Area Health Services constituted under the Health Services Act, 1997; the Royal Alexandra Hospital for Children, the Justice Health Service, the Clinical Excellence Commission, HealthQuest, and the Health Administration Corporation (which includes the operations of the Ambulance Service of NSW, Health Technology, HealthSupport and the NSW Institute of Medical Education and Training). All of these entities are reporting entities that produce financial statements in their own right. The reporting economic entity is based on the control exercised by the Department, and, accordingly, encompasses Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or donor, are nevertheless controlled by the entities referenced above.
- (b) The Department's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Department.
- (c) The consolidated accounts are those of the consolidated entity comprising the Department of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.
- (d) The reporting entity is a NSW Government Department. NSW Health is a not for profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW Total State Sector Accounts.
- (e) These consolidated financial statements have been authorised by the Chief Financial Officer and Director General on 29 November 2007.

2. Summary of Significant Accounting Policies

The NSW Department of Health's financial statements are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), the requirements of the Public Finance and Audit Act 1983 and Regulation, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

Property, plant and equipment and other assets held for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AIFRS. Comparative figures are, where appropriate, reclassified to give meaningful comparison with the current year.

AASB-2007.04, Amendments to Australian Accounting Standards arising from ED151 and other amendments, has application for accounting periods commencing on or after 1 July 2007. The standard is not being early adopted in 2006/07 and the new options available in the standard will not be applied.

AASB123, Borrowing Costs, has application in reporting years beginning on or after 1 January 2009. The Standard, which requires capitalisation of Borrowing Costs has not been adopted in 2006/07 nor is adoption expected prior to 2009/10.

AASB101, Presentation of Financial Statements, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities such as the Department there is no change required.

AASB7 Financial Instruments: Disclosures, locates all disclosure requirements for financial instruments within the one standard. The Standard has application for annual reporting periods beginning on or after 1 January 2007. The Standard will not be early adopted and has no differential impact.

Other significant accounting policies used in the preparation of these financial statements are as follows:

(a) Employee Benefits and Other Provisions

i) Salaries and Wages, Current Annual Leave, Sick Leave and On-Costs (including non-monetary benefits)

At the consolidated level of reporting liabilities for salaries and wages (including non monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 21.7 per cent are applied to the value of leave payable at 30 June 2007 inclusive of the 4 per cent award increase payable from 1 July 2007, such on costs being consistent with actuarial assessment.

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.

Liabilities for Salaries and wages (including non monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

ii) Long Service Leave and Superannuation Benefits

At the consolidated level of reporting Long Service Leave employee leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 8.1 per cent inclusive of the 4 per cent payable from 1 July 2007 for all employees with five or more years of service. Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement. Long Service Leave provisions for the parent entity have been calculated in accordance with the requirements of Treasury Circular T07/04. The parent entity's liability for Long Service Leave is assumed by the Crown Entity.

The Department's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Department 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 Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 28, "Payables".

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 (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) Other Provisions

Other provisions exist when the entity has a present legal, equitable 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. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

(b) Insurance

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's mandate for general government sector agencies.

(d) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from Other Bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie user charges. User charges are recognised as revenue when the service is provided or by reference to the stage of completion.

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates charged in accordance with approvals communicated in the Government Gazette.

Specialist doctors with rights of private practice are charged an infrastructure charge for the use of hospital facilities at rates determined by the NSW Department of Health. Charges are based on fees collected.

iii) Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement".

Rental revenue is recognised in accordance with AASB117, "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 when the Department's right to receive payment is established.

iv) Grants and Contributions

Grants and Contributions are generally recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

(e) Goods and Services Tax (GST)

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

- ▶ The amount of GST incurred by the Department/ its controlled entities as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- ▶ Receivables and payables are stated with the amount of GST included.

(f) Intangible Assets

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the Department 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.

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. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Department's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period of three to five years for items of computer software.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity the Department is effectively exempted from impairment testing (refer Paragraph 2(k)).

(g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. 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 specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where settlement of any part of cash consideration is deferred beyond normal credit terms, its cost is cash price equivalent, ie the deferred payment amount is effectively discounted at an asset specific rate.

- (h) Plant and Equipment and Infrastructure Systems
Individual items of property, plant and equipment and intangible assets costing \$10,000 and above are capitalised. Prior to 1 July 2006 assets were recognised based on a value of \$5,000 or above. "Infrastructure Systems" means assets that comprise public facilities and 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.
- (i) Depreciation
Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the NSW Department of Health. Land is not a depreciable asset.
Details of depreciation rates for major asset categories are as follows:

Buildings	2.5%
Electro Medical Equipment	
– Costing less than \$200,000	10.0%
– Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	20.0%
Furniture, Fittings and Furnishings	5.0%

- (j) Revaluation of Non-Current Assets
Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP07-1). This policy adopts fair value in accordance with AASB116, "Property, Plant and Equipment" and AASB140, "Investment Property".
Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.
Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence the asset's fair value is

measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Department revalues Land and Buildings and Infrastructure at least every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being re-valued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, 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 credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

Revaluation decrements are recognised immediately as expenses in the Result for the Year, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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.

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

- (k) Impairment of Property, Plant & Equipment
As a not for profit entity the Department is effectively exempted from AASB136, Impairment of Assets and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(l) Maintenance

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

(m) Leased Assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount.

Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

(n) Inventories

Inventories are held for distribution and are stated at the lower of cost and current replacement cost.

Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of upon identification in accordance with delegated authority.

(o) Non-current Assets (or disposal groups) held for sale

The Department has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(p) Other Financial Assets

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.

The Department subsequently measures financial assets classified as "held for trading" or designated at fair value through profit or loss at fair value.

Gains or losses on these assets are recognised in the Operating Statement. Assets intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses on impairment or disposal of these assets are recognised in the Operating Statement.

Any residual investments that do not fall into any other category are accounted for as available for sale financial assets and measured at fair value directly in equity until disposed or impaired.

All financial assets (except those measured at fair value through profit or loss) are subject to annual review for impairment.

Purchases or sales of financial assets under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, ie the date the Department commits itself to purchase or sell the assets.

(q) Trust Funds

The Department's controlled entities receive monies in a trustee capacity for various trusts as set out in Note 34. As the controlled entities perform only a custodial role in respect of these monies and because the monies cannot be used for the achievement of NSW Health's objectives, they are not brought to account in the financial statements.

(r) Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as Departmental revenue but are disclosed as "Administered Revenues" in the Program Statement. The accrual basis of accounting and all applicable accounting standards have been adopted.

(s) Financial Instruments

Financial instruments give rise to positions that are a financial asset of either the NSW Department of Health or its counterparty and a financial liability (or equity instrument) of the other party. For the Department these include cash at bank, receivables, other financial assets, accounts payable and interest bearing liabilities.

In accordance with Australian Accounting Standard AASB139, "Financial Instruments: Recognition and Measurement" disclosure of the carrying amounts for each of the AASB139 categories of financial instruments is disclosed in Note 42. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded and their terms and conditions measured in accordance with AASB139 are as follows:

Cash

Accounting Policies – Cash is carried at nominal values reconcilable to monies on hand and independent bank statements.

Terms and Conditions – Monies on deposit attract an effective interest rate of between 4.5 per cent and 6.3 per cent as compared to 5.0 per cent and 5.8 per cent in the previous year.

Loans and Receivables

Loans and receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

Terms and Conditions – Accounts are generally issued on 30-day terms.

Low or zero interest loans are recorded at fair value on inception and amortised cost thereafter.

Designation of Financial Assets

– TCorp Hour-Glass Investment Facilities

The Hour Glass Investment facilities are unit trust investment funds managed by NSW Treasury Corporation. NSW Health has been issued with a number of units (as specified in the financial statements of controlled Health entities), based on the amount of the deposit and the unit value for the day.

Investments in the TCorp-Hour Glass Investment facilities were designated at 'fair value through profit or loss', in accordance with AASB 139.

The Hour-Glass Investment facilities were designated at 'fair value through profit or loss' using the second leg of the fair value option, ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about those assets is provided internally on that basis to the Health Services' key management personnel.

Terms and Conditions – Treasury Corporation Hour Glass Investment Deposits attracted interest rates of 4.9 per cent to 8.4 per cent in the year ended

30 June 2007. This compares with interest rates of 5.6 per cent to 15.9 per cent in the previous year.

Other Investments

Terms and interest conditions – Short-term deposits have an average maturity of one to twelve months and effective interest rates of 5.0 per cent to 6.5 per cent as compared to 5.2 per cent to 6.0 per cent in the previous year. Fixed-term deposits have a maturity of up to 5 years and effective interest rates of 6.1 per cent to 6.3 per cent as compared to 5.6 per cent to 5.7 per cent in the previous year.

Payables

Accounting Policies – These amounts represent liabilities for goods and services provided to the Department and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Terms and Conditions – Trade liabilities are settled within any terms specified. If no terms are specified, payment is made by the end of the month following the month in which the invoice is received.

Borrowings

Accounting Policies – Loans are not held for trading and are recognised at amortised cost using the effective interest method. The finance lease liability is determined in accordance with AASB117 Leases.

Terms and Conditions – Bank Overdraft interest is charged at bank benchmark rates. Interest bearing loans are payable at quarterly intervals.

All financial instruments including revenue, expenses and other cash flows arising from instruments are recognised on an accruals basis.

(t) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, S21A, S24 and/or S26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts, ie per the audited financial statements (rather than carried forward estimates).

(u) Exemption from Public Finance and Audit Act 1983

The Treasurer has granted the Department an exemption under section 45e of the Public Finance and Audit Act 1983, from the requirement to use the line item title "Surplus/(Deficit) for the year in the Operating Statement. The Treasurer approved the title "Result for the Year" instead.

(v) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners by NSWTPP 06/07 and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities. Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

The Cancer Institute NSW was scheduled under Schedule 2 of the Public Finance and Audit Act 1983 on 24 November 2004. NSW Treasury determined that the Institute report for periods commencing from 1 July 2004. Further transfers occurred with effect from 1 July 2005 at which time administration of the Breast Cancer Screening and Cervical Cancer Programs became the responsibility of the Institute. Assets transferred from the Department to the Institute were recognised as an administrative restructure. Note 43 provides details of the equity transfer.

With effect from 1 April 2005 HealthTechnology was also established under the provisions of Section 126B of the Health Services Act 1997 and was included in the initial financial statements prepared for Health Administration Corporation (HAC) for 2005/06. Annual leave values for the staff involved transferred to HealthTechnology with equivalent cash in June 2005 whilst computer assets (predominantly software) of \$2.076 million transferred with effect from 1 July 2005. With effect from 1 September 2005 a separate entity, the NSW Institute of Medical Education and Training was also established under the provisions of Section 126B of the Health Services Act and is also incorporated in HAC reporting. The transfer has had no effect on the parent or consolidated financial statements as the inflows recognised by the Institute are offset by outflows in the Northern Sydney Central Coast Area Health Service, both values being captured in the consolidation process.

HealthSupport was established under S126B of the Health Service Act 1997 as a division of HAC on 1 November 2005. Because of the limited extent of its operation in 2005/06 Treasury provided approval to commence reporting of HealthSupport in the 2006/07 year. During the year, the Parent transferred Linen Service property of \$1.750 million to HealthSupport. Further, with the transfer of responsibility for the operation of linen services from Health Services to HealthSupport, transfers of \$58.881 million occurred.

However all 2006/07 equity transfers were intra Health only and there has been no change in equity at a consolidated level.

(w) Emerging Assets

NSW Health's emerging interest in car parks at Sydney Hospital, Randwick Hospital and St George Hospital has been valued in accordance with "Accounting for Privately Financed Projects" (TPP06-8). Bowral Private Hospital, Bowral Private Medical Imaging and the Bankstown Medical General Practitioner Service have been similarly assessed. This policy required the Health Services to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period. The adoption of this policy paper represents a change in accounting policy and the financial impact thereof is disclosed in note 23.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		3. Employee Related Expenses		
		Employee related expenses comprise the following specific items:		
86,158	79,413	Salaries and Wages	5,885,799	5,475,223
7,794	8,135	Superannuation – defined benefit plans	144,080	146,381
3,892	3,574	Superannuation – defined contributions	450,381	410,813
3,257	4,207	Long Service Leave	194,184	198,598
5,192	5,370	Recreation Leave	584,464	565,521
1,350	1,184	Workers Compensation Insurance	126,048	156,932
5,804	5,143	Payroll Tax and Fringe Benefits Tax	6,472	7,547
113,447	107,026		7,391,428	6,961,015
		The following additional information is provided:		
-----	-----	Employee Related Expenses capitalised – Land and Buildings	2,257	1,857
-----	-----	Employee Related Expenses capitalised – Plant and Equipment	1,052	4,092
-----	-----		3,309	5,949
		4. Other Operating Expenses		
-----	-----	Blood and Blood Products	70,348	57,309
66	15	Domestic Supplies and Services	82,133	101,777
-----	-----	Drug Supplies	421,775	393,738
-----	-----	Food Supplies	81,562	80,999
360	363	Fuel, Light and Power	78,266	72,482
82,623	59,085	General Expenses (b)	205,301	210,813
10,927	16,924	Information Management Expenses	113,050	81,450
209,969	203,263	Insurance	219,577	212,276
6,581	6,840	Interstate Patient Outflows, NSW	98,284	122,953
90,301	49,630	Medical and Surgical Supplies	639,676	524,128
		Maintenance (c)		
		Maintenance Contracts	82,438	86,307
-----	-----	New/Replacement Equipment under capitalisation threshold	118,422	68,844
-----	-----	Repairs	69,178	79,040
792	792	Maintenance/Non Contract	37,837	37,561
-----	-----	Other Maintenance	14,215	10,286
-----	-----	Operating Lease Rental Expense – minimum		
455	751	lease payments	42,074	46,613
2,307	2,184	Postal and Telephone Costs	50,340	43,568
3,102	2,505	Printing and Stationery	42,727	41,107
		Rates and Charges	11,691	9,602
6,066	6,080	Rental	33,905	31,027
-----	-----	Special Service Departments	188,887	189,999
17,283	17,465	Staff Related Costs	46,139	43,919
-----	-----	Sundry Operating Expenses (a)	98,580	88,299
3,132	3,038	Travel Related Costs	54,081	48,705
-----	-----	Visiting Medical Officers	467,587	441,393
433,964	368,935		3,368,073	3,124,195
		(a) Sundry Operating Expenses comprise:		
-----	-----	Aircraft Expenses (Ambulance)	38,523	33,353
-----	-----	Contract for Patient Services	50,909	47,187
-----	-----	Isolated Patient Travel and Accommodation Assistance Scheme	9,148	7,759
-----	-----		98,580	88,299

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		4. Other Operating Expenses (continued)		
		(b) General Expenses include:		
1,848	1,219	Advertising	10,983	9,217
346	330	Books, Magazines and Journals	8,285	8,497
		Consultancies		
1,361	2,177	– Operating Activities	8,937	9,144
1,034	1,154	– Capital Works	1,853	1,606
442	222	Courier and Freight	11,905	10,384
274	242	Auditors Remuneration – Audit of financial reports	2,640	2,693
1,806	1,881	Legal Services	10,698	9,245
228	419	Motor Vehicle Operating Lease Expense – minimum lease payments	63,913	56,532
-----	-----	Membership/Professional Fees	4,665	4,578
-----	-----	Payroll Services	304	287
-----	-----	Translator Services	2,435	2,273
-----	-----	Quality Assurance/Accreditation	1,561	1,413
-----	-----	Data Recording and Storage	1,721	2,060
		(c) Reconciliation Total Maintenance		
792	792	Maintenance expense – contracted labour and other (non employee related), included in Note 4 above	322,090	282,038
-----	-----	Employee related/Personnel Services maintenance expense included in Note 3	70,933	70,081
792	792	Total maintenance expenses included in Notes 3 and 4	393,023	352,119
		5. Depreciation and Amortisation		
1,874	1,321	Depreciation – Buildings	260,243	243,455
1,656	3,028	Depreciation – Plant and Equipment	134,049	129,194
-----	-----	Depreciation – Infrastructure Systems	11,686	21,605
-----	-----	Amortisation – Leased Buildings	1,844	1,889
1,291	12,994	Amortisation – Intangibles	10,349	15,304
4,821	17,343		418,171	411,447
		6. Grants and Subsidies		
9,169	14,284	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service net of payments recognised in Note 4	9,169	14,284
-----	-----	Operating Payments to Other Affiliated Health Organisations	485,694	459,353
-----	-----	Capital Payments to Affiliated Health Organisations	7,356	26,970
		Grants:		
113,198	83,283	– Cancer Institute NSW	113,198	83,283
5,060	22,829	– External Research	23,315	22,829
1,959	2,056	– NSW Institute of Psychiatry	1,959	2,056
3,646	3,552	– National Drug Strategy	3,646	3,552
45,981	41,139	– Non Government Voluntary Organisations	119,089	111,673
9,650,342	9,143,440	Payments to Controlled Health Entities	-----	-----
44,251	19,306	Other Payments	92,338	44,725
9,873,606	9,329,889		855,764	768,725
		7. Finance Costs		
-----	-----	Finance Lease Interest Charges	2,061	2,310
4,041	1,649	Other Interest Charges	4,809	2,580
4,041	1,649		6,870	4,890

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		8. Sale of Goods and Services		
		(a) Sale of Goods comprise the following:		
----	----	Sale of Prosthesis	34,027	26,883
----	----	Cafeteria/Kiosk	18,153	18,323
----	----	Linen Service Revenues – Non Health Services	13,129	10,077
----	----	Meals on Wheels	2,984	2,947
----	----	Pharmacy Sales	4,877	4,992
		(b) Rendering of Services comprise the following:		
----	----	Patient Fees	341,876	315,924
----	----	Staff-Meals and Accommodation	10,780	10,755
		Infrastructure Fees		
----	----	– Monthly Facility Charge	166,891	150,691
----	----	– Annual Charge	44,222	34,735
52,833	62,736	Department of Veterans' Affairs Agreement Funding	315,974	312,689
----	----	Ambulance Non Hospital User Charges	57,129	37,325
----	----	Use of Ambulance Facilities	2,504	1,920
28,529	28,500	Motor Accident Authority Third Party Receipts	28,529	28,500
----	----	Car Parking	19,561	16,597
----	----	Child Care Fees	7,072	6,925
----	----	Clinical Services	15,678	15,393
----	----	Commercial Activities	5,312	6,485
----	----	Fees for Medical Records	1,907	1,729
----	----	Services Provided to Non NSW Health Organisations	15,680	17,003
----	----	PADP Patient Copayments	631	560
2,672	986	Personnel Services – Institute of Psychiatry	2,672	986
4,710	4,992	Personnel Services – Health Professional Registration Boards	4,710	4,992
2,493	18,347	Patient Inflows from Interstate	2,493	614
4	1,321	Computer Support Charges – Health Services	----	----
54,258	33,187	Other	72,460	59,219
145,499	150,069		1,189,251	1,086,264
		9. Investment Income		
9,136	11,186	Interest	59,096	50,674
----	----	Lease and Rental Income	11,515	11,234
267	178	Other	906	228
9,403	11,364		71,517	62,136
		10. Grants and Contributions		
----	----	Clinical Drug Trials	16,434	11,767
18,317	6,931	Commonwealth Government grants	91,949	72,821
23,050	22,020	Health Super Growth	23,050	22,020
----	----	Industry Contributions/Donations	70,721	68,873
6,500	----	Grants from Cancer Institute of NSW/Mammography grants	65,092	19,820
----	----	Research grants	28,906	32,601
----	----	University Commission grants	475	222
20,819	6,994	Other grants	33,818	33,089
68,686	35,945		330,445	261,213
		11. Other Revenue		
		Other Revenue comprises the following:		
----	----	Commissions	2,671	2,518
----	----	Conference and Training Fees	3,939	2,332
246	----	Treasury Managed Fund Hindsight Adjustment	58,390	36,243
----	----	Sale of Merchandise, Old Wares and Books	1,586	1,176
----	----	Rights to Receive Fixed Assets	1,551	1,469
6,208	14,035	Sundry Revenue	42,395	51,843
6,454	14,035		110,532	95,581

PARENT			CONSOLIDATED	
2007 \$000	2006 \$000		2007 \$000	2006 \$000
12. Gain/(Loss) on Disposal				
1,369	1,302	Property, Plant and Equipment	122,586	282,639
(1,254)	(1,154)	Less Accumulated Depreciation	(80,613)	(270,219)
115	148	Written Down Value	41,973	12,420
(77)	(54)	Less Proceeds from Disposal	(46,573)	(6,236)
(38)	(94)	Gain/(Loss) on Disposal of Property Plant and Equipment	4,600	(6,184)
44,689	23,283	Financial Assets at Fair Value	77,541	74,684
(44,689)	(23,283)	Less Proceeds from Disposal	(77,541)	(74,686)
-----	-----	Gain/(Loss) on Disposal of Financial Assets at Fair Value	-----	2
-----	-----	Intangible Assets	-----	119
-----	-----	Less Proceeds from Disposal	-----	-----
-----	-----	Gain/(Loss) on Disposal of Intangible Assets	-----	(119)
-----	-----	Assets Held for Sale	13,423	7,630
-----	-----	Less Proceeds from Disposal	(19,141)	(9,405)
-----	-----	Gain/(Loss) on Disposal of Assets Held for Sale	5,718	1,775
(38)	(94)	Total Gain/(Loss) on Disposal	10,318	(4,526)
13. Other Gains/(Losses)				
-----	(1,200)	Financial instruments at fair value revaluation increment/(decrement)	-----	3,180
(85)	(2)	Impairment of Receivables	(23,303)	(22,143)
(85)	(1,202)		(23,303)	(18,963)

14. Conditions on Contributions-Consolidated

	Purchase of Assets \$000	Health Promotion, Education and Research \$000	Other \$000	Total \$000
Contributions recognised as revenues during current year for which expenditure in manner specified had not occurred as at balance date	11,272	93,222	63,637	168,131
Contributions recognised in previous years which were not expended in the current financial year	53,705	215,048	183,414	452,167
Total amount of unexpended contributions as at balance date	64,977	308,270	247,051	620,298

Comment on restricted assets appears in Note 27.

	PARENT AND CONSOLIDATED	
	2007 \$000	2006 \$000
15. Appropriations		
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	9,800,594	9,226,042
Total	9,800,594	9,226,042
Comprising:		
Recurrent appropriations (per Operating Statement)	9,800,594	9,226,042
Total	9,800,594	9,226,042
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	385,735	481,079
Total	385,735	481,079
Comprising:		
Capital appropriations (per Operating Statement)	385,735	481,079
Total	385,735	481,079

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		16. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities		
		The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
2,412	2,366	Superannuation	144,080	146,389
2,836	3,946	Long Service Leave	2,836	3,946
145	142	Payroll Tax	145	142
5,393	6,454		147,061	150,477

17. Programs/Activities of the Agency

Program 1.1 Primary and Community Based Services

Objective To improve, maintain or restore health through health promotion, early intervention, assessment, therapy and treatment services for clients in a home or community setting.

Program 1.2 Aboriginal Health Services

Objective To raise the health status of Aborigines and to promote a healthy lifestyle.

Program 1.3 Outpatient Services

Objective To improve, maintain or restore health through diagnosis, therapy, education and treatment services for ambulant patients in a hospital setting.

Program 2.1 Emergency Services

Objective To reduce the risk of premature death and disability for people suffering injury or acute illness by providing timely emergency diagnostic, treatment and transport services.

Program 2.2 Overnight Acute Inpatient Services

Objective To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital on an overnight basis.

Program 2.3 Same Day Acute Inpatient Services

Objective To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital and discharged on the same day.

Program 3.1 Mental Health Services

Objective To improve the health, wellbeing and social functioning of people with disabling mental disorders and to reduce the incidence of suicide, mental health problems and mental disorders in the community.

Program 4.1 Rehabilitation and Extended Care Services

Objective To improve or maintain the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail aged and the terminally ill.

Program 5.1 Population Health Services

Objective To promote health and reduce the incidence of preventable disease and disability by improving access to opportunities and prerequisites for good health.

Program 6.1 Teaching and Research

Objective To develop the skills and knowledge of the health workforce to support patient care and population health. To extend knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		18. Current Assets – Cash and Cash Equivalents		
183,720	131,796	Cash at bank and on hand	486,319	369,980
-----	-----	Short Term Deposits	250,600	256,859
183,720	131,796		736,919	626,839
		Cash assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:		
183,720	131,796	Cash and Cash Equivalents (per Balance Sheet)	736,919	626,839
-----	-----	Bank Overdraft *	-----	(8,850)
183,720	131,796	Closing Cash and Cash Equivalents (per Cash Flow Statement)	736,919	617,989
		* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.		
		19. Current/Non Current Receivables		
		Current		
18,466	35,316	(a) Sale of Goods and Services	197,869	177,152
5,128	7,812	Goods and Services Tax	66,712	63,212
903	762	Personnel Services – Institute of Psychiatry	903	762
1,717	2,085	Personnel Services – HPRB	1,717	2,085
183	220	Other Debtors	40,002	45,756
26,397	46,195	Sub Total	307,203	288,967
(177)	(102)	Less Allowance for Impairment	(38,290)	(34,886)
19,968	10,220	Prepayments	41,492	34,967
46,188	56,313		310,405	289,048
		(b) Impairment of Receivables during the year – Current Receivables		
-----	-----	– Sale of Goods and Services	17,159	15,003
10	2	– Other	1,993	8,249
10	2		19,152	23,252
		Non Current		
-----	-----	(a) Sale of Goods and Services	2,724	2,690
-----	-----		2,724	2,690
-----	-----	Less Allowance for Impairment	(1,228)	(722)
-----	-----	Prepayments	4,636	4,096
-----	-----		6,132	6,064
		(b) Impairment of Receivables during the year – Non Current Receivables		
-----	-----	– Sale of Goods and Services	167	656
-----	-----	– Other	76	159
-----	-----		243	815
		Receivables (both Current and Non Current) includes:		
-----	-----	Patient Fees – Compensable	17,156	16,191
-----	-----	Patient Fees – Ineligibles	13,886	14,062
-----	-----	Patient Fees – Other	54,087	50,088
		As indicated in Note 2(s) an allowance for impairment of receivables is recognised when there is objective evidence that the entity will not be able to collect all amounts due.		

	PARENT	
	2007 \$000	2006 \$000
25. Property, Plant and Equipment		
Land and Buildings		
Gross Carrying Amount	193,634	133,552
Less Accumulated Depreciation and impairment	(57,379)	(32,400)
Net Carrying Amount at Fair Value	136,255	101,152
Plant and Equipment		
Gross Carrying Amount	29,049	35,753
Less Accumulated Depreciation and impairment	(20,597)	(25,248)
Net Carrying Amount at Fair Value	8,452	10,505
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	144,707	111,657

	Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
--	---------------	--------------------	---------------------------------	----------------

25. Property, Plant and Equipment – Reconciliations

Year Ended 30 June 2007

Net Carrying amount at start of year	66,925	34,227	10,505	111,657
Additions	-----	-----	1,794	1,794
Disposals	-----	-----	(115)	(115)
Net revaluation increment less revaluation decrements recognised in reserves	13,542	25,185	-----	38,727
Administrative restructures transfers in/(out)	(1,330)	(420)	(2,076)	(3,826)
Depreciation expense	-----	(1,874)	(1,656)	(3,530)
Net Carrying amount at end of year	79,137	57,118	8,452	144,707

Year Ended 30 June 2006

Net Carrying amount at start of year	65,595	35,129	12,875	113,599
Additions	1,330	419	1,965	3,714
Disposals	-----	-----	(148)	(148)
Administrative restructures transfers in/(out)	-----	-----	(1,159)	(1,159)
Depreciation expense	-----	(1,321)	(3,028)	(4,349)
Net Carrying amount at end of year	66,925	34,227	10,505	111,657

All Land and Buildings for the parent entity were valued by the State Valuation Office independently of the Department on 1 July 2006.

Plant and Equipment is predominantly recognised on the basis of depreciated cost.

CONSOLIDATED
2007
\$000

2006
\$000

25. Property, Plant and Equipment		
Land and Buildings		
Gross Carrying Amount	13,237,535	12,298,928
Less Accumulated Depreciation and impairment	(5,258,786)	(4,658,508)
Net Carrying Amount at Fair Value	7,978,749	7,640,420
Plant and Equipment		
Gross Carrying Amount	1,996,664	1,894,662
Less Accumulated Depreciation and impairment	(1,272,592)	(1,181,605)
Net Carrying Amount at Fair Value	724,072	713,057
Infrastructure Systems		
Gross Carrying Amount	489,532	476,462
Less Accumulated Depreciation and impairment	(173,027)	(154,390)
Net Carrying Amount at Fair Value	316,505	322,072
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	9,019,326	8,675,549

	Land \$000	Buildings \$000	CONSOLIDATED			Total \$000
			Leased Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	
25. Property, Plant and Equipment – Reconciliations						
Year Ended 30 June 2007						
Net Carrying amount at start of year	1,494,399	6,094,494	51,527	713,057	322,072	8,675,549
Additions	1,341	389,771	2,010	136,561	135	529,818
Recognition of Assets Held for Sale	(8,870)	(2,603)	-----	-----	(130)	(11,603)
Disposals	(13,699)	(16,207)	-----	(10,801)	(1,266)	(41,973)
Net revaluation increment less revaluation decrements recognised in reserves	36,230	231,724	-----	-----	7,403	275,357
Depreciation expense	-----	(260,243)	(1,844)	(134,049)	(11,686)	(407,822)
Reclassifications	713	(19,995)	1	19,304	(23)	-----
Net Carrying amount at end of year	1,510,114	6,416,941	51,694	724,072	316,505	9,019,326
Year Ended 30 June 2006						
Net Carrying amount at start of year	1,490,435	5,905,085	32,965	632,564	287,109	8,348,158
Correction of Errors	-----	(51,199)	-----	(1,112)	-----	(52,311)
Additions	5,038	353,676	610	219,990	292	579,606
Recognition of Assets Held for Sale	(2,597)	(3,237)	-----	-----	-----	(5,834)
Disposals	(791)	(2,666)	-----	(8,944)	(19)	(12,420)
Administrative restructures transfers in/(out)	-----	-----	-----	(81)	-----	(81)
Net revaluation increment less revaluation decrements recognised in reserves	2,244	203,891	-----	-----	8,439	214,574
Depreciation expense	-----	(243,455)	(1,889)	(129,194)	(21,605)	(396,143)
Reclassifications	70	(67,601)	19,841	(166)	47,856	-----
Net Carrying amount at end of year	1,494,399	6,094,494	51,527	713,057	322,072	8,675,549

Land and Buildings include land owned by the Health Administration Corporation and administered by either the Department or its controlled entities.

Valuations for each of the Health Services are performed regularly within a three year cycle. Revaluation details are included in the individual entities' financial reports.

Plant and Equipment is predominantly recognised on the basis of depreciated cost.

	PARENT	
	2007 \$000	2006 \$000
26. Intangible Assets		
Software		
Cost (Gross Carrying Amount)	8,945	8,031
Less Accumulated Amortisation and Impairment	(5,266)	(3,975)
Net Carrying Amount	3,679	4,056
Total Intangible Assets at Net Carrying Amount	3,679	4,056
	SOFTWARE \$000	
26. Intangibles – Reconciliation		
Year Ended 30 June 2007		
Net Carrying amount at start of year	4,056	
Additions (from internal development or acquired separately)	914	
Amortisation (recognised in depreciation and amortisation)	(1,291)	
Net Carrying amount at end of year	3,679	
Year Ended 30 June 2006		
Net Carrying amount at start of year	40,685	
Administrative restructures transfers in/(out)	(23,635)	
Amortisation (recognised in depreciation and amortisation)	(12,994)	
Net Carrying amount at end of year	4,056	

	CONSOLIDATION	
	2007 \$000	2006 \$000
26. Intangible Assets		
Software		
Cost (Gross Carrying Amount)	136,914	125,283
Less Accumulated Amortisation and Impairment	(73,336)	(72,849)
Net Carrying Amount	63,578	52,434
Other		
Cost (Gross Carrying Amount)	-----	852
Less Accumulated Amortisation and Impairment	-----	-----
Net Carrying Amount	-----	852
Total Intangible Assets at Net Carrying Amount	63,578	53,286

	CONSOLIDATION		
	Software \$000	Other \$000	Total \$000
26. Intangibles – Reconciliation			
Year Ended 30 June 2007			
Net Carrying amount at start of year	52,434	852	53,286
Additions (from internal development or acquired separately)	20,641	-----	20,641
Amortisation (recognised in depreciation and amortisation)	(10,349)	-----	(10,349)
Reclassifications	852	(852)	-----
Net Carrying amount at end of year	63,578	-----	63,578
Year Ended 30 June 2006			
Net Carrying amount at start of year	42,297	-----	42,297
Additions (from internal development or acquired separately)	25,560	852	26,412
Amortisation (recognised in depreciation and amortisation)	(15,304)	-----	(15,304)
Disposals	(119)	-----	(119)
Net Carrying amount at end of year	52,434	852	53,286
	PARENT		CONSOLIDATED
	2007 \$000	2006 \$000	2007 \$000
			2006 \$000

	PARENT		CONSOLIDATED	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
27. Restricted Assets				
The Department's financial statements include the following assets which are restricted by externally imposed conditions, eg donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.				
-----	-----	Specific Purposes	278,359	196,348
-----	-----	Perpetually Invested Funds	6,783	6,497
-----	-----	Research Grants	165,599	144,444
-----	-----	Private Practice Funds	117,971	111,037
-----	-----	Other	51,586	68,620
-----	-----		620,298	526,946

Details of Conditions on Contributions appear in Note 14.

Major categories included in the Consolidation are:

Category	Brief Details of Externally Imposed Conditions
Specific Purposes Trust Funds	Donations, contributions and fundraisings held for the benefit of specific patient, Department and/or staff groups.
Perpetually Invested Trust Funds	Funds invested in perpetuity. The income therefrom used in accordance with donors' or trustees' instructions for the benefit of patients and/or in support of hospital services.
Research Grants	Specific research grants.
Private Practice Funds	Annual Infrastructure Charges raised in respect of Salaried Medical Officers Rights of Private Practice arrangements.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		28. Payables		
		Current		
202	199	Accrued Salaries and Wages	163,696	144,903
3,016	2,206	Taxation and Other Payroll Deductions	37,151	29,547
32,168	32,225	Superannuation Guarantee Charge Payables	32,168	32,225
56,178	51,898	Creditors	478,665	453,543
		Other Creditors		
-----	-----	– Capital Works	38,991	51,054
29,579	15,616	– Intra Health Liability	-----	-----
121,143	102,144		750,671	711,272
		29. Current/Non Current Borrowings		
		Current		
-----	-----	Bank Overdraft* – Unsecured	-----	8,850
-----	-----	Treasury Advances Repayable – Secured	3,202	2,288
-----	-----	Finance Leases [See note 33(d)] – Secured	2,548	2,120
-----	-----		5,750	13,258
		Non Current		
-----	-----	Treasury Advances Repayable – Secured	8,795	10,182
-----	-----	Finance Leases [See note 33(d)] – Secured	21,898	24,447
-----	-----		30,693	34,629
		Repayment of Borrowings (excluding Finance Leases)		
-----	-----	Not later than one year	3,202	11,138
-----	-----	Between one and five years	8,795	5,991
-----	-----	Later than five years	-----	4,191
-----	-----	Total Borrowings at face value (excluding Finance Leases)	11,997	21,320
		* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as “bank overdrafts” meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.		
		30. Current/Non Current Liabilities – Provisions		
		Current Employee Benefits and Related On Costs		
5,807	6,665	Recreation Leave – Short Term Benefit	589,983	593,884
6,444	6,518	Recreation Leave – Long Term Benefit	366,022	278,690
165	269	Long Service Leave – Short Term Benefit	108,005	103,012
1,485	852	Long Service Leave – Long Term Benefit	1,009,145	928,793
-----	-----	Sick Leave – Long Term Benefit	654	789
13,901	14,304	Total current provisions	2,073,809	1,905,168
		Non Current Employee Benefits and Related On Costs		
-----	-----	Long Service Leave – Conditional	104,949	96,839
-----	-----	Sick Leave – Long Term Benefit	46	-----
-----	-----	Total non current provisions	104,995	96,839
		Aggregate Employee Benefits and Related On-costs		
13,901	14,304	Provisions – current	2,073,809	1,905,168
-----	-----	Provisions – non current	104,995	96,839
35,386	34,630	Accrued Salaries and Wages and on costs (refer to Note 28)	233,015	206,675
49,287	48,934		2,411,819	2,208,682

As indicated in Note 2(a) i) leave is classified as current if the employee has an unconditional right to payment.

Short term/Long Term classification is dependent on whether or not payment is anticipated within the next twelve months.

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		31. Other Liabilities		
		Current		
-----	24,683	Income in Advance	10,522	42,462
-----	24,683		10,522	42,462
		Non Current		
-----	-----	Income in Advance	31,698	32,778
2,558	2,796	Other	-----	-----
2,558	2,796		31,698	32,778
		Income in advance has been received as a consequence of Health Services entering into agreements for the sale of surplus properties and the provision and operation of private health facilities and car parks.		

PARENT	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
32. Equity						
Balance at the beginning of the Financial Year	222,749	138,583	59,732	58,820	282,481	197,403
AASB 139 first-time adoption	-----	(12,520)	-----	-----	-----	(12,520)
Correction of Errors (Note 44) – Inventories	-----	20,518	-----	-----	-----	20,518
Restated Opening Balance	222,749	146,581	59,732	58,820	282,481	205,401
Changes in Equity – transactions with owners as owners						
Decrease in net assets from administrative restructure	(3,826)	(24,794)	-----	-----	(3,826)	(24,794)
Total	(3,826)	(24,794)	-----	-----	(3,826)	(24,794)
Changes in Equity – other than transactions with owners as owners						
Result for the Year	30,148	97,703	-----	-----	30,148	97,703
Correction of Errors (Note 44)						
– Arbitration on Cross Border Charges	-----	(6,840)	-----	-----	-----	(6,840)
– Inventories	-----	11,011	-----	-----	-----	11,011
Increment on Revaluation of: Land and Buildings	-----	-----	38,727	-----	38,727	-----
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	-----	(912)	-----	912	-----	-----
Total	30,148	100,962	38,727	912	68,875	101,874
Balance at the end of the financial year	249,071	222,749	98,459	59,732	347,530	282,481

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Department's policy on the "Revaluation of Physical Non Current Assets" and "Investments", as discussed in Note 2(j).

The decrease in net assets from the administrative restructure reported by the Parent in 2005/06 and 2006/07 relates to the transfer of Plant and Equipment and Intangibles to the Health Administration Corporation

CONSOLIDATED	Accumulated Funds		Asset Revaluation Reserve		Non Current Assets Held for Sale Reserves		Total Equity	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
32. Equity								
Balance at the beginning of the Financial Year	5,822,340	5,863,880	1,360,017	1,190,391	1,071	1,855	7,183,428	7,056,126
Changes in Accounting Policy (Note 45)								
– Sydney South West privately financed projects	-----	(10,582)	-----	-----	-----	-----	-----	(10,582)
Correction of Errors (Note 44)								
– Annual leave Oncost	-----	(110,310)	-----	-----	-----	-----	-----	(110,310)
– South Eastern Sydney Illawarra carparks	-----	(14,804)	-----	(27,084)	-----	-----	-----	(41,888)
– Health Professional Registrations Board	-----	(7,764)	-----	-----	-----	-----	-----	(7,764)
– Inventories	-----	20,518	-----	-----	-----	-----	-----	20,518
Restated Opening Balance	5,822,340	5,740,938	1,360,017	1,163,307	1,071	1,855	7,183,428	6,906,100
Changes in Equity – transactions with owners as owners								
Decrease in net assets from administrative restructure (Note 43)	-----	(6,277)	-----	-----	-----	-----	-----	(6,277)
Total	-----	(6,277)	-----	-----	-----	-----	-----	(6,277)
Changes in Equity – other than transactions with owners as owners								
Result for the Year	(18,156)	63,193	-----	-----	-----	-----	(18,156)	63,193
Correction of Errors (Note 44)								
– Annual leave Oncost	-----	(14,802)	-----	-----	-----	-----	-----	(14,802)
– South Eastern Sydney Illawarra carparks	-----	1,469	-----	-----	-----	-----	-----	1,469
– Arbitration on cross border charges	-----	(6,840)	-----	-----	-----	-----	-----	(6,840)
– Inventories	-----	11,011	-----	-----	-----	-----	-----	11,011
– Sydney West grants	-----	15,000	-----	-----	-----	-----	-----	15,000
Increment on Revaluation of:								
– Land and Buildings	-----	-----	267,954	206,135	-----	-----	267,954	206,135
– Infrastructure Systems	-----	-----	7,403	8,439	-----	-----	7,403	8,439
Transfer to Net Expenditure/ Revenue for the Year on disposal of available for sale financial assets	50	784	-----	-----	(50)	(784)	-----	-----
Available for sale reserves transferred to Asset revaluation reserve	-----	-----	279	-----	(279)	-----	-----	-----
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	3,297	17,864	(3,297)	(17,864)	-----	-----	-----	-----
Total	(14,809)	87,679	272,339	196,710	(329)	(784)	257,201	283,605
Balance at the end of the financial year	5,807,531	5,822,340	1,632,356	1,360,017	742	1,071	7,440,629	7,183,428

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Department's policy on the "Revaluation of Physical Non Current Assets" and "Investments", as discussed in Note 2(j).

PARENT		CONSOLIDATED	
2007	2006	2007	2006
\$000	\$000	\$000	\$000
		33. Commitments for Expenditure	
		(a) Capital Commitments	
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets contracted for at balance date and not provided for:	
-----	-----	Not later than one year	336,651 288,642
-----	-----	Later than one year and not later than five years	283,192 329,347
-----	-----	Later than five years	570,893 115,122
-----	-----	Total Capital Expenditure Commitments (including GST)	1,190,736 733,111
		The Government is committed to capital expenditures as follows in accordance with the Department's Asset Acquisition Program:	
		2007	2006
		\$000	\$000
		Not later than one year	642,976 633,094
		Later than one year and not later than five years	2,113,899 1,433,431
		Later than five years	506,401 801,856
		Total Capital Program	3,263,276 2,868,381
		However, Contractual Commitments are confined to the values reported above for 2007 (\$1.191 million) and 2006 (\$733 million).	
		(b) Other Expenditure Commitments	
		Aggregate other expenditure contracted for at balance date and not provided for:	
13,274	10,161	Not later than one year	151,872 23,410
1,431	2,593	Later than one year and not later than five years	444,750 129,179
-----	-----	Later than five years	1,094,328 781,243
14,705	12,754	Total Other Expenditure Commitments (including GST)	1,690,950 933,832
		(c) Operating Lease Commitments	
		Commitments in relation to non cancellable operating leases are payable as follows:	
7,938	8,322	Not later than one year	107,767 100,534
7,646	15,560	Later than one year and not later than five years	168,279 199,807
-----	-----	Later than five years	102,947 52,069
15,584	23,882	Total Operating Lease Commitments (including GST)	378,993 352,410
		The operating leases include motor vehicles arranged through a lease facility negotiated by NSW Treasury as well as electro medical equipment. Operating leases have also been included for information technology equipment. These operating lease commitments are not recognised in the financial statements as liabilities.	
		(d) Finance Lease Commitments (including GST)	
		Minimum lease payment commitments in relation to finance leases payable as follows:	
-----	-----	Not later than one year	4,649 4,600
-----	-----	Later than one year and not later than five years	17,919 19,143
-----	-----	Later than five years	12,370 15,796
-----	-----	Minimum Lease Payments	34,938 39,539
-----	-----	Less: Future Financing Charges	(7,316) (9,378)
-----	-----	Less: GST Component	(3,176) (3,594)
-----	-----	Present Value of Minimum Lease Payments	24,446 26,567
-----	-----	Current (Note 29)	2,548 2,120
-----	-----	Non-Current (No 29)	21,898 24,447
-----	-----		24,446 26,567
		The present value of finance lease commitments is as follows:	
-----	-----	Not later than one year	2,548 2,120
-----	-----	Later than one year and not later than five years	13,347 13,782
-----	-----	Later than five years	8,551 10,665
-----	-----		24,446 26,567

33. Commitments for Expenditure (cont)

(e) Contingent Asset related to Commitments for Expenditure

The total "Expenditure Commitments" above includes input tax credits of \$2.754 million in relation to the Parent Entity and \$288.373 million in relation to NSW Health that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2005/06 are \$3.990 million and \$187.173 million respectively.

(f) Calvary Mater Newcastle Hospital Public, Private Partnership

In 2005/06, the Health Administration Corporation entered into a contract with a private sector provider, Novacare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility, refurbishment of existing buildings, facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment will be completed in three stages and full service commencement is anticipated in mid 2009.

When construction is completed, the Hunter New England Area Health Service (HNEAHS) will transfer the Mater Hospital to Calvary Mater Newcastle and will recognise the transfer as a grant expense of \$107 million. The recognition is based on the fact that services will be delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either HNEAHS or the Department.

HNEAHS will recognise the new mental health facility as an asset of \$39 million. The refurbished Convent and McAuley buildings at the Mater hospital site, to be occupied by HNEAHS, will also be recognised as an asset and off-setting liability of \$11m. The basis for the accounting treatment is that services will be delivered by HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.

In addition, the HNEAHS will recognise the liability to Novacare, payable over the period to 2033, for the construction of both hospitals.

An estimate of the commitments inclusive of Goods and Services Tax which has been recognised in Notes 33(a) and (b) is as follows:

"Capital Commitments – New Mental Health Building and Refurbished Buildings "

Nominal \$'000

2007 2006

Not later than one year	-----	-----
Later than one year and not later than five years	26,156	20,202
Later than five years	97,230	104,585
"Other Expenditure Commitments – Redevelopment of Mater Hospital (which will be recognised as a grant after completion of construction) and provision of facilities management and other non-clinical services to both hospitals."		
Not later than one year	8,426	-----
Later than one year and not later than five years	113,460	90,344
Later than five years	748,034	779,576

(g) Long Bay Forensic and Prison Hospitals PPP

In 2006/07 a private sector company, PPP Solutions (Long Bay) Pty Limited, was engaged to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The development is a joint project between the NSW Department of Health and the Department of Corrective Services. In addition to the hospital facilities, the project includes a new Operations Building, a new Pharmacy Building for Justice Health and a new Gatehouse for the NSW Department of Corrective Services. The new development will be completed in 2009.

When construction is completed, Justice Health, a statutory health corporation, will operate and recognise the new Hospital, the Operations Building and the Pharmacy Building as an asset of \$86.1 million. The basis for the accounting treatment is that services will be delivered by Justice Health for the duration of the term until July 2034.

In addition, Justice Health will recognise the liability to PPP Solutions, payable over the period to 2034 for the construction of the new facilities.

An estimate of the commitment inclusive of Goods and Services Tax which has been recognised in Notes 33 a) and 33 b) is as follows:

Nominal \$'000

2006/07 2005/06

(a) Capital Commitments – New Forensic Hospital and Operations Building

Not later than one year	-----	-----
Later than one year and not later than five years	38,820	-----
Later than five years	239,715	-----

(b) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to the new facilities

Not later than one year	-----	-----
Later than one year and not later than five years	29,804	-----
Later than five years	312,253	-----

The expenditure commitments include Goods & Services Tax. Related input tax credits of \$56 million (2006: nil) are expected to be recoverable from the Australian Taxation Office.

34. Trust Funds

The NSW Department of Health's controlled entities hold Trust Fund monies of \$37.0 million, which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Department or its controlled entities perform only a custodial role and cannot use them for the achievement of their objectives. The following is a summary of the transactions in the trust account:

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total Trust Funds	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash Balance at the beginning of the financial year	3,873	3,508	20,876	17,304	16,862	21,835	41,611	42,647
Receipts	5,476	4,471	96,802	44,025	177,982	124,886	280,260	173,382
Expenditure	(5,043)	(4,106)	(97,881)	(40,453)	(181,958)	(129,859)	(284,882)	(174,418)
Cash Balance at the end of the financial year	4,306	3,873	19,797	20,876	12,886	16,862	36,989	41,611

35. Contingent Liabilities (Parent and Consolidated)

(a) Claims on Managed Fund

Since 1 July 1989, the NSW Department of Health has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of the Department all sums, which it shall become legally liable to pay by way of compensation, or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Department. As such, since 1 July 1989, no contingent liabilities exist in respect of liability claims against the Department. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Department.

(b) Workers Compensation Hindsight Adjustment

TMF normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2000/2001 fund year and an interim adjustment for the 2002/03 fund year were not calculated until 2006/07. As a result, the 2001/02 final and 2003/04 interim hindsight calculations will be paid in 2007/08.

(c) Affiliated Health Organisations

Based on the definition of control in Australian Accounting Standard AASB127, Affiliated Health Organisations listed in the Third Schedule of the Health Services Act, 1997 are only recognised in the Department's consolidated Financial Statements to the extent of cash payments made. However, it is accepted that a contingent liability exists which may be realised in the event of

cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship, which may exist or be formulated between the administering bodies of the organisation and the Department.

(d) Mater Private/Public Partnership

Note 33 provides disclosure of commitments for expenditure concerning the Mater Private/Public Partnership under which the Health Administration Corporation has entered into a contract with a private sector provider, Novacare Project Partnerships for financing, design, construction and commissioning of a range of health facilities. The liability to pay Novacare for the redevelopment of the Mater Hospital is based on a financing arrangement involving CPI linked finance and fixed finance. An interest rate adjustment will be made as appropriate for the CPI linked interest component over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

(e) Other Legal Matters

Four legal matters are currently on foot, which carry a potential total liability of \$590,000 (inclusive of costs).

(f) Claim by Lessee of Certain Property

The lessee of certain property controlled by Sydney South West Area Health Service (SSWAHS) has made a claim against SSWAHS. The claim is in relation to Supreme Court proceedings in respect of rescission of an agreement and lease regarding a proposed private hospital on the Royal Prince Alfred Hospital Campus, which was to be constructed and operated by the lessee. Litigation is ensuing with a claim by the lessee for compensation in respect of rentals unpaid to date together with damages which have not been quantified.

It is considered that the likelihood of success of the claim is minimal and accordingly no provision in relation to this matter has been reflected in the financial statements.

As part of the original agreement for construction of the private hospital, the lessee constructed a private car park on the land leased from SSWAHS. The lease was cancelled in March 2000 and, after an interlocutory hearing, SSWAHS was granted the right to operate the car park from 26 June 2000. In doing so, SSWAHS is entitled to collect parking fees and pay costs associated with operating the car park, retaining any excess in trust pending resolution of matters referred to above. At year end

this excess amounted to \$2,787,189. The car park has not been recognised as an asset in the financial statements as ownership has not been transferred.

(g) Forensic Hospital – Long Bay, Public Private Partnership

The liability to pay PPP Solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving floating interest rate bank debt. An interest rate adjustment will be made in accordance with interest rate movements over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

36. Charitable Fundraising Activities

Fundraising Activities

The consolidation of fundraising activities by health services under Departmental control is shown below.

Income received and the cost of raising income for specific fundraising has been audited and all revenue and expenses have been recognised in the financial statements of the individual health services.

Fundraising activities are dissected as follows:

	Income Raised \$000's	Direct Expenditure* \$000's	Indirect Expenditure+ \$000's	Net Proceeds \$000's
Appeals Consultants	45	6	39
Appeals (In House)	18,067	1,169	2,363	14,535
Fetes	263	82	181
Raffles	138	71	2	65
Functions	3,201	382	2	2,817
	21,714	1,710	2,367	17,637
Percentage of Income	100%	7.9%	10.9%	81.2%

* Direct Expenditure includes printing, postage, raffle prizes, consulting fees, etc.

+ Indirect Expenditure includes overheads such as office staff administrative costs, cost apportionment of light, power and other overheads.

The net proceeds were used for the following purposes:

	000's
Purchase of Equipment	5,457
Research	4,743
Other Expenses	47
Held in Special Purpose and Trust Fund Pending Purchase	7,390
	17,637

PARENT			CONSOLIDATED	
2007	2006		2007	2006
\$000	\$000		\$000	\$000
		37. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services		
31,561	20,459	Net Cash Used on Operating Activities	555,496	600,366
(4,821)	(17,343)	Depreciation	(418,171)	(411,447)
(85)	(2)	Allowance for Impairment	(23,303)	1,924
(5,393)	(6,454)	Acceptance by the Government of Employee Benefits and Other Liabilities	(147,061)	(150,477)
403	(2,950)	(Increase)/Decrease in Provisions	(176,797)	(191,655)
2,899	33,542	Increase/(Decrease) in Prepayments and Other Assets	58,863	78,174
(918)	69,463	(Increase)/Decrease in Creditors	(25,282)	(14,035)
(38)	(94)	Net Gain/(Loss) on Sale of Property, Plant and Equipment	10,318	(4,528)
-----	-----	Net Gain/(Loss) on Disposal of Financial Assets	-----	2
(9,800,594)	(9,226,042)	Recurrent Appropriation	(9,800,594)	(9,226,042)
(385,735)	(481,079)	Capital Appropriation	(385,735)	(481,079)
(37,239)	(4,225)	Other	720	10,230
(10,199,960)	(9,614,725)	Net Cost of Services	(10,351,546)	(9,788,567)
		38. Non Cash Financing and Investing Activities		
-----	(1,200)	Financial instruments at fair value revaluation increment/(decrement)	-----	3,180
-----	-----	Assets Received by Donation	720	7,050
-----	(1,200)		720	10,230
		39. 2006/07 Voluntary Services		
		It is considered impracticable to quantify the monetary value of voluntary services provided to health services. Services provided include:		
		– Chaplaincies and Pastoral Care		
		– Pink Ladies/Hospital Auxiliaries		
		– Patient Support Groups		
		– Community Organisations		
		– Counselling, Health Education, Transport, Home Help and Patient Activities		
		– Patient and Family Support		
		– Patient Services, Fund Raising		
		– Practical Support to Patients and Relatives		