

## Financial Report

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# Performance

## Against 2009–10 Budget Allocation

### NSW Health is the major provider of health services to the NSW public and comprises around 27% of NSW General Government Sector expenditures as compared to 25% a decade ago

The Statement of Comprehensive Income identifies that total expenses for 2009–10 amounted to \$14.5 billion which is a 4.6% increase over 2008–09. An average of \$40 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 2010, this net cost was \$12.35 billion compared to the 2009–10 reported budget of \$12.3 billion, ie a variance of 0.42% which is within the performance bands framed by Treasury and recognises the impact of actuarial leave adjustments (AASB 119) which cannot be determined until year end.

The Department's Statement of Comprehensive Income for year ended 30 June 2010 has been prepared in accordance with NSW Treasury Reporting Code for Budget Dependent General Government Sector Agencies.

In reporting the Department's 2009–10 budget, the Code does not allow for the inclusion or recognition of a range of approved budget increases that have been provided to the Department during 2009–10. These intra year approved budget increases include approved increases granted from the NSW Treasurer's Advance and total \$7 million. The adjusted result after allowance for these adjustments is \$45 million (0.36%).

Details of these variations are included at Note 39 of the Department's audited financial statements for 2009–10.

On the basis of recognising the additional approved budget adjustments identified at Note 39, the Department's actual Net Cost of Services result was effectively an on budget result for the 2009–10 year.

The NSW Government increased its consolidated funding for operating and capital needs to the NSW Department of Health from the Consolidated Fund by \$431 million or 3.7% to \$12.2 billion in 2009–10.

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

While capital funding is shown in the Statement of Comprehensive Income, capital expenditure is not treated as an expense. By its nature, it is reflected in the Statement of Financial Position.

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 which are restricted by donor conditions.

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

- \$8.9 billion for salaries and employee related expenses (\$8.6 billion in 2008–09)
- \$88.3 million for food (\$87.5 million in 2008–09)
- \$1.3 billion for drugs, medical and surgical supplies (\$1.2 billion in 2008–09)
- \$112.8 million for fuel, light and power (\$91.6 million in 2008–09)
- \$555 million for visiting medical staff (\$535 million in 2008–09)

The financial statements identify that, whilst \$493 million was charged for depreciation and amortisation on Property, Plant and Equipment and Intangibles, an amount of \$676.6 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 asset base.

Since 30 June 2005 the total assets of NSW Health have increased by \$2.3 billion or 24% to \$11.9 billion. The most significant movement has been the increase in Property, Plant and Equipment and Intangible Assets of \$1.9 billion or 23% which, reflects the injection of capital funding referenced above and the independent revaluations of assets.

Cash and Other Financial Assets have also increased by \$153 million since 30 June 2005 to \$1 billion flowing from factors such as increased monies held as restricted assets together with movements in various Balance Sheet items. The cash/other financial asset movement in 2009–10 alone, was an increase of \$107 million.

Total Liabilities since June 2005 have increased by some \$1.7 billion or 68% to \$4.3 billion. This generally comprises:

- an increase in Payables of \$278 million inclusive of Goods and Services Tax and increases in payroll deductions and superannuation accruals.
- an increase in Employee entitlements or Provisions of \$1.2 billion due to various Award movements that have occurred together with changes in the measurement of leave values to accord with revised Australian Accounting Standards.
- an increase in Borrowings of \$179 million due principally to contractual and accounting arrangements for various Public Private Partnerships for the construction of infrastructure.

## General Creditors > 45 days at the End of the Year

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, payment of general creditors must be made in accordance with agreed 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.

Performance at balance date in the past six years against trade creditor benchmarks reported by Health Services is:

DATE	VALUE OF GENERAL ACCOUNTS NOT PAID WITHIN 45 DAYS (\$M)	NUMBER OF HEALTH SERVICES REPORTING GENERAL CREDITORS 45 DAYS
30 June 2005	13.2	4
30 June 2006	1.3	1
30 June 2007	0	0
30 June 2008	75.2	6
30 June 2009	69.3	6
30 June 2010	0	0

Since 2004–05, the Department has set a benchmark that creditor payments should not exceed 45 days from receipt of invoice.

As at 30 June 2010, health services had no recurrent trade creditors ready for payment in excess of 45 days. The Department continues to work with Health Services to effect improvements in creditor payment and management to ensure that acceptable payment processes are maintained and has implemented improved business processes for liquidity management, including:

- any Health Service which has creditors over its targeted benchmark is required to articulate how the creditor problem will be eliminated, reduced or otherwise managed. The Health Service is to continually monitor and report on its compliance with the benchmark.
- when a Health Service is contacted by a supplier about non or late payment of an account, the Director of Financial Operations is the responsible Health Service executive to satisfactorily resolve the matter. All commitments given to suppliers in respect of future payment arrangements are to be honoured by the Health Service concerned.
- Health Services are to apply best practice protocols for dealing with enquiries from suppliers, eg a dedicated telephone number for enquiries, an indication of such phone number and terms of payment on the purchase order and the monitoring of calls from suppliers.

HEALTH SERVICE	2009–10 BUDGET		VARIANCE FROM BUDGET	
	\$M	\$M	\$M	%
Sydney South West	1,889.5	(28.2)	(28.2)	(1.5)
South Eastern Sydney Illawarra	1,566.4	18.3	18.3	1.2
Sydney West	1,491.8	13.5	13.5	0.9
Northern Sydney Central Coast	1,320.5	16.5	16.5	1.2
Hunter New England	1,330.2	0.0	0.0	0.0
North Coast	815.9	5.3	5.3	0.6
Greater Southern	740.6	6.3	6.3	0.9
Greater Western	645.6	11.5	11.5	1.8
Children's Hospital Westmead	64.3	1.2	1.2	1.9
Ambulance	455.8	3.3	3.3	0.7
Justice Health	122.8	(2.0)	(2.0)	(1.6)
Issued Budgets	10,443.4	45.7	45.7	0.4
2008–09 Result	9,927.1	159.8	159.8	1.6

## Net Cost of Services

Overall the 2009–10 audited financial statements reflect that NSW Health's Net Cost of Services actual result compared to the allocated 2009–10 Net Cost of Services budget was a variation of \$52 million or 0.42% and within NSW Treasury tolerance level of 0.5%.

### Health Services – General Fund (General) Variance Against Budget

Net Cost of Services is the difference between total expenses and retained revenues and is a measure commonly used across government to denote financial performance. In NSW Health, the general fund (general) measure is refined to exclude the:

- effect of special purpose and trust fund monies, which are variable in nature, dependent on the level of community support
- operating result of business units (e.g., pathology services) covering a number of health services and which would otherwise distort the host service's financial performance
- effect of special projects only available for the specific purpose (e.g., oral health, drug and alcohol program).

## Interpretation

Whilst showing an improvement on last year, the results reflect the significant pressures on budgets, particularly in responding to increases in activity, noting that employee-related expenses constitute the major category of expenditure. The Department requires these Health Services to develop and progress financial strategies to address the budgetary issues experienced in 2009–10.

# Major Recurrent Funding Initiatives

2009–10

The 2009–10 State Expenditure Budget was \$14.5 billion, ie a 10.2% increase over the initial budget for 2008–09.

The 2009–10 budget contained \$117 million to deliver the practical initiatives in the Government's *Caring Together: The Health Action Plan for NSW* to help doctors, nurses and allied health staff focus on patient care.

*Caring Together* initiatives for 2009–10 included:

- \$44 million for 500 Clinical Support Officers thereby enabling doctors and nurses to spend more time caring for patients and less time on paperwork;
- \$13.3 million for Emergency Physicians;
- \$8.6 million for 64 new Clinical Pharmacists to improve patient safety by monitoring the type, quantity, past use and combination of prescription medicines, educate patients about their prescribed medications and advise junior doctors and nurses on the best use of medicines;
- \$7.4 million to promote a positive culture and for training programs to prevent bullying;
- \$6.8 million for 45 additional rural junior medical doctor positions;
- \$6.35 million for improved cleaning services;
- \$3.9 million for on the job training;
- \$3.7 million for 30 new Clinical Initiative Nurses to improve communication with patients and their families in the Emergency Department waiting room, organise x-rays so results are available when the patient is seen by a doctor and organise pain relief or a reassessment of priority for a patient if their condition changes while waiting;
- \$3 million to employ more support staff to ensure single sex rooms and areas wherever possible;
- \$2.8 million for additional allied health coverage forward rounds; and
- \$2.3 million to assist rural patient transport and accommodation for clinical care (IPTAAS).

- A key reform to ensuring the NSW Health system will continue to meet the demands of the population was the provision of Medical Assessment Units, where elderly and fragile patients are treated quickly, as an Emergency Department is not often the best place to provide treatment. The 2009–10 budget provided \$17.7 million for 6 new Medical Assessment Units (MAU) and the expansion of another 6 units, providing an additional 69 MAU beds.
- 106 additional beds (including the MAUs) across NSW to meet ongoing demand, as well as \$11.9 million for more than 7,900 community-based residential or aged care places to relieve pressure on the health system.

Funding included:

- \$9.4 million for an additional 30 hospital beds;
- \$3 million for three additional Intensive Care beds at John Hunter, St George and Gosford hospitals;
- \$3 million for three additional neo-natal beds at Royal Hospital for Women (2) and one at Children's Hospital at Westmead; and
- \$900,000 for providing additional high risk maternity bed capacity at Royal Hospital for Women.

Other key Initiatives of the 2009–10 health budget included:

- An extra \$10 million for community-based mental health programs including services for older people, mental health emergency care, rehabilitation and state-wide telephone access now totalling more than \$60 million annually;
- \$7.7 million to expand renal services including additional renal dialysis chairs, intensive therapy capacity, home dialysis support and prevention and education programs;
- \$5 million for services to children with rare and complex conditions;
- \$4.8 million to expand maternity services including midwives positions and obstetricians;
- \$3.8 million for expanding the Aboriginal Housing and Accommodation Support Initiative (HASI);

- An extra \$2.8 million making an annual total of \$5.5 million for the Building Strong Foundations for Aboriginal Children, Families and Communities strategy, to ensure quality access to early childhood health services for Aboriginal families;
- The investment of \$3.6 million in the Government's *Keep Them Safe: A Shared Approach to Child Wellbeing* action plan, to establish a Child Wellbeing Unit within NSW Health – part of a \$14.4 million project over four years to improve the health and safety of children;
- NSW Health also provided \$3.6 million to non-government agencies to establish Regional Intake and Referral Services – part of a \$23.5 million four-year commitment to improve access to community support services for vulnerable children and families.
- Other initiatives aimed at improving the wellbeing of children included:
  - \$2 million for better services for families where parents have mental illness – part of a progressively increasing \$14 million four-year allocation;
  - \$3 million for co-ordination of health assessments for children and young people in out-of-home care – part of a \$12 million four-year allocation;
  - \$2 million to extend trial of Sustained Health Home Visiting programs for children at risk – part of a \$8 million four-year allocation;
  - \$2 million for better services for families where parents have drug and alcohol problems – part of an \$8 million four-year investment;
  - \$1.9 million for new therapeutic programs for children and young people who display abusive behaviour – part of a \$7.7 million four year allocation.

The Commonwealth – NSW partnership in the provision of new health infrastructure and key services like dental, cancer, maternity and elective surgery also supported and complemented the NSW Government's *Caring Together* health action plan.

Initial cash allocations in 2009–10 to Health Services increased by over \$639 million or on average by 6.4% compared to 2008–09 as follows:

HEALTH SERVICE	2009–10	2008–09	INCREASE	
	\$M	\$M	\$M	%
Sydney South West Area Health Service	1,978.8	1,879.3	99.5	5.3
South Eastern Sydney Illawarra Area Health Service	1,877.8	1,790.4	87.4	4.9
Sydney West Area Health Service	1,405.5	1,342.4	63.1	4.7
Northern Sydney Central Coast Area Health Service	1,321.6	1,257.6	64.0	5.1
Hunter New England Area Health Service	1,269.8	1,179.3	90.5	7.7
North Coast Area Health Service	780.3	717.7	62.6	8.7
Greater Southern Area Health Service	606.9	569.1	37.8	6.6
Greater Western Area Health Service	553.0	510.1	42.9	8.4
The Children's Hospital at Westmead	237.5	218.9	18.6	8.5
Ambulance Service	405.8	340.5	65.3	19.2
Justice Health	129.9	122.4	7.5	6.1
<b>Total</b>	<b>10,566.9</b>	<b>9,927.7</b>	<b>639.2</b>	<b>6.4</b>

Note: These figures reflect initial Net Cash Allocations for 2008–09 and 2009–10.

# Consolidated Financial Statements

The Department is required under the *Annual Reports (Departments) Act 1985* to present the annual financial statements of each of its controlled entities.

This has been achieved by tabling the 2009–10 annual financial statements of each Health Service and other reporting entities before Parliament. For these purposes the report of each Health Service and other reporting entities should be viewed as a volume of the Department of Health's overall report.

NSW HEALTH NSW HEALTH KEY FINANCIAL INDICATORS				
	2009–10 \$M	2008–09 \$M	Increase on Previous Year \$M	Increase on Previous Year %
Expenses	14,481	13,841	+640	+4.6
Revenue	2,180	1,864	+316	+17.0
Net Cost of Services	12,354	12,042	+312	+2.6
Recurrent Appropriation	11,708	11,202	+506	+4.5
Capital Appropriation	447	522	-75	-14.4
Net Assets	7,679	7,462	+217	+2.9
Total Assets	11,935	11,408	+527	+4.6
Total Liabilities	4,256	3,947	+309	+7.8

Source: Audited Financial Statements

2009–1009 TOTAL EXPENSES COMPARISONS						
	2009–10 \$M	2008–09 \$M	2007–08 \$M	2006–07 \$M	2005–06 \$M	2004–05 \$M
Salaries and employee related expenses	8,886	8,547	7,959	7,394	6,961	6,381
Food	88	87	89	82	81	75
Drugs, medical and surgical supplies	1,262	1,188	1,165	1,040	918	842
Fuel, light and power	113	92	81	78	72	64
Visiting medical staff	555	535	520	468	441	402

Source: Audited Financial Statements

MOVEMENT IN KEY FINANCIAL INDICATORS OVER THE LAST 6 YEARS						
	June 2010 \$M	June 2009 \$M	June 2008 \$M	June 2007 \$M	June 2006 \$M	June 2005 \$M
<b>Assets</b>						
Property, Plant and Equipment and Intangibles	10,299	9,935	9,656	9,083	8,729	8,391
Inventories	128	135	105	115	108	72
Cash and Financial Assets	1,022	914	864	907	860	868
Receivables	422	373	390	317	295	234
Other	64	52	34	27	28	27
<b>Total</b>	<b>11,935</b>	<b>11,409</b>	<b>11,049</b>	<b>10,449</b>	<b>10,020</b>	<b>9,592</b>
<b>Liabilities</b>						
Payables	967	1,008	1,052	751	711	690
Provisions	2,888	2,599	2,331	2,179	2,002	1,700
Borrowings	261	267	101	36	48	82
Other	140	73	75	42	75	64
<b>Total</b>	<b>4,256</b>	<b>3,947</b>	<b>3,559</b>	<b>3,008</b>	<b>2,836</b>	<b>2,536</b>
<b>Equity</b>	<b>7,679</b>	<b>7,462</b>	<b>7,490</b>	<b>7,441</b>	<b>7,184</b>	<b>7,056</b>

Source: Audited Financial Statements.



# 2010–11 and Forward Years

In 2010–11 \$15.5 billion has been provided for health service delivery, a 6.8% increase or \$984 million more than the previous year.

The growing and ageing population exerts increasing pressures on the resources available and health service managers are required to respond to these challenges in the provision of quality health care.

The Government is increasing its investment in *Caring Together: The Health Action Plan for NSW* from \$117 million in 2009–10 to \$125 million in 2010–11 to continue the roll-out of reforms begun in 2009–10 and new initiatives including:

- \$3.6 million additional to expand the postgraduate program which provides training for new clinical staff in their first two years of practices;
- \$3.5 million additional for instilling cultural change throughout the NSW Health system to ensure that patients remain at the centre of the health care delivery system;

## Cutting Waiting Times for Elective Surgery

- \$53.8 million to reduce elective surgery waiting times across the State.

## More Critical Care Beds

- \$8.4 million for an additional six adult intensive care beds at Concord, John Hunter, Orange, St Vincent's and Sutherland.
- \$2.8 million for two new Paediatric Intensive Care beds – one each at The Children's Hospital Westmead and the Sydney Children's Hospital Randwick. This will support children across NSW requiring the most critical care.
- \$2.5 million for 12 special care cots with four cots located at St George, Maitland and Canterbury Hospitals providing specialised care for unwell babies.

## Expanding Statewide Specialist Services

- \$10.8 million for a range of initiatives under the Rural Health Plan.
- \$3 million investment for renal services (bringing the total investment to \$10.7 million) to improve access to home based dialysis, enhance renal transplant services and early intervention strategies to manage kidney disease.
- \$5.8 million for additional bone marrow transplantation services at The Sydney Children's Hospitals Network, Westmead Hospital and Royal North Shore Hospital.
- \$5 million for the expansion of radiotherapy services across the State including employing an additional 33 specialty staff to support new or expanded radiotherapy services at Gosford, Nowra, Wollongong, Liverpool, Lismore and Port Macquarie.
- \$4 million for the Program of Appliances for Disabled People (PADP) to improve access to essential aids and equipment for people in NSW with a disability.
- \$1 million for treatment of spinal cord injuries including one acute bed each at Royal North Shore Hospital and Prince of Wales Hospital, Randwick.

## Strengthening our Workforce

- \$6.9 million is being provided to employ an additional 100 Clinical Nurse Educators in NSW hospitals to improve clinical skills of nurses and enhance patient care.
- \$4 million provided for enhanced maternity services to recruit 38 additional midwives across the State and provide education for all maternity clinical staff.
- \$4 million provided for the further extension of 10 hour night shifts for nurses which will increase the time available for patient handover between nursing shifts and better support the delivery of enhanced quality of care in a range of facilities within Greater Southern, Greater West, Sydney West, Hunter New England, North Coast and South Eastern Sydney Illawarra Area Health Services.

- \$2.1 million to employ an additional 18 Nurse Practitioners in rural and regional NSW.
- \$1.2 million to employ additional community nurses for dementia care in each Area Health Service.

## Early Intervention, Prevention and Health Promotion

- An additional \$8.6 million has been allocated for the Government's *Keep Them Safe: A shared approach to Child Wellbeing* initiatives in 2010-11. This includes funding to establish a new early intervention program at Mt Druitt, Newcastle and Dubbo called Got It (*Getting On Track In Time*), to work with children in school from Kindergarten to Year 2 who exhibit disruptive behaviours.
- \$1.8 million to expand the HealthOne program, GP clinics and GP service and care co-ordination in Sydney South West, Sydney West, South Eastern Sydney Illawarra, Northern Sydney Central Coast and Greater West Area Health Services.
- \$1.7 million for the Stronger Foundations for Aboriginal Children, Families and Communities program to improve health development and wellbeing outcomes for children under five years and their families.

## Improved Aeromedical Retrieval Services

- \$1.4 million for the Ambulance Service of NSW for additional senior medical and nursing clinical staff for Ambulance Aeromedical Retrieval Services.
- \$0.5 million to expand the ECMO Medical Retrieval Service at St Vincent's and Royal Prince Alfred Hospitals.

## Mental Health

- The ongoing commitment to spend \$7.3 million under the National Mental Health Plan for 2010-11 to deliver a range of mental health programs.
- A further \$4.4 million to expand the successful Aboriginal HASI.
- \$3.5 million to support the opening of 20 new beds at Bloomfield Hospital, Orange.
- \$2.4 million for dementia services at the Calvary Hospital, St George
- \$0.8 million for the commencement of a fully operational Psychiatric Emergency Care Centre at Prince of Wales Hospital to replace the current interim arrangement.

# Independent Audit Report

For the year ended 30 June 2010



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

NSW Department of Health

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the NSW Department of Health (the Department), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Department and the consolidated entity. 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 statements:

- present fairly, in all material respects, the financial position of the Department and the consolidated entity as at 30 June 2010, and of the financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2010*

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

### Director-General's Responsibility for the Financial Statements

The Director-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. 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 statements.

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

#### Independence

In conducting this audit, the Audit Office of New South Wales 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
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

13 October 2010  
SYDNEY

# Certification of Accounts

For the year ended 30 June 2010

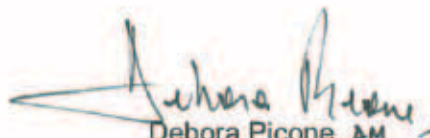
## CERTIFICATE OF ACCOUNTS

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 2010 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010 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.
- (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.



John Roach  
Chief Financial Officer



Debora Picone AM  
Director-General  
8 October 2010

# Statement of Comprehensive Income

for the year ended 30 June 2010

PARENT			CONSOLIDATED				
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000		Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Expenses excluding losses</b>							
Operating Expenses							
124,834	127,243	127,243	– Employee Related	3	8,885,670	8,963,178	8,546,559
456,506	462,328	462,328	– Other Operating Expenses	4	4,135,386	4,044,252	3,834,744
4,389	4,338	4,338	Depreciation and Amortisation	5	492,605	545,086	479,689
11,909,030	11,852,395	11,283,779	Grants and Subsidies	6	939,307	902,344	957,980
–	–	238	Finance Costs	7	27,823	33,020	22,458
<b>12,494,759</b>	<b>12,446,304</b>	<b>11,877,926</b>	<b>Total Expenses excluding losses</b>		<b>14,480,791</b>	<b>14,487,880</b>	<b>13,841,430</b>
<b>Revenue</b>							
72,618	77,708	75,080	Sale of Goods and Services	8	1,661,129	1,442,974	1,378,020
15,050	12,524	12,101	Investment Revenue	9	74,419	65,894	58,254
82,880	81,283	78,534	Grants and Contributions	10	367,974	543,858	342,790
5,188	6,752	6,524	Other Revenue	11	76,852	152,845	85,142
<b>175,736</b>	<b>178,267</b>	<b>172,239</b>	<b>Total Revenue</b>		<b>2,180,374</b>	<b>2,205,571</b>	<b>1,864,206</b>
(1,269)	–	(963)	Loss on Disposal	12	(9,719)	–	(23,199)
(82)	–	(2,079)	Other Losses	13	(44,332)	(20,542)	(41,209)
<b>12,320,374</b>	<b>12,268,037</b>	<b>11,708,729</b>	<b>Net Cost of Services</b>	<b>35</b>	<b>12,354,468</b>	<b>12,302,851</b>	<b>12,041,632</b>
<b>Government Contributions</b>							
11,708,076	11,708,076	11,201,765	Recurrent Appropriation	15	11,708,076	11,701,281	11,201,765
447,373	447,373	522,461	Capital Appropriation	15	447,373	405,446	522,461
6,549	8,000	1,347	Asset Sale Proceeds Transferred to Parent				
6,897	7,728	9,928	Acceptance by the Crown Entity of Employee Benefits	16	155,845	151,168	161,919
<b>12,168,895</b>	<b>12,171,177</b>	<b>11,735,501</b>	<b>Total Government Contributions</b>		<b>12,311,294</b>	<b>12,257,895</b>	<b>11,886,145</b>
<b>(151,479)</b>	<b>(96,860)</b>	<b>26,772</b>	<b>RESULT FOR THE YEAR</b>		<b>(43,174)</b>	<b>(44,956)</b>	<b>(155,487)</b>
<b>Other Comprehensive Income</b>							
21,498	(2,277)	(2,277)	Net Increase/(Decrease) in Property, Plant and Equipment Asset Revaluation Reserve		280,948	–	116,738
Available for Sale Financial Assets							
–	–	–	Valuation Gain		–	–	4,847
<b>21,498</b>	<b>(2,277)</b>	<b>(2,277)</b>	<b>Other Comprehensive Income for the Year</b>		<b>280,948</b>	<b>–</b>	<b>121,585</b>
<b>(129,981)</b>	<b>(99,137)</b>	<b>24,495</b>	<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>237,774</b>	<b>(44,956)</b>	<b>(33,902)</b>

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

for the year ended 30 June 2010

	NOTES	ACCUMULATED FUNDS \$000	ASSET REVALUATION SURPLUS \$000	TOTAL \$000
<b>PARENT</b>				
<b>Balance at 1 July 2009</b>		223,560	92,643	316,203
<b>Result For The Year</b>		(151,479)	–	(151,479)
<b>Other Comprehensive Income:</b>				
Net Increase in Property, Plant and Equipment		–	21,288	21,288
Disposal of Non-Current Assets Held for Sale		4,997	(4,997)	–
Other		210	–	210
<b>Total Other Comprehensive Income</b>		<b>5,207</b>	<b>16,291</b>	<b>21,498</b>
<b>Total Comprehensive Income For The Year</b>		<b>(146,272)</b>	<b>16,291</b>	<b>(129,981)</b>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Decrease in Net Assets From Equity Transfers	41	(12,526)	–	(12,526)
<b>Balance at 30 June 2010</b>		<b>64,762</b>	<b>108,934</b>	<b>173,696</b>
<b>Balance at 1 July 2008</b>		<b>198,440</b>	<b>94,838</b>	<b>293,278</b>
Result For The Year		26,772	–	26,772
<b>Other Comprehensive Income:</b>				
Net Increase in Property, Plant and Equipment		–	(2,277)	(2,277)
Available for Sale Financial Assets:				
– Transfers on Disposal		(82)	82	–
<b>Total Other Comprehensive Income</b>		<b>(82)</b>	<b>(2,195)</b>	<b>(2,277)</b>
<b>Total Comprehensive Income For The Year</b>		<b>26,690</b>	<b>(2,195)</b>	<b>24,495</b>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Decrease in Net Assets From Equity Transfers	41	(1,570)	–	(1,570)
<b>Balance at 30 June 2009</b>		<b>223,560</b>	<b>92,643</b>	<b>316,203</b>

The accompanying notes form part of these financial statements.

# Changes in Equity

for the year ended 30 June 2010

CONSOLIDATED		ACCUMULATED FUND \$000	ASSET REVALUATION SURPLUS \$000	AVAILABLE FOR SALE RESERVE \$000	TOTAL \$000
	NOTES				
<b>Balance at 1 July 2009</b>		5,346,631	2,112,411	2,773	7,461,815
<b>Result For The Year</b>		(43,174)	–	–	(43,174)
<b>Other Comprehensive Income:</b>					
Net Increase in Property, Plant and Equipment		–	280,948	–	280,948
Available for Sale Financial Assets:					
– Transfers on Disposal		1,466	–	(1,466)	–
Other Transfers		6,644	(20,708)	14,064	–
<b>Total Other Comprehensive Income</b>		8,110	260,240	12,598	280,948
<b>Total Comprehensive Income For The Year</b>		(35,064)	260,240	12,598	237,774
<b>Transactions With Owners In Their Capacity As Owners</b>					
Decrease in Net Assets From Equity Transfers	41	(20,226)	–	–	(20,226)
<b>Balance at 30 June 2010</b>		5,291,341	2,372,651	15,371	7,679,363
<b>Balance at 1 July 2008</b>		5,486,780	2,001,189	1,766	7,489,735
<b>Result For The Year</b>		(155,487)	–	–	(155,487)
<b>Other Comprehensive Income:</b>					
Net Increase in Property, Plant and Equipment		–	116,738	–	116,738
Available for Sale Financial Assets:					
-Valuation Gains		–	–	4,847	4,847
-Transfers on Disposal		9,356	(4,567)	(4,789)	–
Other Transfers		–	(949)	949	–
<b>Total Other Comprehensive Income</b>		9,356	111,222	1,007	121,585
<b>Total Comprehensive Income For The Year</b>		(146,131)	111,222	1,007	(33,902)
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase in Net Assets From Equity Transfers	41	5,982	–	–	5,982
<b>Balance at 30 June 2009</b>		5,346,631	2,112,411	2,773	7,461,815

The accompanying notes form part of these financial statements.



# Statement of Financial Position

as at 30 June 2010

PARENT			CONSOLIDATED				
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000		Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>ASSETS</b>							
<b>Current Assets</b>							
61,616	60,324	60,324	Cash and Cash Equivalents	18	886,595	784,240	774,329
89,928	45,330	45,330	Receivables	19	409,806	347,396	354,896
34,771	35,496	47,328	Inventories	20	128,172	136,733	134,600
–	–	–	Financial Assets at Fair Value	21	124,318	117,772	117,772
64,216	66,845	66,845	Other Financial Assets	22	–	–	–
–	–	13,955	Non-Current Assets Held for Sale	24	39,011	76,894	35,184
<b>250,531</b>	<b>207,995</b>	<b>233,782</b>	<b>Total Current Assets</b>		<b>1,587,902</b>	<b>1,463,035</b>	<b>1,416,781</b>
<b>Non-Current Assets</b>							
–	–	–	Receivables	19	12,458	17,612	17,612
–	–	–	Financial Assets at Fair Value	21	10,605	22,064	22,064
57,453	58,795	88,795	Other Financial Assets	22	–	–	–
Property, Plant and Equipment							
131,744	113,608	113,608	– Land and Buildings	25	9,027,188	8,726,282	8,755,321
4,981	6,291	6,291	– Plant and Equipment	25	742,086	719,782	721,934
–	–	–	– Infrastructure Systems	25	357,779	338,112	338,112
136,725	119,899	119,899	Total Property, Plant and Equipment		10,127,053	9,784,176	9,815,367
–	392	392	Intangible Assets	26	172,290	132,080	119,561
–	–	–	Other	23	24,636	17,069	17,069
<b>194,178</b>	<b>179,086</b>	<b>209,086</b>	<b>Total Non-Current Assets</b>		<b>10,347,042</b>	<b>9,973,001</b>	<b>9,991,673</b>
<b>444,709</b>	<b>387,081</b>	<b>442,868</b>	<b>Total Assets</b>		<b>11,934,944</b>	<b>11,436,036</b>	<b>11,408,454</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
185,391	183,372	108,492	Payables	28	967,143	982,290	1,008,446
–	–	–	Borrowings	29	14,355	8,265	8,384
16,145	16,120	15,500	Provisions	30	2,760,457	2,587,015	2,490,268
–	590	590	Other	31	18,740	19,087	19,087
<b>201,536</b>	<b>200,082</b>	<b>124,582</b>	<b>Total Current Liabilities</b>		<b>3,760,695</b>	<b>3,596,657</b>	<b>3,526,185</b>
<b>Non-Current Liabilities</b>							
–	–	–	Borrowings	29	246,021	257,079	258,786
407	464	446	Provisions	30	127,767	112,930	109,157
69,070	1,637	1,637	Other	31	121,098	52,511	52,511
<b>69,477</b>	<b>2,101</b>	<b>2,083</b>	<b>Total Non-Current Liabilities</b>		<b>494,886</b>	<b>422,520</b>	<b>420,454</b>
<b>271,013</b>	<b>202,183</b>	<b>126,665</b>	<b>Total Liabilities</b>		<b>4,255,581</b>	<b>4,019,177</b>	<b>3,946,639</b>
<b>173,696</b>	<b>184,898</b>	<b>316,203</b>	<b>Net Assets</b>		<b>7,679,363</b>	<b>7,416,859</b>	<b>7,461,815</b>
<b>EQUITY</b>							
108,934	92,643	92,643	Reserves	32	2,372,651	2,112,411	2,112,411
64,762	124,423	223,560	Accumulated Funds		5,291,341	5,301,675	5,346,631
Amounts Recognised in Equity							
–	–	–	Relating to Assets Held for Sale	24	15,371	2,773	2,773
<b>173,696</b>	<b>217,066</b>	<b>316,203</b>	<b>Total Equity</b>		<b>7,679,363</b>	<b>7,416,859</b>	<b>7,461,815</b>

The accompanying notes form part of these financial statements

# Statement of Cash Flows

for the year ended 30 June 2010

PARENT				CONSOLIDATED		
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
(111,359)	(118,877)	(116,537)	Employee Related	(8,561,236)	(8,693,646)	(8,067,267)
(11,909,030)	(11,852,395)	(11,308,515)	Grants and Subsidies	(1,033,238)	(902,344)	(957,980)
–	–	(2,062)	Finance Costs	(27,823)	(33,020)	(15,682)
(409,185)	(407,784)	(577,346)	Other	(4,667,677)	(4,689,052)	(4,558,613)
<b>(12,429,574)</b>	<b>(12,379,056)</b>	<b>(12,004,460)</b>	<b>Total Payments</b>	<b>(14,289,974)</b>	<b>(14,318,062)</b>	<b>(13,599,542)</b>
<b>Receipts</b>						
55,927	77,708	86,947	Sale of Goods and Services	1,877,317	1,440,208	1,482,733
6,800	12,524	18,138	Interest Received	54,251	65,894	27,964
164,989	88,035	195,449	Other	889,295	1,285,094	931,989
<b>227,716</b>	<b>178,267</b>	<b>300,534</b>	<b>Total Receipts</b>	<b>2,820,863</b>	<b>2,791,196</b>	<b>2,442,686</b>
<b>Cash Flows from Government</b>						
11,708,076	11,708,076	11,189,340	Recurrent Appropriation	11,708,076	11,701,281	11,189,340
447,373	447,373	522,461	Capital Appropriation	447,373	405,446	522,461
6,549	8,000	1,347	Asset Sale Proceeds Transferred to Parent	–	–	–
			Cash Reimbursement from the Government			
<b>12,161,998</b>	<b>12,163,449</b>	<b>11,713,148</b>	<b>Net Cash Flows from Government</b>	<b>12,155,449</b>	<b>12,106,727</b>	<b>11,711,801</b>
<b>(39,860)</b>	<b>(37,340)</b>	<b>9,222</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>35</b>	<b>686,338</b>	<b>554,945</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
360	13,955	498	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	66,729	34,787	24,902
40,317	30,000	26,726	Proceeds from Sale of Investments	19,652	–	47,988
(954)	(6,615)	(5,043)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(638,920)	(579,235)	(539,355)
–	–	(113,040)	Purchases of Investments	(14,739)	(20,000)	(21,546)
<b>39,723</b>	<b>37,340</b>	<b>(90,859)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(567,278)</b>	<b>(564,448)</b>	<b>(488,011)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
–	–	–	Proceeds from Borrowings and Advances	46,906	–	13,287
–	–	–	Repayment of Borrowings and Advances	(53,700)	(5,502)	(8,560)
–	–	–	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(6,794)</b>	<b>(5,502)</b>	<b>4,727</b>
<b>(137)</b>	<b>–</b>	<b>(81,637)</b>	<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>112,266</b>	<b>9,911</b>	<b>71,661</b>
60,324	60,324	141,961	Opening Cash and Cash Equivalents	774,329	774,329	702,668
1,429	–	–	Cash transferred in as a result of administrative restructuring	–	–	–
<b>61,616</b>	<b>60,324</b>	<b>60,324</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>18</b>	<b>886,595</b>	<b>784,240</b>

The accompanying notes form part of these financial statements

# Summary of Compliance with Financial Directives

for the year ended 30 June 2010

## Supplementary Financial Statements

	2010		2009		EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$000	CAPITAL APPROPRIATION \$000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$000	CAPITAL APPROPRIATION \$000
	RECURRENT APPROPRIATION \$000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$000	RECURRENT APPROPRIATION \$000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$000				
<b>Original Budget Appropriation/ Expenditure</b>								
Appropriation Act	11,701,281	11,692,663	10,826,608	10,825,695	405,446	436,061	436,061	436,061
Additional Appropriations	-	-	30,505	30,505	-	-	-	-
S26 PF&AA Commonwealth Specific	-	-	-	-	-	-	-	-
Purpose Payments	-	-	263,647	263,647	-	-	-	-
	11,701,281	11,692,663	11,120,760	11,119,847	405,446	436,061	436,061	436,061
<b>Other Appropriations/Expenditure</b>								
Treasurer's Advance	15,500	15,500	83,114	83,114	41,927	86,400	86,400	86,400
Transfers to/from another agency (S28 of the Appropriation Act)	(87)	(87)	(1,196)	(1,196)	-	-	-	-
	15,413	15,413	81,918	81,918	41,927	86,400	86,400	86,400
<b>Total Appropriations/ Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	11,716,694	11,708,076	11,202,678	11,201,765	447,373	522,461	522,461	522,461
<b>Amount drawn down against Appropriation Liability to Consolidated Fund *</b>	11,708,076	11,708,076	11,201,765	11,201,765	447,373	522,461	522,461	522,461

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'.

# Service Group Statement

for the year ended 30 June 2010

## Supplementary Financial Statements

DEPARTMENT'S EXPENSES AND REVENUES	SERVICE GROUP 1.1 ** PRIMARY AND COMMUNITY BASED SERVICES		SERVICE GROUP 1.2 ** ABORIGINAL HEALTH SERVICES		SERVICE GROUP 1.3 ** OUTPATIENT SERVICES		SERVICE GROUP 2.1 ** EMERGENCY SERVICES		SERVICE GROUP 2.2 ** OVERNIGHT ACUTE INPATIENT SERVICES		SERVICE GROUP 2.3 ** SAME DAY ACUTE INPATIENT SERVICES	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Expenses excluding losses</b>												
Operating Expenses												
– Employee Related	696,954	600,160	34,467	28,545	951,134	918,571	1,008,585	1,044,512	3,494,921	3,315,637	382,068	449,605
– Other Operating Expenses	266,434	158,257	15,032	9,042	368,948	344,290	476,479	375,249	1,844,715	1,941,605	391,986	347,429
Depreciation and Amortisation	28,319	29,741	1,021	1,209	56,365	57,702	54,388	56,107	223,474	211,238	27,394	31,229
Grants and Subsidies	149,395	123,103	17,828	18,811	100,172	108,370	33,619	39,292	182,338	198,069	17,594	30,300
Finance Costs	1,941	1,295	98	75	1,869	3,569	1,848	1,652	11,899	12,043	1,308	1,618
<b>Total Expenses excluding losses</b>	<b>1,143,043</b>	<b>912,556</b>	<b>68,446</b>	<b>57,682</b>	<b>1,478,488</b>	<b>1,432,502</b>	<b>1,574,919</b>	<b>1,516,812</b>	<b>5,757,347</b>	<b>5,678,592</b>	<b>820,350</b>	<b>860,181</b>
<b>Revenue</b>												
Sale of Goods and Services	44,140	18,806	251	507	140,339	87,613	230,687	115,669	790,849	780,024	109,481	159,989
Investment Revenue	5,637	4,827	149	145	6,890	5,943	5,032	5,315	25,461	19,955	2,908	2,876
Grants and Contributions	32,840	31,701	1,773	4,697	31,331	29,702	13,502	12,937	101,385	69,982	11,186	11,988
Other Revenue	5,013	6,109	99	98	9,009	6,709	9,097	8,494	24,454	27,721	2,681	3,994
<b>Total Revenue</b>	<b>87,630</b>	<b>61,443</b>	<b>2,272</b>	<b>5,447</b>	<b>187,569</b>	<b>129,967</b>	<b>258,318</b>	<b>142,415</b>	<b>942,149</b>	<b>897,682</b>	<b>126,256</b>	<b>178,847</b>
Gain/ (Loss) on Disposal	(240)	(1,086)	(8)	25	(576)	(2,613)	(1,731)	(1,661)	(26,528)	(12,653)	(292)	(1,551)
Other Losses	(546)	(731)	(11)	(549)	(1,121)	(1,582)	(23,070)	(22,188)	(16,241)	(11,636)	(997)	(629)
<b>Net Cost of Services</b>	<b>1,056,199</b>	<b>852,930</b>	<b>66,193</b>	<b>52,759</b>	<b>1,292,616</b>	<b>1,306,730</b>	<b>1,341,402</b>	<b>1,398,246</b>	<b>4,857,967</b>	<b>4,805,199</b>	<b>695,383</b>	<b>683,514</b>
Government Contributions ***												
<b>RESULT FOR THE YEAR</b>	<b>1,056,199</b>	<b>852,930</b>	<b>66,193</b>	<b>52,759</b>	<b>1,292,616</b>	<b>1,306,730</b>	<b>1,341,402</b>	<b>1,398,246</b>	<b>4,857,967</b>	<b>4,805,199</b>	<b>695,383</b>	<b>683,514</b>
Other Comprehensive Income												
Net Increase in Property, Plant and Equipment												
Asset Revaluation Reserve	17,844	7,461	599	331	33,588	14,798	25,623	11,098	124,934	51,542	16,646	7,434
Available for Sale Financial Assets Valuation Gains	–	–	–	–	–	–	–	–	–	4,847	–	–
<b>Total Other Comprehensive Income</b>	<b>17,844</b>	<b>7,461</b>	<b>599</b>	<b>331</b>	<b>33,588</b>	<b>14,798</b>	<b>25,623</b>	<b>11,098</b>	<b>124,934</b>	<b>56,389</b>	<b>16,646</b>	<b>7,434</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,074,043</b>	<b>860,391</b>	<b>66,792</b>	<b>53,090</b>	<b>1,326,204</b>	<b>1,321,528</b>	<b>1,367,025</b>	<b>1,409,344</b>	<b>4,982,901</b>	<b>4,861,588</b>	<b>712,029</b>	<b>690,948</b>
Administered Revenues												
Consolidated Fund												
– Taxes, Fees and Fines												
<b>Total Administered Revenues</b>												

\*Service group statements focus on the key measures of service delivery performance.

\*\*The name and purpose of each service group is summarised in Note 17.

The service group statement uses statistical data to 31 December 2009 to allocate the current period's financial information on expenses and revenue to each service group.

No changes have occurred during the period between 1 January 2010 and 30 June 2010 which would materially impact this allocation.

\*\*\*Appropriations are made on an agency basis and not to individual service groups. Consequently, government contributions must be included in the 'Not Attributable' column.

# Service Group Statement

for the year ended 30 June 2010

SERVICE GROUP 3.1 ** MENTAL HEALTH SERVICES		SERVICE GROUP 4.1 ** REHABILITATION AND EXTENDED CARE SERVICES		SERVICE GROUP 5.1 ** POPULATION HEALTH SERVICES		SERVICE GROUP 6.1 ** TEACHING AND RESEARCH		NOT ATTRIBUTABLE		TOTAL	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
850,629	791,484	737,907	701,370	216,984	207,326	512,021	489,349	-	-	8,885,670	8,546,559
194,362	162,125	232,239	210,309	194,887	171,609	150,304	114,829	-	-	4,135,386	3,834,744
38,671	32,426	42,326	35,857	6,598	8,099	14,049	16,081	-	-	492,605	479,689
96,892	96,690	146,359	156,003	161,454	133,914	33,656	53,428	-	-	939,307	957,980
2,051	324	6,185	1,630	270	66	354	186	-	-	27,823	22,458
<b>1,182,605</b>	<b>1,083,049</b>	<b>1,165,016</b>	<b>1,105,169</b>	<b>580,193</b>	<b>521,014</b>	<b>710,384</b>	<b>673,873</b>	-	-	<b>14,480,791</b>	<b>13,841,430</b>
34,303	8,633	188,267	139,833	12,348	6,782	110,464	60,164	-	-	1,661,129	1,378,020
2,890	3,149	6,559	4,862	3,835	2,027	15,058	9,155	-	-	74,419	58,254
5,224	11,661	34,299	31,832	30,043	39,841	106,391	98,449	-	-	367,974	342,790
1,548	3,119	6,047	7,613	7,469	7,808	11,435	13,477	-	-	76,852	85,142
<b>43,965</b>	<b>26,562</b>	<b>235,172</b>	<b>184,140</b>	<b>53,695</b>	<b>56,458</b>	<b>243,348</b>	<b>181,245</b>	-	-	<b>2,180,374</b>	<b>1,864,206</b>
(540)	(932)	20,587	(1,350)	(123)	(443)	(268)	(935)	-	-	(9,719)	(23,199)
(371)	(1,100)	(1,255)	(1,065)	(160)	(587)	(560)	(1,142)	-	-	(44,332)	(41,209)
<b>1,139,551</b>	<b>1,058,519</b>	<b>910,512</b>	<b>923,444</b>	<b>526,781</b>	<b>465,586</b>	<b>467,864</b>	<b>494,705</b>	-	-	<b>12,354,468</b>	<b>12,041,632</b>
								12,311,294	11,886,145	12,311,294	11,886,145
<b>1,139,551</b>	<b>1,058,519</b>	<b>910,512</b>	<b>923,444</b>	<b>526,781</b>	<b>465,586</b>	<b>467,864</b>	<b>494,705</b>			<b>(43,174)</b>	<b>(155,487)</b>
24,960	8,829	23,337	8,576	4,573	1,915	8,844	4,754			280,948	116,738
-	-	-	-	-	-	-	-			-	4,847
24,960	8,829	23,337	8,576	4,573	1,915	8,844	4,754			280,948	121,585
<b>1,164,511</b>	<b>1,067,348</b>	<b>933,849</b>	<b>932,020</b>	<b>531,354</b>	<b>467,501</b>	<b>476,708</b>	<b>499,459</b>			<b>237,774</b>	<b>(33,902)</b>
								1,398	1,246	1,398	1,246
								1,398	1,246	1,398	1,246

# Service Group Statement

for the year ended 30 June 2010

## Supplementary Financial Statements

DEPARTMENT'S ASSETS AND LIABILITIES	SERVICE GROUP 1.1 ** PRIMARY AND COMMUNITY BASED SERVICES		SERVICE GROUP 1.2 ** ABORIGINAL HEALTH SERVICES		SERVICE GROUP 1.3 ** OUTPATIENT SERVICES		SERVICE GROUP 2.1 ** EMERGENCY SERVICES		SERVICE GROUP 2.2 ** OVERNIGHT ACUTE INPATIENT SERVICES		SERVICE GROUP 2.3 ** SAME DAY ACUTE INPATIENT SERVICES	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and Cash Equivalents	46,800	35,241	1,328	1,263	87,983	65,629	89,471	85,906	319,458	327,884	42,966	37,321
Receivables	11,065	8,200	–	1,088	45,225	23,846	28,236	40,366	229,685	162,034	17,201	31,779
Inventories	3,988	3,405	124	153	7,467	7,861	6,097	10,900	53,384	45,222	8,061	7,421
Financial Assets at Fair Value	6,780	1,288	227	–	16,130	6,377	8,673	3,182	59,514	94,160	6,947	2,073
Non-Current Assets Held for Sale	10,968	2,201	81	187	1,321	1,630	3,100	3,551	7,144	7,587	11,834	1,596
<b>Total Current Assets</b>	<b>79,601</b>	<b>50,335</b>	<b>1,760</b>	<b>2,691</b>	<b>158,126</b>	<b>105,343</b>	<b>135,577</b>	<b>143,905</b>	<b>669,185</b>	<b>636,887</b>	<b>87,009</b>	<b>80,190</b>
<b>Non-Current Assets</b>												
Receivables	308	286	4	4	552	752	929	1,779	6,818	9,076	823	1,267
Financial Assets at Fair Value	588	335	11	7	676	3,350	367	808	5,265	7,277	438	552
Property, Plant and Equipment												
– Land and Buildings	573,358	559,576	19,246	24,838	1,079,229	1,109,841	823,306	832,334	4,014,224	3,865,620	534,859	557,625
– Plant and Equipment	46,646	39,876	1,390	1,511	85,890	94,873	83,909	88,729	333,713	314,245	41,033	46,959
– Infrastructure Systems	19,856	18,611	921	896	47,817	46,409	28,411	27,654	167,974	154,746	19,291	22,301
Intangible Assets	11,843	601	167	6	6,527	8,547	6,464	8,706	94,130	77,352	7,844	5,548
Other	999	836	44	33	2,725	2,372	1,396	1,308	14,376	8,090	906	919
<b>Total Non-Current Assets</b>	<b>653,598</b>	<b>620,121</b>	<b>21,783</b>	<b>27,295</b>	<b>1,223,416</b>	<b>1,266,144</b>	<b>944,782</b>	<b>961,318</b>	<b>4,636,500</b>	<b>4,436,406</b>	<b>605,194</b>	<b>635,171</b>
<b>Total Assets</b>	<b>733,199</b>	<b>670,456</b>	<b>23,543</b>	<b>29,986</b>	<b>1,381,542</b>	<b>1,371,487</b>	<b>1,080,359</b>	<b>1,105,223</b>	<b>5,305,685</b>	<b>5,073,293</b>	<b>692,203</b>	<b>715,361</b>
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Payables	39,982	34,336	1,570	2,190	70,586	76,655	90,356	107,247	568,306	574,811	67,733	78,442
Borrowings	1,257	149	64	23	1,254	–	937	–	6,268	7,987	994	–
Provisions	213,181	173,378	9,893	7,902	297,187	272,247	322,636	319,740	1,089,470	959,322	125,916	132,335
Other	1,580	664	52	29	2,238	1,130	1,452	1,193	6,552	12,899	1,174	576
<b>Total Current Liabilities</b>	<b>256,000</b>	<b>208,527</b>	<b>11,579</b>	<b>10,144</b>	<b>371,265</b>	<b>350,032</b>	<b>415,381</b>	<b>428,180</b>	<b>1,670,596</b>	<b>1,555,019</b>	<b>195,817</b>	<b>211,353</b>
<b>Non-Current Liabilities</b>												
Borrowings	15,191	19,170	879	1,334	17,683	50,361	13,281	14,590	85,695	75,173	10,319	12,794
Provisions	9,526	7,378	346	267	13,514	11,200	20,067	15,805	47,221	42,534	6,024	5,841
Other	3,061	3,046	57	59	14,287	6,268	6,453	3,068	59,653	23,982	5,700	2,545
<b>Total Non-Current Liabilities</b>	<b>27,778</b>	<b>29,594</b>	<b>1,282</b>	<b>1,660</b>	<b>45,484</b>	<b>67,829</b>	<b>39,801</b>	<b>33,463</b>	<b>192,569</b>	<b>141,689</b>	<b>22,043</b>	<b>21,180</b>
<b>Total Liabilities</b>	<b>283,778</b>	<b>238,121</b>	<b>12,861</b>	<b>11,804</b>	<b>416,749</b>	<b>417,861</b>	<b>455,182</b>	<b>461,643</b>	<b>1,863,165</b>	<b>1,696,708</b>	<b>217,860</b>	<b>232,533</b>
<b>Net Assets</b>	<b>449,421</b>	<b>432,335</b>	<b>10,682</b>	<b>18,182</b>	<b>964,793</b>	<b>953,626</b>	<b>625,177</b>	<b>643,580</b>	<b>3,442,520</b>	<b>3,376,585</b>	<b>474,343</b>	<b>482,828</b>

\* NSW Budget Paper No. 3 has replaced program statements with service group statements. Service group statements focus on the key measures of service delivery performance.

\*\* The name and purpose of each service group is summarised in Note 17.

Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2 (ab), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

# Service Group Statement

for the year ended 30 June 2010

SERVICE GROUP 3.1 ** MENTAL HEALTH SERVICES		SERVICE GROUP 4.1 ** REHABILITATION AND EXTENDED CARE SERVICES		SERVICE GROUP 5.1 ** POPULATION HEALTH SERVICES		SERVICE GROUP 6.1 ** TEACHING AND RESEARCH		NOT ATTRIBUTABLE		TOTAL	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000

60,467	38,716	94,588	41,523	11,184	11,816	132,350	129,030	–	–	886,595	774,329
17,530	21,973	30,981	36,861	5,791	10,838	24,092	17,911	–	–	409,806	354,896
4,116	3,019	6,001	4,427	35,967	48,571	2,967	3,621	–	–	128,172	134,600
8,334	1,532	9,367	2,346	1,819	63	6,527	6,751	–	–	124,318	117,772
1,990	1,765	1,980	16,126	298	361	295	180	–	–	39,011	35,184
92,437	67,005	142,917	101,283	55,059	71,649	166,231	157,493	–	–	1,587,902	1,416,781

214	713	1,040	1,621	160	153	1,610	1,961	–	–	12,458	17,612
814	503	1,226	324	88	473	1,132	8,435	–	–	10,605	22,064

801,998	662,145	749,851	643,202	146,946	143,593	284,171	356,547	–	–	9,027,188	8,755,321
53,007	51,848	62,150	49,329	10,883	10,915	23,465	23,649	–	–	742,086	721,934
27,643	22,629	27,451	25,817	5,154	5,040	13,261	14,009	–	–	357,779	338,112
15,426	6,128	24,592	10,327	1,246	334	4,051	2,012	–	–	172,290	119,561
1,305	1,004	1,517	1,273	298	221	1,070	1,013	–	–	24,636	17,069
900,407	744,970	867,827	731,893	164,775	160,729	328,760	407,626	–	–	10,347,042	9,991,673
992,844	811,975	1,010,744	833,176	219,834	232,378	494,991	565,119	–	–	11,934,944	11,408,454

32,978	39,056	57,468	50,157	10,970	16,798	27,194	28,754	–	–	967,143	1,008,446
1,292	–	1,318	23	384	202	587	–	–	–	14,355	8,384
259,099	230,744	229,241	204,297	63,661	55,286	150,173	135,017	–	–	2,760,457	2,490,268
1,972	903	2,072	900	361	230	1,287	563	–	–	18,740	19,087
295,341	270,703	290,099	255,377	75,376	72,516	179,241	164,334	–	–	3,760,695	3,526,185

17,078	36,406	75,105	36,892	3,414	4,691	7,376	7,375	–	–	246,021	258,786
11,031	9,344	10,149	8,290	2,992	2,567	6,897	5,931	–	–	127,767	109,157
11,106	4,233	9,068	4,104	807	812	10,906	4,394	–	–	121,098	52,511
39,215	49,983	94,322	49,286	7,213	8,070	25,179	17,700	–	–	494,886	420,454
334,556	320,686	384,421	304,663	82,589	80,586	204,420	182,034	–	–	4,255,581	3,946,639
658,288	491,289	626,323	528,513	137,245	151,793	290,571	383,085	–	–	7,679,363	7,461,815

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 1. The NSW Department of Health Reporting Entity

- (a) The NSW Department of Health (the Department), as a reporting entity, comprises all the entities under its control, namely Area Health Services constituted under the *Health Services Act, 1997*; the Royal Alexandra Hospital for Children, the Justice Health Service, the Clinical Excellence Commission, the Bureau of Health Information (established with effect from 1 July 2009 under the provisions of the *Health Services Act*), the Graythwaite Trust (per Supreme Court order) and the Health Administration Corporation (which for both years includes the operations of the Ambulance Service of NSW, Health Support Services, NSW Institute of Medical Education and Training and Health Infrastructure). All of these entities are reporting entities that produce financial statements in their own right.

Effective from 1 July 2009 HealthQuest, a former Statutory Health Corporation was abolished under the *Health Services Act* and its equity transferred to the Department.

The Albury Base Hospital was also separated from Greater Southern Area Health Service under the Act and now reports as a distinct entity responsible to the NSW Minister for Health with its services provided under contract by Albury Wodonga Health, an entity established under Victorian legislation for this purpose. The Albury Wodonga Health (Employment Division) has also been established with effect from 1 July 2009. The Division captures employee related expense and related assets and liabilities. Both of these entities operate under the Department's control.

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 Department is a NSW Government Department. The Department 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 for the year ended 30 June 2010 have been authorised for issue by the Chief Financial Officer and Director-General on 8 October 2010.

## 2. Summary of Significant Accounting Policies

The NSW Department of Health's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2010*, 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, assets held for sale (or disposal groups) and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement 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.

Comparative figures are, where appropriate, reclassified to give meaningful comparison with the current year.

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Department.



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## Accounting Standard/Interpretation

AASB 9, *Financial Instruments* and AASB 2009-11, *Amendments to Australian Accounting Standards arising from AASB 9*, have application from 1 July 2013 and focus on simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value. They also simplify the requirements for embedded derivatives and remove the tainting rules associated with held-to-maturity assets. They have been assessed as having no material impact on the Department.

AASB 1053, *Application of tiers of Australian Accounting Standards*, has application from 1 July 2013 and establishes a differential reporting framework consisting of two tiers of reporting requirements. Tier 1 entities will continue to apply existing Australian Accounting Standards. Tier 2 entities will apply the same recognition, measurement and presentation requirements but reduced disclosure requirements. Tier 2 entities include the majority of public sector entities. This standard has been assessed as having no material impact on the Department.

AASB 2009-5, *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, has application from 1 July 2010 and comprises accounting changes for presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Department.

AASB 2009-8, *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*, has application from 1 July 2010 and makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This standard has been assessed as having no impact on the Department.

AASB 2009-9, *Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters*, has application from 1 July 2010 and makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations. This standard has been assessed as having no impact on the Department.

AASB 2009-10, *Amendments to Australian Accounting Standards- Classification of Rights Issues*, has application from 1 July 2010 and provides clarification concerning equity instruments. This standard has been assessed as having no material impact on the Department.

AASB 124, *Related Party Disclosures* and AASB 2009-12, *Amendments to Australian Accounting Standards*, have application from 1 July 2011 and simplify the definition of a related party. They have been assessed as having no impact on the Department.

Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13, *Amendments to Australian Accounting Standards arising from Interpretation 19*, have application from 1 July 2010 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. They have been assessed as having no impact on the Department.

AASB 2009-14, *Amendments to Australian Interpretation-Prepayments of a Minimum Funding Requirement*, has application from 1 July 2011 and makes limited-application amendments to Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This standard has been assessed as having no impact on the Department.

AASB 2010-1, *Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters*, has application from 1 July 2010 and provides additional exemption on IFRS transition in relation to AASB 7 *Financial Instruments: Disclosures*, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers. This standard has been assessed as having no impact on the Department.

AASB 2010-2, *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*, has application from 1 July 2013 and determines disclosures in Australian Accounting Standards from which Tier 2 entities are exempt. This standard has been assessed as having no material impact on the Department.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

AASB 2010-3 and AASB 2010-4, *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, have application from 1 January 2011 and amend a number of different Australian Accounting Standards. These standards have been assessed as having no material impact on the Department.

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, Annual Leave, Sick Leave and On-Costs***

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service 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 17% are applied to the value of leave payable at 30 June 2010, such on-costs being consistent with actuarial assessment (Comparable on-costs for 30 June 2009 were also 17%).

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

The 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***

At the consolidated level of reporting, long service 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 average escalated rate of 18.3% (9.8% at 30 June 2009) for all employees with five or more years of service. The escalation applied is consistent with the actuarial assessment and is affected in the main by the movement in the Commonwealth Government 10 year bond yield which is used as the discount rate. Long service leave provisions for the parent entity have been calculated in accordance with the requirements of Treasury Circular T09/04. 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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. 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 Department has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## (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 claim 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*

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 is recognised as revenue when the Department transfers the significant risks and rewards of ownership of the assets. Revenue from the rendering of services is recognised as revenue when the service is provided.

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 Revenue*

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 *Revenue* when the Department's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB118 on an accrual basis in accordance with the substance of the relevant agreement.

### *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) Accounting for the Goods and Services Tax (GST)

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

- 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; and
- receivables and payables are stated with the amount of GST included.

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

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## (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.

Computer software developed or acquired by the Department is recognised as an intangible asset and amortised over three to five years based on the useful life of the asset for both internally developed assets and direct acquisitions.

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

## (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 (see also assets transferred as a result of an equity transfer – Note 2(z)).

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

## (h) Capitalisation Thresholds

Individual items of property, plant and equipment and intangible assets costing \$10,000 and above are capitalised.

## (i) Depreciation of Property, Plant and Equipment

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

Details of depreciation rates initially applied 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%
Passenger Motor Vehicles	12.5%
Motor Vehicles, Other	20.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Fixtures	5.0%

'Infrastructure Systems' means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges and seawalls.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## (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.

To ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from the Land and Property Management Authority are applied. The indices reflect an assessment of movements in the period between revaluations. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Values assigned to Land and Buildings and Infrastructure have been modified accordingly.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (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 and Equipment

As a not-for-profit entity with no cash generating units, 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.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

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 Statement of Comprehensive Income in the periods in which they are incurred.

## (n) Inventories

Inventories are stated at the lower of cost and net realisable value. 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 (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) 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) Investments

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

The Department, through its controlled Health Services determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

\* *Fair value through profit or loss* – The Department, through its controlled Health Services subsequently measures investments classified as ‘held for trading’ or designated upon initial recognition ‘at fair value through profit or loss’ at fair value. Financial assets are classified as ‘held for trading’ if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Result for the Year.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. 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 these assets is provided internally on that basis to the agency’s key management personnel.

The risk management strategy of the Department and its controlled Health Services has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act 1987*. TCorp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures. The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item ‘investment revenue’.

## (q) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets 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. Any changes are accounted for in the Result for the Year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## (r) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, 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. The amount of the impairment loss is recognised in the Result for the Year.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Result for the Year.

Any reversals of impairment losses are reversed through the Result for the Year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as 'available for sale' must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

## (s) De-recognition of Financial Assets and Financial Liabilities

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the entity has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the entity has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the entity's continuing involvement in the asset.

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

## (t) Payables

These amounts represent liabilities for goods and services provided to the NSW Department of Health and its controlled entities and other amounts. 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.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the NSW Department of Health and its controlled entities.

## (u) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the Result for the Year on de-recognition.

## (v) Trust Funds

The Department's controlled entities receive monies in a trustee capacity for various trusts as set out in Note 33. 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.

## (w) 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 service group statement.

The accrual basis of accounting and all applicable accounting standards have been adopted.

## (x) 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*.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

The budgeted amounts in the Statement of Comprehensive Income and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial statements (rather than carried forward estimates).

## **(y) 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 Statement of Comprehensive Income. The Treasurer approved the title 'Result for the Year' instead.

## **(z) 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 09-3 and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with *Australian 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.

## **(aa) Emerging Assets**

The NSW Department of Health's emerging interest in car parks and hospitals have been valued in accordance with 'Accounting for Privately Financed Projects' (TPP06-8). This policy requires the Department of Health and its controlled entities 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 is 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.

## **(ab) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2009 which is then applied to the current period's financial information.

In respect of Assets and Liabilities the Department requires that all Health Services take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the Department, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant and Equipment.



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 3. Employee Related Expenses

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
Employee related expenses comprise the following specific items:				
98,911	97,713	Salaries and Wages	6,955,611	6,735,690
3,306	3,293	Superannuation – Defined Benefit Plans	152,254	162,803
4,500	3,846	Superannuation – Defined Contribution Plans	566,981	525,863
3,404	6,695	Long Service Leave*	351,195	265,690
7,866	8,842	Recreation Leave	715,417	731,189
1,017	960	Workers' Compensation Insurance	124,986	113,034
5,830	5,894	Payroll Tax and Fringe Benefits Tax	6,601	5,870
–	–	Death and Disability	12,625	6,420
<b>124,834</b>	<b>127,243</b>		<b>8,885,670</b>	<b>8,546,559</b>
The following additional information is provided:				
–	–	Employee Related Expenses Capitalised – Land and Buildings	766	1,476
–	–	Employee Related Expenses Capitalised – Plant and Equipment	–	2,236
–	–	Employee Related Expenses Capitalised – Intangibles	6,754	7,168
–	–		<b>7,520</b>	<b>10,880</b>

\*The increase in Consolidated Long Service Leave in 2009/10 primarily reflects the increase in the actuarial factor applied in accordance with AASB119 Employee Benefits.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 4. Other Operating Expenses

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
–	–	Blood and Blood Products	82,567	76,965
429	577	Domestic Supplies and Services	91,600	89,227
111,552	145,043	Drug Supplies	614,208	615,745
–	–	Food Supplies	88,324	87,483
507	300	Fuel, Light and Power	112,766	91,649
58,940	59,322	General Expenses (b)	187,355	201,177
7,071	12,741	Information Management Expenses	106,617	132,472
195,698	193,693	Insurance	218,193	206,488
45,405	15,220	Interstate Patient Outflows, NSW	184,210	137,309
1,952	1,534	Medical and Surgical Supplies	648,248	572,334
		Maintenance (c)		
1,016	867	Maintenance Contracts	107,901	107,530
1,033	1,472	New/Replacement Equipment under Capitalisation Threshold	123,378	111,005
3,078	2,243	Repairs	79,385	88,708
–	–	Maintenance/Non-Contract	31,754	33,897
2	3	Other Maintenance	835	349
1	35	Operating Lease Rental Expense – Minimum Lease Payments	40,071	38,694
1,868	2,331	Postal and Telephone Costs	50,638	53,814
2,659	3,929	Printing and Stationery	43,062	45,900
706	185	Rates and Charges	16,737	15,031
6,701	6,594	Rental	46,057	43,987
674	184	Special Service Departments	348,260	271,476
14,764	13,400	Staff Related Costs	70,640	72,210
–	–	Sundry Operating Expenses (a)	207,767	131,721
2,450	2,655	Travel Related Costs	79,830	74,550
–	–	Visiting Medical Officers	554,983	535,023
<b>456,506</b>	<b>462,328</b>		<b>4,135,386</b>	<b>3,834,744</b>
		<b>(a) Sundry Operating Expenses comprise:</b>		
–	–	Aircraft Expenses (Ambulance)	60,843	56,505
–	–	Contract for Patient Services	136,340	65,835
–	–	Isolated Patient Travel and Accommodation Assistance Scheme	10,584	9,381
–	–		<b>207,767</b>	<b>131,721</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>(b) General Expenses include:</b>		
5,221	4,973	Advertising	9,504	11,145
185	292	Books, Magazines and Journals	7,085	7,889
		Consultancies		
1,077	1,761	– Operating Activities	15,337	14,081
713	1,146	– Capital Works	2,405	2,229
1,925	1,900	Courier and Freight	15,088	15,001
326	345	Auditors Remuneration – Audit of Financial Statements	3,895	3,845
989	920	Legal Services	6,834	6,669
4	47	Motor Vehicle Operating Lease Expense – Minimum Lease Payments	57,727	64,413
211	212	Membership/Professional Fees	4,749	5,826
–	–	Payroll Services	249	293
347	317	Security Services	10,711	13,064
120	243	Translator Services	2,935	2,932
–	–	Quality Assurance/Accreditation	3,821	3,143
199	485	Data Recording and Storage	3,572	3,569
		<b>(c) Reconciliation – Total Maintenance</b>		
		Maintenance Expense – Contracted Labour and Other (Non-Employee		
5,129	4,585	Related), included in Note 4 above	343,254	341,489
75	72	Employee Related Maintenance Expense included in Note 3	59,941	62,737
<b>5,204</b>	<b>4,657</b>	<b>Total Maintenance Expenses included in Notes 3 and 4</b>	<b>403,195</b>	<b>404,226</b>

## 5. Depreciation and Amortisation

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
2,223	1,828	Depreciation – Buildings	296,953	296,068
1,774	1,952	Depreciation – Plant and Equipment	158,754	154,579
–	–	Depreciation – Infrastructure Systems	14,477	14,198
–	–	Amortisation – Leased Buildings	3,080	2,309
392	558	Amortisation – Intangibles	19,341	12,535
<b>4,389</b>	<b>4,338</b>		<b>492,605</b>	<b>479,689</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 6. Grants and Subsidies

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
19,914	18,975	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service net of payments recognised in Note 4	19,914	18,975
–	–	Operating Payments to Other Affiliated Health Organisations*	491,628	546,505
6,866	1,369	Capital Payments to Affiliated Health Organisations	10,077	7,928
		Grants-		
138,933	145,925	Cancer Institute NSW	138,933	135,389
10,425	13,847	External Research	11,932	15,285
4,490	4,242	NSW Institute of Psychiatry	4,490	4,242
1,993	1,857	National Drug Strategy	1,993	1,857
65,837	57,086	Non-Government Voluntary Organisations	144,088	133,465
11,597,280	11,020,157	Payments to Controlled Health Entities	–	–
63,292	20,321	Other Payments	116,252	94,334
<b>11,909,030</b>	<b>11,283,779</b>		<b>939,307</b>	<b>957,980</b>

\*The Commonwealth Highly Specialised Drug program was varied from 1 July 2009 and was earmarked by the provision of revenue funding of \$40.244 million to Affiliated Health Organisations. In previous years the revenues received were provided to the Affiliated Health Organisations as part of the recurrent allocations.

## 7. Finance Costs

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
–	–	Finance Lease Interest Charges	470	1,168
–	238	Other Interest Charges*	27,353	21,290
–	<b>238</b>		<b>27,823</b>	<b>22,458</b>

The increase in 2009/10 reflects the progression of private/public partnership funding arrangements.

## 8. Sale of Goods and Services

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>(a) Sale of Goods comprise the following:-</b>		
–	–	Sale of Prosthesis	44,728	42,055
–	–	Cafeteria/Kiosk	17,232	20,959
–	–	Linen Service Revenues – Non-Health Services	9,586	12,765
–	–	Meals on Wheels	2,203	2,863
–	–	Pharmacy Sales	7,136	6,142

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 8. Sale of Goods and Services (cont.)

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>(b) Rendering of Services comprise the following:</b>				
–	–	Patient Fees	418,984	394,493
–	–	Staff-Meals and Accommodation	6,636	7,709
		Infrastructure Fees		
–	–	– Monthly Facility Charge	219,878	204,463
–	–	– Annual Charge	72,705	59,888
53,214	54,567	Department of Veterans' Affairs Agreement Funding	315,358	299,749
–	–	Ambulance Non-Hospital User Charges	68,402	59,083
–	–	Use of Ambulance Facilities	3,581	2,949
–	–	Motor Accident Authority Third Party Receipts	78,203	51,632
–	–	Car Parking	20,444	21,800
–	–	Child Care Fees	10,059	9,540
–	–	Clinical Services	41,019	28,534
–	–	Commercial Activities	50,328	49,718
–	–	Fees for Medical Records	2,350	2,122
–	–	Services Provided to Non-NSW Health Organisations	21,823	14,192
–	–	Highly Specialised Drugs*	191,449	–
–	–	PADP Patient Copayments	573	907
3,298	3,115	Personnel Services – Institute of Psychiatry	3,298	3,115
6,830	6,252	Personnel Services – Health Professional Registration Boards	6,830	6,252
978	291	Patient Inflows from Interstate	978	291
8,298	10,855	Other	47,346	76,799
<b>72,618</b>	<b>75,080</b>		<b>1,661,129</b>	<b>1,378,020</b>

\*The Commonwealth Highly Specialised Drug program was varied from 1 July 2009. The State now claims on a recovery basis the cost of highly specialised drugs through Medicare (Commonwealth). In previous years these funds were received within annual Government Allocation from the Consolidated Fund.

## 9. Investment Revenue

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		Interest		
–	–	– T Corp Hour-Glass Investment Facilities Designated at Fair Value through Profit or Loss	27,654	9,917
13,147	11,177	– Other	26,597	30,308
–	–	Lease and Rental Income	17,399	15,397
–	–	Royalties	91	51
1,903	924	Other	2,678	2,581
<b>15,050</b>	<b>12,101</b>		<b>74,419</b>	<b>58,254</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 10. Grants and Contributions

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		Clinical Drug Trials	20,515	16,766
44,303	39,071	Commonwealth Government Grants	92,170	82,326
23,430	23,000	Health Super Growth	23,430	23,000
–	–	Industry Contributions/Donations	68,872	64,877
5,670	5,778	Grants from Cancer Institute of NSW	59,984	49,456
100	216	Research Grants	37,659	37,411
–	–	University Commission Grants	457	189
9,377	10,469	Other Grants	64,887	68,765
<b>82,880</b>	<b>78,534</b>		<b>367,974</b>	<b>342,790</b>

## 11. Other Revenue

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
–	–	Commissions	2,315	2,732
–	–	Conference and Training Fees	6,101	5,671
477	1,272	Treasury Managed Fund Hindsight Adjustment	21,973	32,772
–	–	Sale of Merchandise, Old Wares and Books	500	1,110
–	–	Rights to Receive Fixed Assets	2,308	1,861
4,711	5,252	Sundry Revenue	43,655	40,996
<b>5,188</b>	<b>6,524</b>		<b>76,852</b>	<b>85,142</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 12. Loss on Disposal

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
2,776	5,312	Property, Plant and Equipment	323,475	364,737
(1,147)	(4,192)	Less Accumulated Depreciation	(271,363)	(332,442)
<b>1,629</b>	<b>1,120</b>	<b>Written Down Value</b>	<b>52,112</b>	<b>32,295</b>
(360)	(497)	Less Proceeds from Disposal	(20,411)	(9,532)
<b>(1,269)</b>	<b>(623)</b>	<b>Loss on Disposal of Property Plant and Equipment</b>	<b>(31,701)</b>	<b>(22,763)</b>
45,119	17,748	Financial Assets at Fair Value	19,652	47,988
(45,119)	(17,748)	Less Proceeds from Disposal	(19,652)	(47,988)
–	–	<b>Loss on Disposal of Financial Assets at Fair Value</b>	–	–
–	340	Intangible Assets	683	340
–	–	Less Accumulated Amortisation	(138)	–
–	–	<b>Written Down Value</b>	<b>545</b>	<b>340</b>
–	–	Less Proceeds from Disposal	–	–
–	<b>(340)</b>	<b>Loss on Disposal of Intangible Assets</b>	<b>(545)</b>	<b>(340)</b>
–	–	Assets Held for Sale	23,791	15,466
–	–	Less Proceeds from Disposal	(46,318)	(15,370)
–	–	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>22,527</b>	<b>(96)</b>
<b>(1,269)</b>	<b>(963)</b>	<b>Total Loss on Disposal</b>	<b>(9,719)</b>	<b>(23,199)</b>

## 13. Other Losses

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
(82)	6	Impairment of Receivables	(44,332)	(38,615)
–	(2,085)	Write off of Shares	–	(2,085)
–	–	Decrement on Land Revaluation, Justice Health	–	(509)
<b>(82)</b>	<b>(2,079)</b>		<b>(44,332)</b>	<b>(41,209)</b>

## 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	47,496	68,700	82,684	198,880
Contributions recognised in previous years which were not expended in the current financial year	54,332	427,990	115,040	597,362
<b>Total amount of unexpended contributions as at balance date</b>	<b>101,828</b>	<b>496,690</b>	<b>197,724</b>	<b>796,242</b>

Comment on restricted assets appears in Note 27.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 15. Appropriations

	PARENT AND CONSOLIDATED	
	2010 \$000	2009 \$000
<b>Recurrent Appropriations</b>		
Total Recurrent Draw-Downs from NSW Treasury (per Summary of Compliance)	11,708,076	11,201,765
Less Liability to Consolidated Fund (per Summary of Compliance)	–	–
<b>Total</b>	<b>11,708,076</b>	<b>11,201,765</b>
Comprising:		
Recurrent Appropriations (per Statement of Comprehensive Income)	11,708,076	11,201,765
<b>Total</b>	<b>11,708,076</b>	<b>11,201,765</b>
<b>Capital Appropriations</b>		
Total Capital Draw-Downs from NSW Treasury (per Summary of Compliance)	447,373	522,461
<b>Total</b>	<b>447,373</b>	<b>522,461</b>
Comprising:		
Capital Appropriations (per Statement of Comprehensive Income)	447,373	522,461
<b>Total</b>	<b>447,373</b>	<b>522,461</b>

## 16. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
3,306	3,293	Superannuation – Defined Benefit	152,254	155,284
3,404	6,446	Long Service Leave	3,404	6,446
187	189	Payroll Tax	187	189
<b>6,897</b>	<b>9,928</b>		<b>155,845</b>	<b>161,919</b>



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 17. Service Groups of the Department

### Service Group 1.1 Primary and Community Based Services

**Service Description:** This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

**Objective:** This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

### Service Group 1.2 Aboriginal Health Services

**Service Description:** This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. (Note: This Service Group excludes most services for Aboriginal people provided directly by Area Health Services and other general health services which are used by all members of the community).

**Objective:** This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

### Service Group 1.3 Outpatient Services

**Service Description:** This service group covers the provision of services provided in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

**Objective:** This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

### Service Group 2.1 Emergency Services

**Service Description:** This service group covers the provision of emergency ambulance services and treatment of patients in designated emergency departments of public hospitals.

**Objective:** This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

### Service Group 2.2 Overnight Acute Inpatient Services

**Service Description:** This service group covers the provision of health care to patients admitted to public hospitals with the intention that their stay will be overnight, including elective surgery and maternity services.

**Objective:** This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## Service Group 2.3 Same Day Acute Inpatient Services

**Service Description:** This service group covers the provision of health care to patients who are admitted to public hospitals with the intention that they will be admitted, treated and discharged on the same day.

**Objective:** This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

## Service Group 3.1 Mental Health Services

**Service Group:** This service group covers the provision of an integrated and comprehensive network of services by Area Health Services and community based organisations for people seriously affected by mental illness and mental health problems. It also includes the development of preventative programs which meet the needs of specific client groups.

**Objective:** This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

## Service Group 4.1 Rehabilitation and Extended Care Services

**Service Description:** This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the co-ordination of the Department's services for the aged and disabled, with those provided by other agencies and individuals.

**Objective:** This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

## Service Group 5.1 Population Health Services

**Service Description:** This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

**Objective:** This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

## Service Group 6.1 Teaching and Research

**Service Description:** This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

**Objective:** This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 18. Cash and Cash Equivalents

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Current</b>				
61,616	60,324	Cash at Bank and On Hand	342,319	291,228
–	–	Short Term Deposits	544,276	483,101
<b>61,616</b>	<b>60,324</b>		<b>886,595</b>	<b>774,329</b>
Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
61,616	60,324	Cash and Cash Equivalents (per Statement of Financial Position)	886,595	774,329
<b>61,616</b>	<b>60,324</b>	<b>Closing Cash and Cash Equivalents (per Statement of Cash Flows)</b>	<b>886,595</b>	<b>774,329</b>

Refer to Note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

## 19. Receivables

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Current</b>				
52,659	30,891	(a) Sale of Goods and Services	266,259	277,990
1,901	3,687	Goods and Services Tax	74,031	72,581
1,016	949	Personnel Services – Institute of Psychiatry	1,016	949
755	763	Personnel Services – HPRB	755	763
30,454	6,738	Other Debtors	88,278	14,161
<b>86,785</b>	<b>43,028</b>	<b>Sub Total</b>	<b>430,339</b>	<b>366,444</b>
(171)	(96)	Less Allowance for Impairment	(57,623)	(46,698)
3,314	2,398	Prepayments	37,090	35,150
<b>89,928</b>	<b>45,330</b>		<b>409,806</b>	<b>354,896</b>
(b) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(96)	(1,286)	Balance at 1 July	(40,402)	(39,388)
7	1,184	Amounts written off during the year	32,543	34,385
–	(69)	Amounts recovered during the year	52	475
(82)	75	(Increase)/decrease in allowance recognised in result for the year	(40,250)	(35,874)
<b>(171)</b>	<b>(96)</b>	<b>Balance at 30 June</b>	<b>(48,057)</b>	<b>(40,402)</b>
(c) Movement in the Allowance for Impairment				
Other Debtors				
–	–	Balance at 1 July	(6,296)	(7,270)
–	–	Amounts written off during the year	803	4,999
–	–	Amounts recovered during the year	1	173
–	–	(Increase)/decrease in allowance recognised in result for the year	(4,074)	(4,198)

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 19. Receivables (cont.)

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
–	–	<b>Balance at 30 June</b>	<b>(9,566)</b>	<b>(6,296)</b>
		<b>Non-Current</b>		
–	–	(a) Sale of Goods and Services	849	1,539
		Other Debtors	–	–
–	–		849	1,539
–	–	Less Allowance for Impairment	(275)	(526)
–	–	Prepayments	11,884	16,599
–	–		12,458	17,612
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
–	–	Balance at 1 July	(526)	(1,349)
–	–	Amounts written off during the year	251	1,451
		(Increase)/decrease in allowance recognised		
–	–	in result for the year	–	(628)
–	–	<b>Balance at 30 June</b>	<b>(275)</b>	<b>(526)</b>
		(c) Movement in the Allowance for Impairment		
		Other Debtors		
–	–	Balance at 1 July	–	(333)
–	–	Amounts written off during the year	8	333
		(Increase)/decrease in allowance recognised		
–	–	in result for the year	(8)	–
–	–	<b>Balance at 30 June</b>	<b>–</b>	<b>–</b>
		Receivables (both Current and Non-Current) includes:		
–	–	Patient Fees – Compensable	16,685	13,798
–	–	Patient Fees – Ineligibles	19,950	17,700
–	–	Patient Fees – Other	59,070	56,131

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

## 20. Inventories

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>Current – Held for Distribution</b>		
29,134	40,634	Drugs	67,644	77,334
5,637	6,694	Medical and Surgical Supplies	54,341	45,149
–	–	Food Supplies	1,115	1,577
–	–	Engineering Supplies	493	504
–	–	Other Including Goods in Transit	4,579	10,036
<b>34,771</b>	<b>47,328</b>		<b>128,172</b>	<b>134,600</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 21. Financial Assets at Fair Value

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Current</b>				
–	–	T Corp Hour-Glass Investment Facilities	124,318	117,772
–	–		<b>124,318</b>	<b>117,772</b>
<b>Non-Current</b>				
–	–	T Corp Hour-Glass Investment Facilities	10,605	22,064
–	–		<b>10,605</b>	<b>22,064</b>

Refer to Note 40 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

## 22. Other Financial Assets

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Current</b>				
64,216	66,845	Advances Receivable – Intra Health	–	–
<b>64,216</b>	<b>66,845</b>		–	–
<b>Non-Current</b>				
57,453	88,795	Advances Receivable – Intra Health	–	–
<b>57,453</b>	<b>88,795</b>		–	–

Refer to Note 40 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

## 23. Other Assets

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Non-Current</b>				
–	–	Emerging Rights to Assets (Refer to Note 2 (aa))	24,636	17,069
–	–		<b>24,636</b>	<b>17,069</b>

Car parks at Sydney Hospital, Prince of Wales Hospital, St George Hospital and Royal North Shore Hospital are included above as are the Bowral Private Hospital, Prince of Wales Private Hospital, Bowral Private Medical Imaging and the Bankstown Medical General Practitioner Service.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 24. Non-Current Assets (or Disposal Groups) Held for Sale

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>Assets Held for Sale</b>		
–	13,955	Land and Buildings	38,716	34,917
–	–	Infrastructure Systems	295	267
–	<b>13,955</b>		<b>39,011</b>	<b>35,184</b>
		<b>Amounts Recognised in Equity Relating to Assets Held for Sale</b>		
–	–	Available for Sale Financial Asset Revaluation Increments/(Decrements)	15,371	2,773
–	–		<b>15,371</b>	<b>2,773</b>

The assets held for sale all relate to properties that have been classified as surplus to need. The sale of these assets is expected to be realised within the next reporting period.

## 25. Property, Plant and Equipment

	PARENT	
	2010 \$000	2009 \$000
<b>Land and Buildings – Fair Value</b>		
Gross Carrying Amount	206,985	173,851
Less Accumulated Depreciation and Impairment	(75,241)	(60,243)
<b>Net Carrying Amount</b>	<b>131,744</b>	<b>113,608</b>
<b>Plant and Equipment – Fair Value</b>		
Gross Carrying Amount	25,630	26,315
Less Accumulated Depreciation and Impairment	(20,649)	(20,024)
<b>Net Carrying Amount</b>	<b>4,981</b>	<b>6,291</b>
<b>Total Property, Plant and Equipment Net Carrying Amount at Fair Value</b>	<b>136,725</b>	<b>119,899</b>

## 25. Property, Plant and Equipment – Reconciliation

	LAND \$000	BUILDINGS \$000	PLANT AND EQUIPMENT \$000	TOTAL \$000
<b>Year Ended 30 June 2010</b>				
Net Carrying Amount at Start of Year	52,713	60,895	6,291	119,899
Additions	–	157	797	954
Disposals	(963)	(333)	(333)	(1,629)
Net Revaluation Increment Less Revaluation				
Decrements Recognised in Reserves	15,100	6,188	–	21,288
Other	210	–	–	210
Depreciation Expense	–	(2,223)	(1,774)	(3,997)
<b>Net Carrying Amount at End of Year</b>	<b>67,060</b>	<b>64,684</b>	<b>4,981</b>	<b>136,725</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

	LAND \$000	BUILDINGS \$000	PLANT AND EQUIPMENT \$000	TOTAL \$000
<b>Year Ended 30 June 2009</b>				
Net Carrying Amount at Start of Year	74,075	54,579	7,708	136,362
Additions	1,375	2,349	1,320	5,044
Assets Held for Sale	(13,230)	(725)	–	(13,955)
Disposals	(335)	–	(785)	(1,120)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(8,797)	6,520	–	(2,277)
Administrative Transfers	(375)	–	–	(375)
Depreciation Expense	–	(1,828)	(1,952)	(3,780)
<b>Net Carrying Amount at End of Year</b>	<b>52,713</b>	<b>60,895</b>	<b>6,291</b>	<b>119,899</b>

\*All Land and Buildings for the parent entity were valued by the Land and Property Management Authority independently of the Department on 1 July 2009.

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

\*In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets of the Department for 2008/09 had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment was performed on a gross basis in accordance with note 2 (j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The indices used were determined by the Land and Property Management Authority.

## 25. Property, Plant and Equipment

	CONSOLIDATED	
	2010 \$000	2009 \$000
<b>Land and Buildings – Fair Value</b>		
Gross Carrying Amount	15,442,263	14,767,187
Less Accumulated Depreciation and Impairment	(6,415,075)	(6,011,866)
<b>Net Carrying Amount</b>	<b>9,027,188</b>	<b>8,755,321</b>
<b>Plant and Equipment – Fair Value</b>		
Gross Carrying Amount	1,909,048	1,964,003
Less Accumulated Depreciation and Impairment	(1,166,962)	(1,242,069)
<b>Net Carrying Amount</b>	<b>742,086</b>	<b>721,934</b>
<b>Infrastructure Systems – Fair Value</b>		
Gross Carrying Amount	625,364	573,321
Less Accumulated Depreciation and Impairment	(267,585)	(235,209)
<b>Net Carrying Amount</b>	<b>357,779</b>	<b>338,112</b>
<b>Total Property, Plant and Equipment Net Carrying Amount at Fair Value</b>	<b>10,127,053</b>	<b>9,815,367</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 25. Property, Plant and Equipment – Reconciliation

	CONSOLIDATED					
	LAND \$000	BUILDINGS \$000	LEASED BUILDINGS \$000	PLANT AND EQUIPMENT \$000	INFRASTRUCTURE SYSTEMS \$000	TOTAL \$000
<b>Year Ended 30 June 2010</b>						
Net Carrying Amount at Start of Year	1,630,074	7,069,818	55,429	721,934	338,112	9,815,367
Additions	1,557	402,946	898	196,817	4,301	606,519
Assets Held for Sale	(19,477)	(6,315)	–	(1,724)	(102)	(27,618)
Disposals	(7,464)	(24,161)	–	(20,473)	(14)	(52,112)
Administrative Transfers	(20,226)	–	–	–	–	(20,226)
Revaluations	8,971	237,361	4,663	–	29,953	280,948
Depreciation Expense	–	(296,953)	(3,080)	(158,754)	(14,477)	(473,264)
Reclassifications	427	(12,800)	5,520	6,847	6	–
Reclassification of Intangibles	–	–	–	(2,561)	–	(2,561)
<b>Net Carrying Amount at End of Year</b>	<b>1,593,862</b>	<b>7,369,896</b>	<b>63,430</b>	<b>742,086</b>	<b>357,779</b>	<b>10,127,053</b>

	LAND \$000	BUILDINGS \$000	LEASED BUILDINGS \$000	PLANT AND EQUIPMENT \$000	INFRASTRUCTURE SYSTEMS \$000	TOTAL \$000
	<b>Year Ended 30 June 2009</b>					
Net Carrying Amount at Start of Year	1,672,105	6,826,859	52,288	690,459	332,774	9,574,485
Additions	5,230	463,699	257	176,150	280	645,616
Reclassifications to Intangibles	–	–	–	(433)	–	(433)
Assets Held for Sale	(19,848)	(7,119)	–	–	(96)	(27,063)
Disposals	(2,606)	(20,099)	–	(9,492)	(98)	(32,295)
Net Revaluation Increment Less Revaluation						
Decrements Recognised in Reserves	(32,450)	145,396	3,342	–	(59)	116,229
Administrative Transfers	5,982	–	–	–	–	5,982
Depreciation Expense	–	(296,068)	(2,309)	(154,579)	(14,198)	(467,154)
Reclassifications	1,661	(42,850)	1,851	19,829	19,509	–
<b>Net Carrying Amount at End of Year</b>	<b>1,630,074</b>	<b>7,069,818</b>	<b>55,429</b>	<b>721,934</b>	<b>338,112</b>	<b>9,815,367</b>

\*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.

\*In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets for those Health Services that last performed revaluations in 2007/08 have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j).

\*This factor gave consideration to the valuation of Physical Non-Current Assets at Fair Value at that time. The indices used have been determined by the Land and Property Management Authority.

## 26. Intangible Assets

	PARENT	
	2010 \$000	2009 \$000
<b>Software</b>		
Cost (Gross Carrying Amount)	2,117	6,242
Less Accumulated Amortisation and Impairment	(2,117)	(5,850)
<b>Net Carrying Amount</b>	<b>–</b>	<b>392</b>
<b>Total Intangible Assets at Net Carrying Amount</b>	<b>–</b>	<b>392</b>



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 26. Intangibles – Reconciliation

	PARENT
	Software \$000
<b>Year Ended 30 June 2010</b>	
Net Carrying Amount at Start of Year	392
Amortisation (Recognised in Depreciation and Amortisation)	(392)
<b>Net Carrying Amount at End of Year</b>	<b>–</b>

	PARENT
	Software \$000
<b>Year Ended 30 June 2009</b>	
Net Carrying Amount at Start of Year	2,485
Amortisation (Recognised in Depreciation and Amortisation)	(558)
Disposals	(340)
Administrative Transfer	(1,195)
<b>Net Carrying Amount at End of Year</b>	<b>392</b>

## 26. Intangible Assets

	CONSOLIDATED	
	2010 \$000	2009 \$000
<b>Software</b>		
Cost (Gross Carrying Amount)	261,570	188,647
Less Accumulated Amortisation and Impairment	(89,280)	(69,225)
<b>Net Carrying Amount</b>	<b>172,290</b>	<b>119,422</b>
<b>Other</b>		
Cost (Gross Carrying Amount)	–	991
Less Accumulated Amortisation and Impairment	–	(852)
<b>Net Carrying Amount</b>	<b>–</b>	<b>139</b>
<b>Total Intangible Assets at Net Carrying Amount</b>	<b>172,290</b>	<b>119,561</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 26. Intangibles – Reconciliation

	CONSOLIDATED		
	SOFTWARE \$000	OTHER \$000	TOTAL \$000
<b>Year Ended 30 June 2010</b>			
Net Carrying Amount at Start of Year	119,422	139	119,561
Additions – Internal Development	70,054	–	70,054
Reclassifications From Plant and Equipment	2,561	–	2,561
Amortisation (Recognised in Depreciation and Amortisation)	(19,202)	(139)	(19,341)
Disposals	(545)	–	(545)
<b>Net Carrying Amount at End of Year</b>	<b>172,290</b>	<b>–</b>	<b>172,290</b>

	SOFTWARE \$000	OTHER \$000	TOTAL \$000
	<b>Year Ended 30 June 2009</b>		
Net Carrying Amount at Start of Year	81,564	320	81,884
Additions – Internal Development	50,074	45	50,119
Reclassifications From Plant and Equipment	433	–	433
Amortisation (Recognised in Depreciation and Amortisation)	(12,309)	(226)	(12,535)
Disposals	(340)	–	(340)
<b>Net Carrying Amount at End of Year</b>	<b>119,422</b>	<b>139</b>	<b>119,561</b>

## 27. Restricted Assets

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
–	–	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	367,308	349,656
–	–	Perpetually Invested Funds	6,905	7,019
–	–	Research Grants	164,602	153,406
–	–	Private Practice Funds	221,536	158,662
–	–	Other	35,891	25,449
–	–		<b>796,242</b>	<b>694,192</b>

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.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 28. Payables

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>Current</b>		
1,022	659	Accrued Salaries, Wages and On-Costs	138,681	232,843
682	1,107	Taxation and Other Payroll Deductions	76,769	108,851
54,121	48,087	Superannuation Guarantee Charge Payables	54,121	48,087
51,750	23,025	Creditors	606,933	559,955
		Other Creditors		
–	–	– Capital Works	90,639	58,710
77,816	35,614	– Intra Health Liability	–	–
<b>185,391</b>	<b>108,492</b>		<b>967,143</b>	<b>1,008,446</b>

## 29. Borrowings

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>Current</b>		
–	–	Treasury Advances Repayable – Secured	3,145	4,681
–	–	Finance Leases [See note 32(d)] – Secured	4,477	3,703
–	–	Other- Long Bay PPP	799	–
–	–	Other- Mater PPP	5,934	–
–	–		<b>14,355</b>	<b>8,384</b>
		<b>Non-Current</b>		
–	–	Treasury Advances Repayable – Secured	3,557	6,606
–	–	Finance Leases [See note 32(d)] – Secured	10,688	15,143
–	–	ANZAC Foundation loan from Sydney University	1,822	2,000
–	–	Other- Long Bay PPP	83,117	81,002
–	–	Other- Mater PPP	146,837	154,035
–	–		<b>246,021</b>	<b>258,786</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 40.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 30. Provisions

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Current Employee Benefits and Related On-Costs</b>				
7,976	7,244	Recreation Leave – Short Term Benefit	703,855	617,956
4,749	5,651	Recreation Leave – Long Term Benefit	505,908	524,764
342	260	Long Service Leave – Short Term Benefit *	133,053	139,847
3,078	2,345	Long Service Leave – Long Term Benefit *	1,409,894	1,199,654
–	–	Health and Wellness (Ambulance Service of NSW)	–	2,000
–	–	Death and Disability (Ambulance Service of NSW)	7,151	5,450
–	–	Sick Leave – Long Term Benefit	596	597
<b>16,145</b>	<b>15,500</b>	<b>Total Current Provisions</b>	<b>2,760,457</b>	<b>2,490,268</b>
<b>Non-Current Employee Benefits and Related On-Costs</b>				
407	446	Long Service Leave – Conditional *	124,857	109,023
–	–	Sick Leave – Long Term Benefit	56	54
–	–	Death and Disability (Ambulance Service of NSW)	2,854	80
<b>407</b>	<b>446</b>	<b>Total Non-Current Provisions</b>	<b>127,767</b>	<b>109,157</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
16,145	15,500	Provisions – Current	2,760,457	2,490,268
407	446	Provisions – Non-Current	127,767	109,157
<b>Accrued Salaries, Wages and On-Costs</b>				
55,825	49,853	(refer to Note 28)	249,378	389,781
<b>72,377</b>	<b>65,799</b>		<b>3,137,602</b>	<b>2,989,206</b>

\*The increase in Long Service Leave liability principally relates to the actuarial review conducted as at 30 June 2010 which was significantly affected by the ten year government bond rate as at that date.

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.

## 31. Other Liabilities

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
<b>Current</b>				
–	590	Income in Advance	18,702	19,049
–	–	Other	38	38
<b>–</b>	<b>590</b>		<b>18,740</b>	<b>19,087</b>
<b>Non-Current</b>				
–	–	Income in Advance	119,996	50,874
69,070	1,637	Other	1,102	1,637
<b>69,070</b>	<b>1,637</b>		<b>121,098</b>	<b>52,511</b>

At 30 June 2010 the Department held \$67.968 million as Income in Advance relating to licensing rights for the future use of the Royal North Shore Hospital car park. The remainder of the Income in Advance principally relates to monies received from the Sydney University as a contribution towards the construction costs of a research and education facility. Upon commissioning of the facility the University will partly occupy the facility and the income in advance will be exhausted over the term of occupation. Income in advance has also been received as a consequence of Health Services entering into agreements for the sale of surplus properties, the provision and operation of private facilities and car parks.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 32. Commitments for Expenditure

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000

### (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	326,432	303,476
–	–	Later than one year and not later than five years	348,717	320,893
–	–	Later than five years	2,778,631	2,939,077
–	–	<b>Total Capital Expenditure Commitments (Including GST)</b>	<b>3,453,780</b>	<b>3,563,446</b>

The Government is committed to capital expenditures as follows in accordance with the Department's Asset Acquisition Program:

	2010 \$000	2009 \$000
Not later than one year	807,105	689,234
Later than one year and not later than five years	1,675,388	1,018,866
<b>Total Capital Program</b>	<b>2,482,493</b>	<b>1,708,100</b>

However, Contractual Commitments are confined to the values reported above for 2010 (\$3.396 billion) and 2009 (\$3.563 billion).

### (b) Other Expenditure Commitments

Aggregate other expenditure contracted for at balance date and not provided for:

50,058	17,907	Not later than one year	387,930	346,183
18,731	4,473	Later than one year and not later than five years	563,189	566,397
–	–	Later than five years	3,852,480	3,727,372
<b>68,789</b>	<b>22,380</b>	<b>Total Other Expenditure Commitments (Including GST)</b>	<b>4,803,599</b>	<b>4,639,952</b>

Major commitments relate to contracts for Public Private Partnership provision of services – see Notes 32(f) to (i).

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 32. Commitments for Expenditure (cont.)

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>(c) Operating Lease Commitments</b>		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
7,128	7,243	Not later than one year	123,054	104,869
23,279	29,240	Later than one year and not later than five years	248,023	195,356
	–	Later than five years	40,628	88,353
<b>30,407</b>	<b>36,483</b>	<b>Total Operating Lease Commitments (Including GST)</b>	<b>411,705</b>	<b>388,578</b>
		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.		
		<b>(d) Finance Lease Commitments</b>		
		Minimum lease payment (Including GST) commitments in relation to finance leases are payable as follows:		
–	–	Not later than one year	4,913	4,836
–	–	Later than one year and not later than five years	15,556	14,268
–	–	Later than five years	265	6,441
–	–	<b>Minimum Lease Payments (Including GST)</b>	<b>20,734</b>	<b>25,545</b>
–	–	Less: Future Financing Charges	(3,684)	(4,377)
–	–	Less: GST Component	(1,885)	(2,322)
–	–	<b>Present Value of Minimum Lease Payments</b>	<b>15,165</b>	<b>18,846</b>
–	–	Current (Note 29)	4,477	3,703
–	–	Non-Current (Note 29)	10,688	15,143
–	–		<b>15,165</b>	<b>18,846</b>
		The present value of finance lease commitments is as follows:		
–	–	Not later than one year	4,477	3,703
–	–	Later than one year and not later than five years	10,475	12,521
–	–	Later than five years	213	2,622
–	–		<b>15,165</b>	<b>18,846</b>

The finance lease commitment is in respect of the Hawkesbury Private Hospital. The term of the lease is 20 years at which time the ownership of the buildings transfers to the NSW State Government.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 32. Commitments for Expenditure (cont.)

### (e) Contingent Asset Related to Commitments for Expenditure

The total 'Commitments for Expenditure' above includes input tax credits of \$9 million in relation to the Parent Entity and \$790 million in relation to NSW Health that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2008–09 are \$5 million and \$783 million respectively.

### (f) Calvary Mater Hospital, Newcastle Private/Public Partnership (PPP)

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 and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment was completed on 16 June 2009.

In 2008 and 2009, the Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$106.81 million. The recognition is based on the fact that services are 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.

Upon construction completion, HNEAHS recognised the new mental health facility as an asset of \$39.29 million. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by HNEAHS, was also recognised as an asset and offsetting liability of \$11.08 million. 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 Hunter New England Area Health Service recognised the liability to Novacare, payable over the period to 2033, for the construction of both hospitals. An estimate of the commitments is as follows:

#### (a) Commitments – Repayment of PPP non-current liability (Borrowings)

NOMINAL	2010 \$000	2009 \$000
Not later than one year	6,527	1,390
Later than one year and not later than five years	34,831	31,099
Later than five years	126,690	136,949

#### (b) Capital Commitments – PPP Mental Health Building and Refurbished Buildings (PPP interest)

NOMINAL	2010 \$000	2009 \$000
Not later than one year	4,637	6,847
Later than one year and not later than five years	18,788	19,756
Later than five years	33,921	38,209

#### (c) Other PPP Expenditure Commitments – Redevelopment of Mater Hospital (which was recognised as a grant after completion of construction) and provision of facilities management and other non-clinical services to both hospitals.

NOMINAL	2010 \$000	2009 \$000
Not later than one year	26,414	29,341
Later than one year and not later than five years	107,059	106,895
Later than five years	565,643	592,220

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.

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$83 million (2009: \$85 million) are expected to be recoverable from the Australian Taxation Office.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## (g) Long Bay Forensic and Prison Hospitals Private/Public Partnership

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 and a new Pharmacy Building for Justice Health, and a new Gatehouse for the NSW Department of Corrective Services. The new development was completed in December 2008.

After construction was completed, Justice Health, a statutory health corporation, operated and recognised the new Hospital, the Operations Building and the Pharmacy Building as an asset of \$86 million. The basis for the accounting treatment is that services will be delivered by Justice Health for the duration of the term until May 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 commitments is as follows:

### (a) Repayment of PPP Non-Current Liability – New Forensic Hospital and Operations Building

NOMINAL	2010 \$000	2009 \$000
Not later than one year	973	879
Later than one year and not later than five years	5,039	4,555
Later than five years	86,296	87,752

### (b) Capital Commitments – PPP interest

NOMINAL	2010 \$000	2009 \$000
Not later than one year	9,801	9,894
Later than one year and not later than five years	38,056	38,540
Later than five years	116,663	125,981

## (c) Other Expenditure Commitments – Provision of Facilities Management and Other Non-Clinical Services to the New Facilities.

NOMINAL	2010 \$000	2009 \$000
Not later than one year	8,560	8,100
Later than one year and not later than five years	38,679	36,135
Later than five years	283,098	294,202

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$53 million (2009: \$55 million) are expected to be recoverable from the Australian Taxation Office.

## (h) Orange and Associated Health Services Private/Public Partnership

In December 2007, a private sector company, Pinnacle Healthcare (OAHS) Pty Limited, was engaged to finance, design and construct the new Orange Hospital and new health facilities including Orange Tertiary Mental Health and other expansion works. Pinnacle will refurbish existing buildings and provide facilities management and delivery of ancillary non-clinical services for these hospital facilities and the new Bathurst Hospital under a Project Deed. Provision of facilities maintenance commenced in April 2007, followed by other non-clinical support services in December 2008. The new development will be completed in stages and full service commissioning is anticipated in 2011–12.

In 2008–09, NSW Health requested a contract variation to expand the Orange Hospital and health facilities to accommodate additional clinical services. Following the change procedures in the Project Deed and subsequent government approval, the Project Deed was amended through the Deed of Amendment No. 1 in June 2010. The amendments include an increase in the PPP operating service payments.

When construction is completed, the Greater Western Area Health Service (GWAHS) will operate and recognise the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities as an asset of \$162.1 million under the original PPP financing arrangements. The basis for the accounting treatment is that services will be delivered by GWAHS for the duration of the term until December 2035.

In addition, GWAHS will recognise the liability to Pinnacle Healthcare, payable over the period to 2035 for the construction of the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities.



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

The construction costs of the extended works due to the State variations are progressively paid by GWAHS during construction. GWAHS recognises the extended works as its WIP assets as expenditures are incurred.

An estimate of the commitments including the amendments is as follows:

## (a) Capital Commitments – New Orange Hospital and Health Facilities

NOMINAL	2010 \$000	2009 \$000
Not later than one year	22,663	5,473
Later than one year and not later than five years	68,916	64,110
Later than five years	482,148	492,784

## (b) Other Expenditure Commitments – Provision of Facilities Management and Other Non-Clinical Services to the New and Existing Facilities

NOMINAL	2010 \$000	2009 \$000
Not later than one year	25,008	21,464
Later than one year and not later than five years	117,946	105,019
Later than five years	1,009,921	943,687

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$157 million (2009: \$148 million) are expected to be recoverable from the Australian Taxation Office.

## (i) Royal North Shore Hospital Private/ Public Partnership

In October 2008, a private sector company, InfraShore Pty Limited, was engaged to finance, design and construct the new Royal North Shore Hospital, the new Community Health Facility and a new car park. InfraShore is required to provide facilities management services and delivery of ancillary non-clinical support services for these hospital facilities, the new Research and Education Centre (the Kolling Building) and some existing facilities under a Project Deed. Provision of facilities maintenance commenced in October 2009 and other support services commenced in April 2010. The new development will be completed in stages and full service commissioning is anticipated in 2014.

When construction is completed, the Northern Sydney and Central Coast Area Health Service (NSCCAHS) will operate and recognise the new Royal North Shore Hospital, the new Community Health Facility and the new car park facility as an asset of \$722 million.

In addition, NSCCAHS will recognise the liability to InfraShore, payable over the period to 2036 for the construction of the new Royal North Shore Hospital, new Community Health Facility and new car park facility.

The car park facilities across the Hospital campus are managed under a separate licence agreement with InfraShore Parking Pty Ltd over 28 years to match the Project Deed term. The new car park will be treated as a capital purchase with deferred settlement. Under the securitisation structure for the Car Park Licence Agreement, on 28 April 2008, the Department received an upfront payment that represents the net present value of the annual base licence fee for the term from the InfraShore Asset Management Trust. The prepaid car park licence fee (\$68.711 million) was initially recognised as deferred revenue (a liability) to be subsequently released to revenue on a systematic basis over the licence term.

An estimate of the commitments is as follows:

## (a) Capital Commitments – New Acute Hospital, Health Facilities and Car Park

NOMINAL	2010 \$000	2009 \$000
Not later than one year	–	–
Later than one year and not later than five years	107,309	28,284
Later than five years	2,262,562	2,320,705

## (b) Other Expenditure Commitments – Provision of Facilities Management and Other Non-Clinical Services to the New and Existing Facilities

NOMINAL	2010 \$000	2009 \$000
Not later than one year	35,047	14,102
Later than one year and not later than five years	177,318	163,720
Later than five years	1,682,619	1,721,541

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$387 million (2009: \$386 million) are expected to be recoverable from the Australian Taxation Office.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 33. Trust Funds

The NSW Department of Health's controlled entities hold Trust Fund monies of \$63.814 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 and 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash Balance at the Beginning of the Financial Year	4,687	4,556	10,438	9,023	54,111	42,805	69,236	56,384
Receipts	6,267	4,345	4,034	5,317	432,683	326,920	442,984	336,582
Expenditure	(5,459)	(4,214)	(5,542)	(3,902)	(437,405)	(315,614)	(448,406)	(323,730)
<b>Cash Balance at the End of the Financial Year</b>	<b>5,495</b>	<b>4,687</b>	<b>8,930</b>	<b>10,438</b>	<b>49,389</b>	<b>54,111</b>	<b>63,814</b>	<b>69,236</b>

## 34. Contingent Assets and 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 2003–04 fund year and an interim adjustment for the 2005–06 fund year were not calculated until 2009–10. As a result, the 2004–05 final and 2006–07 interim hindsight calculations will be paid in 2010–11.

### (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.

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## **(d) Mater Hospital Private/Public Partnership**

Note 32 provides disclosure of commitments for expenditure concerning the Mater Hospital 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) Forensic Hospital – Long Bay, Private/Public Partnership**

The liability to pay PPP Solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving non-indexable availability charges. Other service fees are to be indexed in accordance with inflation and wages escalation. The estimated value of the contingent liability associated with indexation is unable to be fully determined because of uncertain future events.

Note 32 also provides disclosure of commitments for expenditure for this project.

## **(f) Orange Hospital and Associated Health Services Private/Public Partnership**

The liability to pay Pinnacle Healthcare for the development of the Orange Hospital and health facilities is based on a financing arrangement involving CPI indexed annuity bond. An interest rate adjustment will be made in accordance with the CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

Note 32 also provides disclosure of commitments for expenditure for this project.

## **(g) Royal North Shore Hospital Private/Public Partnership**

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with the CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

Note 32 also provides disclosure of commitments for expenditure for this project.

## **(h) Claim by Lessee of Certain Property – Sydney South West Area Health Service (SSWAHS)**

The lessee of certain property controlled by SSWAHS had made a claim against SSWAHS. The lessee was seeking compensation for unpaid rent and damages in respect of rescission of an agreement and lease for a proposed private hospital on the Royal Prince Alfred Hospital Campus. The private hospital was to be constructed and operated by the lessee. The Supreme Court judgement in favour of SSWAHS was handed down in 2008–09. In relation to the proceedings, costs were awarded against the lessee in favour of SSWAHS. Appeal proceedings against the Supreme Court judgement has commenced by the lessee and it is expected that a period up to 12 months will expire before the matter is heard.

## **(i) Interstate Patient Flows, Australian Capital Territory**

The Department has agreed with ACT Health that a clinical and resource cost audit be performed on a subset of NSW patient inflows to the ACT.

This review is required to assess the reasonableness of the rapid increases in the number of separations/statistical discharges and same day admissions through ACT emergency departments for NSW patients since 2006–07.

It is also expected that the audit will make recommendations on an appropriate process of regular auditing and data checking relating to NSW inflows to the ACT. As indicated in last year's financial statements the outcome and completion date of the review cannot be reliably estimated and, therefore it is not possible to quantify the contingent liability that may present.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## (j) Property, Plant and Equipment, Northern Sydney/Central Coast Area Health Service

The Northern Sydney Central Coast Area Health Service has purchased two properties in Frenchs Forest and duly recognised the expenditure as Property, Plant and Equipment. Further claims concerning settlement for these properties is currently the subject of litigation.

## (k) Other Legal Matters

Two legal matters are currently on foot, which carry a potential total liability of \$78,000. This compares with five matters reported for 2008–09 for which a contingency of \$170,000 was reported.

## 35. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
(39,860)	9,222	Net Cash Used on Operating Activities	686,338	554,945
(4,389)	(4,338)	Depreciation	(492,605)	(479,689)
(82)	(2,079)	Allowance for Impairment	(44,332)	(41,209)
		Acceptance by the Crown of Employee		
(6,897)	(9,928)	Benefits	(155,845)	(161,919)
(606)	(1,559)	(Increase)/ Decrease in Provisions	(288,799)	(268,300)
32,123	5,549	Increase / (Decrease) in Prepayments and Other Assets	95,227	55,269
(143,742)	20,940	(Increase)/ Decrease in Creditors	4,992	41,642
(1,269)	(963)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(9,719)	(23,199)
(11,708,076)	(11,201,765)	Recurrent Appropriation	(11,708,076)	(11,201,765)
(447,373)	(522,461)	Capital Appropriation	(447,373)	(522,461)
–	–	Revaluation of Investment	–	5,054
(203)	(1,347)	Other	5,724	–
<b>(12,320,374)</b>	<b>(11,708,729)</b>	<b>Net Cost of Services</b>	<b>(12,354,468)</b>	<b>(12,041,632)</b>

## 36. Non-Cash Financing and Investing Activities

PARENT			CONSOLIDATED	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
–	–	Assets Received by Donation	5,724	99
–	–		<b>5,724</b>	<b>99</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 37. 2009–10 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
  - Patient and Family Support
- Pink Ladies/Hospital Auxiliaries
  - Patient Services, Fund Raising
- Patient Support Groups
  - Practical Support to Patients and Relatives
- Community Organisations
  - Counselling, Health Education, Transport, Home Help and Patient Activities

## 38. Unclaimed Monies

Unclaimed salaries and wages of Health Services are paid to the credit of Treasury in accordance with the provisions of the *Industrial Relations Act 1996*, as amended.

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

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

## 39. Budget Review (Consolidated)

### Net Cost of Services

The actual Net Cost of Services of \$12.354 billion exceeded the Statement of Comprehensive Income budget by \$52 million. However, the Statement of Comprehensive Income budget is confined only to specific Government appropriations or variations in Commonwealth Specific Purpose Payments approved in accordance with Section 26 of the *Public Finance and Audit Act* and does not take into account the total approved consolidated recurrent funding as provided to the NSW Department of Health.

NSW Treasury has approved other budget and funding adjustments resulting in an adjusted result of \$45 million which is within performance bands framed by Treasury.

Details of all adjustments from the reported budget follow:

	\$m
Variation from Budget per Statement of Comprehensive Income	<b>(52)</b>

### Treasury Funded Variations

• Grants to Wayside Chapel	1
• Keep Them Safe	(4)
• Variations in Commonwealth Funded Projects	10
• SES Staff Reductions	(2)
• Section 28 transfer, from other NSW Government Agencies (Homelessness)	2
	7
	<b>(45)</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## Result for the Year

The Result for the Year is derived as the difference between the above Net Cost of Services result and the additional amounts approved by Government for recurrent services, capital works and superannuation/long service leave costs:

	<b>\$m</b>
• Variation from budget for Net Cost of Services as shown in Statement of Comprehensive Income	<b>(52)</b>
• Increases in recurrent appropriation as reflected in Treasurer's Advance and Section 28 adjustment as shown above	7
• Treasurer's Advance approvals for variations in Asset Acquisition Program	42
• Crown acceptance of employee liabilities (a non-cash expense to the Department)	5
	<hr/> <b>2</b> <hr/>

## Assets and Liabilities

Net assets increased by \$263 million above the budget provided. This included the following variations:

	<b>\$m</b>
• Movements in Property, Plant and Equipment per independent asset revaluations \$281 million and asset acquisitions/transfers in excess of disposals and depreciation charges \$90 million	343
• Increase in intangibles	40
• Increase in Leave Provisions due mainly to awards and actuarial assessment of accumulated leave entitlements	(188)
• Increase in Receivables, eg in respect of monies owing for Elective Surgery Waiting Lists, Highly Specialised Drugs and the treatment of patients eligible under the Department of Veterans' Affairs funding criteria	57
• Increase in Cash/Other Financial Assets largely due to increase in Income in Advance	59
• Increase in Income in Advance due to receipt of moneys lodged under contract for future use of Royal North Shore carpark	(64)
• Decrease in Creditors	15
• Other	1
	<hr/> <b>263</b> <hr/>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## Cash Flow

### *Cash Flows from Operating Activities*

#### *Payments*

2009–10 total payments were less than budget by \$31 million, the principal component of which was the decrease in Employee Related payments (\$150 million) and Finance Costs (\$5 million) offset by additional grants \$37 million and Other Payments \$87 million.

#### *Receipts*

2009–10 total revenue receipts were \$32 million more than budget estimates, major variations occurred in respect of Sale of Goods and Services \$172 million, Interest received (\$9 million) and Other (\$132 million). The major movements related to the inclusion of Highly Specialised Drug revenue from the Commonwealth as Sale of Goods and Services whereas the budget provided for the increase under Other. Movements in receivables of \$57 million as referenced under Assets and Liabilities also contributed to the remaining variation.

### *Cash Flows from Government*

The increase of \$49 million in Cash Flows from Government results from additional recurrent funding of \$7 million referenced above plus additional approvals of \$42 million for the asset acquisition program. This covers additional expenditure relating to Swine Flu \$5 million, Nepean and Blacktown Hospital Redevelopment \$29 million and Royal North Shore Hospital PPP and other adjustments of \$8 million.

### *Cash Flows from Investing Activities*

The increase of \$8 million reflects acquisitions and the payment of capital creditors for \$60 million in excess of the initial budget.

## 40. Financial Instruments

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

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

The Director-General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Department, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/internal auditors on a continuous basis.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## a) Financial Instrument Categories

PARENT		TOTAL CARRYING AMOUNTS AS PER THE STATEMENT OF FINANCIAL POSITION	
		2010 \$000	2010 \$000
<b>Financial Assets</b>			
<b>Class:</b>	<b>Category</b>		
Cash and Cash Equivalents (Note 18)	N/A	61,616	60,324
Receivables (Note 19) <sup>1</sup>	Loans and receivables (at amortised cost)	84,713	39,245
Financial Assets at Fair Value (Note 21)	At fair value through profit or loss (designated as such upon initial recognition)		
Other Financial Assets (Note 22)	Loans and receivables (at amortised cost)	121,669	155,640
<b>Total Financial Assets</b>		<b>267,998</b>	<b>255,209</b>
<b>Financial Liabilities</b>			
Payables (Note 28) <sup>2</sup>	Financial liabilities measured at amortised cost	131,191	60,247
Other (Note 31)		69,070	1,637
<b>Total Financial Liabilities</b>		<b>200,261</b>	<b>61,884</b>

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

CONSOLIDATED		TOTAL CARRYING AMOUNTS AS PER THE STATEMENT OF FINANCIAL POSITION	
		2010 \$000	2010 \$000
<b>Financial Assets</b>			
<b>Class:</b>	<b>Category</b>		
Cash and Cash Equivalents (Note 18)	N/A	886,595	774,329
Receivables (Note 19) <sup>1</sup>	Loans and receivables (at amortised cost)	299,259	248,178
Financial Assets at Fair Value (Note 21)	At fair value through profit or loss (designated as such upon initial recognition)	134,923	139,836
<b>Total Financial Assets</b>		<b>1,320,777</b>	<b>1,162,343</b>
<b>Financial Liabilities</b>			
Borrowings (Note 29)		260,376	267,170
Payables (Note 28) <sup>2</sup>	Financial liabilities measured at amortised cost	903,351	940,979
Other (Note 31)		1,140	1,675
<b>Total Financial Liabilities</b>		<b>1,164,867</b>	<b>1,209,824</b>

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## (b) Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment). Credit risk arises from the financial assets of the Department, including cash, receivables, and authority deposits. No collateral is held by the Department. The Department has not granted any financial guarantees.

Credit risk associated with the Department's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Authority deposits held with NSW TCorp are guaranteed by the State.

### Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates between 2.9% and 4.4% for the Parent and between 2.45% and 7.0% for the Consolidated entity. This compares to rates of 2.9% to 7.15% in the previous year for the Parent and 2.9% to 7.15% for the Consolidated entity. The TCorp Hour-Glass cash facility is discussed in para (d) below.

### Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect the amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtor balance at year-end, \$80.377 million (2009: \$35.476 million) for the Parent and \$182.178 million (2009: \$156.159 million) for the Consolidated related to debtors that were not past due and not considered impaired. Debtors of \$4.336 million (2009: \$3.769 million) for the Parent and \$117.081 million (2009: \$92.019 million) for the Consolidated were past due but not considered impaired. Together these represent 99.8% (2009: 99.8%) for the Parent and 83.8% (2009: 84.0%) for the Consolidated, of total trade debtors. Most of the debtors of the Department and its controlled entities are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

PARENT			
2010	TOTAL <sup>1 2</sup> \$000	PAST DUE BUT NOT IMPAIRED <sup>1 2</sup> \$000	CONSIDERED IMPAIRED <sup>1 2</sup> \$000
<3 months overdue	2,860	2,860	–
3 months – 6 months overdue	120	120	–
> 6 months overdue	1,527	1,356	171
	4,507	4,336	171
<b>2009</b>			
<3 months overdue	2,642	2,642	–
3 months – 6 months overdue	1,127	1,127	–
> 6 months overdue	96	–	96
	3,865	3,769	96
CONSOLIDATED			
2010	TOTAL <sup>1 2</sup> \$000	PAST DUE BUT NOT IMPAIRED <sup>1 2</sup> \$000	CONSIDERED IMPAIRED <sup>1 2</sup> \$000
<3 months overdue	84,738	63,730	21,008
3 months – 6 months overdue	31,614	19,640	11,974
> 6 months overdue	58,627	33,711	24,916
	174,979	117,081	57,898
<b>2009</b>			
<3 months overdue	67,952	52,401	15,551
3 months – 6 months overdue	30,334	20,668	9,666
> 6 months overdue	40,957	18,950	22,007
	139,243	92,019	47,224

1 Each column in the table represents 'gross receivables'.

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

## Authority Deposits

Controlled entities of the Department have placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits vary. The deposits at balance date across Health Services under the control of the NSW Department of Health were earning interest rates ranging between 4.39 and 8.12% (2009 -2.69 and 5.23 %) while over the year the weighted average interest rates reported by Health Services ranged between 4.37 and 7.74% (2009 -2.67 and 5.64%). None of these assets are past due or impaired.

## c) Liquidity Risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department and its controlled entities continuously manage risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The Department and its controlled entities have negotiated no loan outside of arrangements with the NSW Treasury or the Private Public Partnership arrangements negotiated through Treasury.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

During the current and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Department's controlled entities' exposure to liquidity risk is significant. However, this risk is minimised as the NSW Department of Health has indicated its ongoing financial support to those entities. Risks to the Department are not considered significant as the Department is a budget dependent agency that is funded to continue to provide essential health services.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. It is expected that amounts owing to suppliers (which are unsecured) are settled in accordance

with the policy set by the NSW Department of Health. This requires that, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints within the Health Services, terms of payment are negotiated with creditors.

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

## Maturity Analysis and Interest Rate Exposure of Financial Liabilities

PARENT	INTEREST RATE EXPOSURE					MATURITY DATES		
	Weighted Average Effective int rate %	Nominal Amount \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non-Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2010</b>								
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	1,625	–	–	1,625	1,625	–	–
Creditors	–	129,566	–	–	129,566	129,566	–	–
Other Liabilities	–	69,070	–	–	69,070	–	5,002	64,068
	–	200,261	–	–	200,261	131,191	5,002	64,068
<b>2009</b>								
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	1,608	–	–	1,608	1,608	–	–
Creditors	–	58,639	–	–	58,639	58,639	–	–
Other Liabilities	–	1,637	–	–	1,637	–	1,637	–
	–	61,884	–	–	61,884	60,247	1,637	–

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

CONSOLIDATED	INTEREST RATE EXPOSURE					MATURITY DATES		
	Weighted Average Effective int rate %	Nominal Amount \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non-Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2010</b>								
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	205,779	–	–	205,779	205,779	–	–
Creditors	–	697,572	–	–	697,572	697,572	–	–
Borrowings:								
Other Loans and Deposits	8.79	245,211	245,211	–	–	9,878	41,184	194,149
Finance leases	6.7	15,165	–	15,165	–	4,477	10,475	213
Other Liabilities		1,140	–	–	1,140	38	1,102	–
<b>Total</b>		<b>1,164,867</b>	<b>245,211</b>	<b>15,165</b>	<b>904,491</b>	<b>917,744</b>	<b>52,761</b>	<b>194,362</b>

## 2009

	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	341,694	–	–	341,694	341,694	–	–
Creditors	–	599,285	–	–	599,285	599,285	–	–
Borrowings:								
Other Loans and Deposits	8.79	248,324	248,324	–	–	4,475	28,816	215,033
Finance leases	6.7	18,846	–	18,846	–	3,703	12,521	2,622
Other Liabilities		1,675	–	–	1,675	38	1,637	–
<b>Total</b>		<b>1,209,824</b>	<b>248,324</b>	<b>18,846</b>	<b>942,654</b>	<b>949,195</b>	<b>42,974</b>	<b>217,655</b>

### Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Department can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.
- Of the \$41.184 million disclosed in the 2010 'other loans and deposits' time band 1-5 yrs, the Department has no intent to effect payments in advance of maturity dates on or prior to 30 September 2010.

## d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The exposures of the Department and its controlled entities to market risk are primarily through interest rate risk on borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Department and its controlled entities have no exposure to foreign currency risk and do not enter into commodity contracts.

The effect on the reported result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Department and its controlled entities operate and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## Interest Rate Risk

Exposure to interest rate risk arises primarily through the interest bearing liabilities held by the Department's controlled entities.

However, Health Services are not permitted to borrow external to the NSW Department of Health and the NSW Treasury. Both Treasury and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Department does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale.

Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Department's exposure to interest rate risk is set out below and addresses both the Parent and the Consolidated Entity.

PARENT	CARRYING AMOUNT \$'000	-1%		+1%	
		Result	Equity	Result	Equity
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	61,616	(616)	(616)	616	616
Receivables	84,713	-	-	-	-
Other Financial Assets	121,669	(1,217)	(1,217)	1,217	1,217
<b>Financial Liabilities</b>					
Payables	131,191	-	-	-	-
Other	69,070	691	691	(691)	(691)
<b>2009</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	60,324	(603)	(603)	603	603
Receivables	39,245	-	-	-	-
Other Financial Assets	155,640	(1,556)	(1,556)	1,556	1,556
<b>Financial Liabilities</b>					
Payables	60,247	-	-	-	-
Other	1,637	16	16	(16)	(16)

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

CONSOLIDATED	CARRYING AMOUNT \$'000	-1%		+1%	
		Result	Equity	Result	Equity
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	886,595	(8,866)	(8,866)	8,866	8,866
Receivables	299,259				
Financial Assets at Fair Value	134,923	(1,349)	(1,349)	1,349	1,349
<b>Financial Liabilities</b>					
Borrowings	260,376	2,604	2,604	(2,604)	(2,604)
Payables	903,351				
Other	1,140	11	11	(11)	(11)
<b>2009</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	774,329	(7,743)	(7,743)	7,743	7,743
Receivables	248,178	–	–	–	–
Financial Assets at Fair Value	139,836	(1,398)	(1,398)	1,398	1,398
<b>Financial Liabilities</b>					
Borrowings	267,170	2,672	2,672	(2,672)	(2,672)
Payables	940,979	–	–	–	–
Other	1,675	17	17	(17)	(17)

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## Other Price Risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes.

Neither the Department nor its controlled entities have direct equity investments. Units in the following Hour-Glass investment trusts are confined to controlled entities only with the Parent entity having no such investments:

FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2010 \$'000	2009 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	223,924	222,726
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	85,085	68,164
Medium-term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	3 years to 7 years	63,621	50,684
Long-term growth facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over	53,217	70,129

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

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the exposure to risk of the Department and its controlled entities, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

	Change in unit price	IMPACT ON PROFIT/LOSS	
		2010	2009
Hour-Glass Investment – Cash facility	1%	2,699	2,167
Hour-Glass Investment – Strategic cash facility	2 to 5%	1,419	1,771
Hour-Glass Investment – Medium-term growth facility	7 to 24%	6,476	8,131
Hour-Glass Investment – Long-term growth facility	15%	7,982	7,655

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## e) Fair Value Compared to Carrying Amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the share of the value of the underlying assets of the facility held by controlled entities of the Department, based on the market value. The Parent entity has no such investments. All of the Hour-Glass facilities, are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value because of the short term nature of many of the financial instruments. There are no financial instruments where the fair value differs from the carrying amount.

## f) Fair Value Recognised in the Statement of Financial Position

The Department uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

**Level 1** derived from quoted prices in active markets for identical assets/liabilities.

**Level 2** derived from inputs other than quoted prices that are observable directly or indirectly.

**Level 3** derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
TCorp Hour-Glass Invst.Facility	–	425,847	–	425,847

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

There were no transfers between level 1 and 2 during the period ended 30 June 2010.

## 41. Increase/(Decrease) in Net Assets from Equity Transfers

### Parent

Land transferred from the Parent entity (\$13.955 million) to the Graythwaite Trust with effect from 1 July 2009 in accordance with the Supreme Court order in this matter. Based on control, the trust is included in the consolidated statements of the Department.

Upon the dissolution of HealthQuest an amount of \$1.429 million in net assets also transferred to the Parent but had no effect on the consolidated values as both entities were under Departmental control. In 2008–09 the Department transferred land to the State Property Authority valued at \$0.375 million (both parent and consolidated). The parent entity also transferred intangibles of \$1.195 million within Health which had no effect on the consolidation.

### Consolidated

Land upon which the Parramatta Justice Precinct is now located transferred at 30 June 2010 to the Department of Justice and State Planning Authority respectively.

Land values transferred are as follows:

	\$000
Department of Justice	5,940
State Planning Authority	14,286
<b>Total</b>	<b>20,226</b>

In 2008–09 The Department received net assets of \$5.982 million through equity transfers being the land transferred to the State Property Authority (\$0.375 million) and the transfer in of land attached to the Forensic Hospital at Long Bay – \$6.357 million.



# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

## 42. Post Balance Date Events

### (a) Caring Together: The Health Action Plan for NSW

As part of the reform of the public hospital system implemented in response to the Special Commission of Inquiry into Acute Care Services in the NSW Public Hospitals, three statutory health corporations have been established under the authority of the *Health Services Act*. Each of the statutory health corporations, as listed below, comes under the accounting control of the Department and will commence reporting in the 2010–11 financial year.

#### ***The Agency for Clinical Innovation (ACI)***

The operations of the Greater Metropolitan Clinical Taskforce, which formerly operated as a unit of the Northern Sydney/Central Coast Area Health Service, will be absorbed within this entity which commenced operations with effect from 11 January 2010. It has approval under Section 4(1A) of the *Public Finance and Audit Act 1983* to defer reporting to 2010–11 due to the relative immateriality of financial activity in the 2009–10 year.

ACI's objective is to identify high quality, safe and cost effective ways to care for patients within the NSW public system.

#### ***The Clinical Education and Training Institute (CETI)***

CETI has been established with effect from 1 July 2010 and will develop, conduct, co-ordinate, support and evaluate clinical education and training programs across the NSW public health system.

#### ***The Sydney Children's Hospital Network***

The Sydney Children's Hospital Network has been established as a statutory health corporation and comprises the activities of the Royal Alexandra Hospital for Children (which had previously functioned as a statutory health corporation) and the Sydney Children's Hospital (previously listed as a hospital under the control of the South Eastern Sydney/Illawarra Area Health Service as per the *Health Services Act 1997*).

The establishment of the network provides a single public health organisation to deliver improved health services for children in NSW.

### (b) Council of Australian Governments (COAG) National Health and Hospital Network Reform

On 20 April 2010 the State of NSW and the Commonwealth agreed on national health reforms to establish Local Health Networks in NSW and introduce national standards for timely access to emergency care and elective surgery.

Under the Agreement, NSW will remain responsible for system-wide planning, performance and purchasing of public hospital services and supporting the transition process for the Commonwealth to assume full funding and policy responsibility for general practice, primary health care and the national aged care system.

These reforms will be financed through a combination of:

- funding sourced from the NSW's Healthcare Specific Purpose Payment;
- an agreed amount of NSW GST revenue, which will be allocated on New South Wales' behalf to a fund for health and hospital reform; and
- guaranteed additional funding to be paid by the Australian Government.

The key elements of the National Health and Hospitals Network reforms include:

#### ***Local Health Networks***

- local health networks will be established in 2010–11 to manage groups of public hospitals; and
- a professional Governing Council will be constituted for each Local Health Network.

#### ***Funding Reforms***

- the Commonwealth will fund 60% of the national efficient price of public hospital services and 60% of capital, research and training in public hospitals;
- where activity based funding applies, Australian Government funding will be based on the service agreements between the Department of Health and Local Health Networks;
- Australian and NSW government funds for activity based funding will be pooled and transparently allocated by a NSW managed funding authority; and

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2010

- Australian Government funding for other services such as capital, teaching and research and small regional and rural hospitals will be provided directly to the NSW Government.

## **Primary Health Care and Aged Care Funding and Policy Reforms**

- in New South Wales, the Australian Government will assume full funding and policy responsibility for GP and primary health care, primary mental health care, immunisation, and cancer screening programs from 1 July 2011; and
- in addition, the Australian Government will assume full funding and policy responsibility for aged care and services under the Home and Community Care program for people over 65.

## **Performance and Standards**

- national standards will be implemented for emergency care and elective surgery; and
- transparent reporting will provide more information about the national, state and local performance of the health system.

## **c) Transfer of Callan Park Hospital site to Leichhardt Council**

Given the relocation of health services from the Callan Park site to Concord Hospital an offer has been made to Leichhardt Municipal Council for a 99 year lease of 40 of the 60 hectares contained in the Callan Park site. Leichhardt Council has commenced a master planning study with the target completion date of December 2012 and public exhibition scheduled for February/March 2011. At this stage no date for transfer of the site has been discussed by the Council or Sydney Harbour Foreshore Authority.

Based on transfer of 40 hectares the potential reduction in the Department's land and buildings and infrastructure assets approximates \$42 million, such estimate been updated from last year's estimate of \$59 million due to the formal revaluation of the associated Service's assets in 2009-10.

**END OF AUDITED FINANCIAL STATEMENTS**



