Financial Report

Image // Mt Druitt Hospital

Financial Report

Content

Financial Report

NSW Department of Health – Audited Financial Statements

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Performance

Against 2010–11 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 for the year ended 30 June 2011 has been prepared in accordance with the NSW Treasury Reporting Code for Budget Dependent General Government Sector Agencies.

The Statement of Comprehensive Income identifies that total expenses for 2010-11 amounted to $15.4 billion which is a 6.5% increase over 2009-10. An average of $42 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. As a result 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 2011, this net cost was $13.20 billion. Measured against the budget of $13.24 billion the variation was favourable by $45 million i.e. a variance of 0.34% which is within the performance bands framed by Treasury. This favourable result was largely due to the deferral of a $25 million grant to the Brain and Mind Institute and offsets relating increases under Commonwealth Specific Purpose Payments less adjustments for Long Service Leave liability. Details of these variations are included at Note 39 of the Department's audited financial statements for 2010-11.

The NSW Government increased its consolidated funding for operating and capital needs to the NSW Department of Health from the Consolidated Fund by $872 million or 7.2% to $13.027 billion in 2010-11.

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

While capital funding is shown in the 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:

- $9.4 billion for salaries and employee related expenses ($8.9 billion in 2009-10)
- $188 million for food and domestic services ($180 million in 2009-10)
- $1.3 billion for drugs, medical and surgical supplies ($1.3 billion in 2009-10)
- $217 million for insurance ($218 million in 2009-10)
- $595 million for visiting medical staff ($555 million in 2009-10).

The financial statements identify that, whilst $525.1 million was charged for depreciation and amortisation on Property, Plant and Equipment and Intangibles, an amount of $816.0 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's asset base.

Since 30 June 2005 the total assets of NSW Health have increased by $3.05 billion or 32% to $12.6 billion. The most significant movement has been the increase in Property, Plant and Equipment and Intangible Assets of $2.19 billion or 26% which, reflects the injection of capital funding referenced above and the independent revaluations of assets.

Cash and Other Financial Assets have also increased by $505 million since 30 June 2005 to $1.37 billion flowing from factors such as increased monies held as restricted assets together with movements in various Statement of Financial Position items. The cash/TCorp movement in 2010-11 alone was an increase of $352 million, inclusive of increases to cover the increase in restricted assets ($38 million), the cash retained to meet future payments for taxation, superannuation , payroll deductions and other payables ($176 million) and increases relating to planned capital expenditures ($83 million) to be utilised in 2011-12.

Total Liabilities since June 2005 have increased by some $0.61 billion or 23% to $3.15 billion. This generally comprises:

- an increase in Payables of $435 million inclusive of Goods and Services Tax and increases in payroll deductions and superannuation accruals
- an overall decrease in Employee entitlements or Provisions of $289 million due firstly to the transfer of Long Service Leave liability of $1.629 billion to the Crown Entity on 31 December 2010 offset by 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 $380 million due principally to contractual and accounting arrangements for various Private/Public Partnerships for the construction of infrastructure
- an increase in Other Liabilities of $72 million, largely comprised of Income In Advance for the Royal North Shore Hospital Car Park.

General Creditors > 45 days at the end of the year

For 2010-11, the NSW Health performance benchmark for payment of trade creditors was 45 days. Whilst this is a benchmark, there is an expectation that creditors are to be paid within contract or agreed terms unless payment is disputed over the condition or quantum of goods and services or the amount invoiced.

Payment of trade creditors within benchmark is a key performance indicator that is monitored through NSW Health's Performance Management Framework.

Performance at balance date in the past five years against trade creditor benchmarks reported by controlled entities of NSW Health is:

DATE	VALUE OF GENERAL ACCOUNTS NOT PAID WITHIN 45 DAYS ($M)
30 June 2007	0
30 June 2008	75.2
30 June 2009	69.3
30 June 2010	0
30 June 2011	0.9

As at 30 June 2011, controlled entities of NSW Health had $0.9 million Trade Creditors over 45 days that were ready for payment. The final creditor position was determined based on data as at midnight 30 June 2011. All entities had sufficient cash to pay these creditors and only the timing of month end payment cycles, where invoices were released for payment after individual entities had finalised their end of month vendor payment files for June 2011, prevented these creditor payments being made.

NSW Health is working with suppliers to improve invoice procedures and ensure goods and services are not supplied without an approved purchase order in place. Suppliers are also being asked to forward their invoices directly to Health Support Services (NSW Health's shared services provider) for faster processing. Escalation procedures are in place for creditors and contact telephone numbers are provided on purchase orders.

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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 2010-11 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.

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

NSW Health Key Financial Indicators

NSW HEALTH KEY FINANCIAL INDICATORS	2010-11 $M	2009-10 $M	Increase on Previous Year $M	Increase on Previous Year %
Expenses	15,424	14,481	+943	+6.5
Revenue	2,301	2,180	+121	+5.6
Net Cost of Service	13,199	12,354	+845	+6.8
Recurrent Appropriation	12,547	11,708	+839	+7.2
Capital Appropriation	480	447	+33	+7.4
Net Assets	9,534	7,679	+1,855	+24.2
Total Assets	12,641	11,935	+706	+5.9
Total Liabilities	3,107	4,256	-1,149	-27.0

Source: Audited Financial Statements

2010–11 TOTAL EXPENSES COMPARISONS	2010–11 $M	2009–10 $M	2008–09 $M	2007–08 $M	2006–07 $M	2005–06 $M
Expenses Include:						
Salaries and employee related expenses	9,433	8,886	8,547	7,959	7,394	6,961
Food and domestic supplies	188	180	177	172	164	183
Drugs, medical and surgical supplies	1,292	1,262	1,188	1,165	1,040	918
Insurance	217	218	206	216	220	212
Maintenance	356	343	341	321	331	282
Visiting medical staff	595	555	535	520	468	441

Source: Audited Financial Statements

MOVEMENT IN KEY FINANCIAL INDICATORS OVER THE LAST 6 YEARS	June 2011 $M	June 2010 $M	June 2009 $M	June 2008 $M	June 2007 $M	2005–06 $M
Assets						
Property, Plant and Equipment and Intangibles	10,596	10,299	9,935	9,656	9,083	8,729
Inventories	126	128	135	105	115	108
Cash and Financial Assets	1,373	1,022	914	864	907	860
Receivables	474	422	373	390	317	295
Other	72	64	52	34	27	28
Total	12,641	11,935	11,409	11,049	10,449	10,020
Liabilities						
Payables	1,098	967	1,008	1,052	751	711
Provisions	1,411	2,888	2,599	2,331	2,179	2,002
Borrowings	461	261	267	101	36	48
Other	137	140	73	75	42	75
Total	3,107	4,256	3,947	3,559	3,008	2,836
Equity	**9,534**	**7,679**	**7,462**	**7,490**	**7,441**	**7,184**

Source: Audited Financial Statements.

2010–11 and Forward Years

In 2011-12 $16.4 billion has been provided for the delivery of health care services in NSW, an increase of 6.1% or $949 million over than the previous year.

Key initiatives from the 2011-12 State Budget for NSW Health include:

More Beds, More Nurses

- $36 million to open 150 more beds, including acute care, intensive care and mental health beds, and neonatal cots.
- $21 million to open 69 sub-acute beds in the second year of the COAG National Partnership Agreement, for services including general rehabilitation, palliative care and mental health.
- $8.8 million for an extra 1,600 planned surgical procedures as part of the Government's commitment to achieve 13,000 more procedures over the next four years.
- $4 million towards the Government's commitment to employ 275 more Clinical Nurse/Midwife Educators and Clinical Nurse/Midwife Specialists over the next four years.
- $80 million to employ 900 more nurses by June 2012 to support a reasonable workload for nurses and midwives and provide better patient care.
- $10 million towards clinical reform and redesign, to improve hospital efficiency and bed use so more patients can be treated.
- $4 million to provide more 10 hour night shifts for nurses.
- $3 million to meet increased demand for renal services, particularly dialysis.
- $3.3 million to enhance services across rural and remote health services, including improving access to early stroke management.

Medical Workforce

- $1.2 million to employ five more doctors in the Prince of Wales Hospital emergency department.
- $4 million to provide more medical graduate positions in public hospitals and more opportunities for junior doctors to undertake specialist training.

Mental Health

- $2 million for Lifeline's telephone and counselling services.
- $3.4 million to improve access to specialist child and adolescent mental health services.
- $1.3 million for medical health research, including the Schizophrenia Research Chair and program and the Mental Health Clinical Academic Research Program.

Preventative Health

- $15 million to provide 11,750 more enrolments in the Connecting Care Program to strengthen out-of-home care and support people with chronic conditions.
- $2 million to support health checks in around 600 participating pharmacies to assist in the early identification of people with chronic diseases.
- $7 million to increase programs that help reduce drug and alcohol addiction.
- $500,000 to enhance NSW Telehealth services at Nepean Hospital to expand the range of pilot models of care.
- $500,000 to support the work of Life Education.
- $2.2 million to meet the growth in demand for organ and tissue donation services and tissue-typing services for solid organ and bone marrow transplants.

Medical Research

- $32 million a year for the Medical Research Support Program, including $5 million of a $20 million commitment over four years to improve medical research.
- $2.9 million on the Spinal Cord Injury and Other Related Neurological Conditions Research Grants Program.
- $36 million in capital grants for Prince of Wales Neurosciences, Australian Advanced Clinical Trials and the Children's Medical Research Institute.
- $20 million for the Children's Medical Research Institute at Westmead.

Community based services

$7 million extra for the Isolated Patient Transport and Accommodation Scheme to assist remote patients with the cost of accommodation and travel to specialist treatment facilities.

- $3 million for the Program of Appliances for Disabled People and $2 million for the Home Oxygen Service to improve access to essential equipment for people with a disability.
- $1.5 million to improve refugee health services.
- $1 million to enhance specialised multidisciplinary care to people with an intellectual disability and complex needs.

Independent Audit Report

For the year ended 30 June 2011

AUDITOR-GENERAL NEW SOUTH WALES

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 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Department and the consolidated entity, as at 30 June 2011, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- 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.

Department Head's Responsibility for the Financial Statements

The Department Head is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Department Head determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 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 control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department Head, as well as evaluating the overall presentation of the financial statements.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

I believe 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 control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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

25 November 2011
SYDNEY

Certification of Accounts

For the year ended 30 June 2011

Certification of Parent/Consolidated Financial Statements, NSW Department of Health for the Year Ended 30 June 2011

Pursuant to Section 45F of the Public Finance and Audit Act 1983, we state that in our opinion:

(i) The financial statements have been prepared in accordance with:

- Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983, the Public Finance and Audit Regulations 2010*, and the Treasurer's Directions.

(ii) The financial statements exhibit a true and fair view of the financial position and financial performance of the NSW Department of Health.

(iii) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

John Roach
Chief Financial Officer

Dr Mary Foley
Director-General
18 November 2011

Financial Report

Statement of Comprehensive Income

for the year ended 30 June 2011

UNAUDITED					UNAUDITED		
PARENT					CONSOLIDATED		
Actual 2011 $000	Budget 2011 $000	Actual 2010 $000		Notes	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
			Expenses excluding losses				
			Operating Expenses				
132,009	130,200	124,834	– Employee Related	3	9,432,979	9,651,661	8,885,670
675,959	675,506	456,506	– Other Operating Expenses	4	4,391,946	4,322,979	4,135,386
3,584	3,997	4,389	Depreciation and Amortisation	5	525,138	545,086	492,605
12,381,251	12,325,030	11,909,030	Grants and Subsidies	6	1,032,160	959,048	939,307
–	–	–	Finance Costs	7	41,811	36,560	27,823
13,192,803	**13,134,733**	**12,494,759**	**Total Expenses excluding losses**		**15,424,034**	**15,515,334**	**14,480,791**
			Revenue				
104,743	78,100	72,618	Sale of Goods and Services	8	1,808,715	1,783,655	1,661,129
12,656	12,980	15,050	Investment Revenue	9	90,569	89,189	74,419
28,568	34,880	82,880	Grants and Contributions	10	313,597	334,213	367,974
6,540	5,707	5,188	Other Revenue	11	87,976	84,845	76,852
152,507	**131,667**	**175,736**	**Total Revenue**		**2,300,857**	**2,291,902**	**2,180,374**
(279)	–	(1,269)	Loss on Disposal	12	(26,562)	–	(9,719)
–	–	(82)	Other Losses	13	(49,730)	(20,543)	(44,332)
13,040,575	**13,003,066**	**12,320,374**	**Net Cost of Services**	**35**	**13,199,469**	**13,243,975**	**12,354,468**
			Government Contributions				
12,546,945	12,575,537	11,708,076	Recurrent Appropriation	15	12,546,945	12,575,537	11,708,076
479,596	534,195	447,373	Capital Appropriation	15	479,596	534,195	447,373
22,908	22,908	6,549	Asset Sale Proceeds Transferred to Parent		–	–	–
6,302	6,302	6,897	Acceptance by the Crown Entity of Employee Benefits	16	336,194	298,726	155,845
13,055,751	**13,138,942**	**12,168,895**	**Total Government Contributions**		**13,362,735**	**13,408,458**	**12,311,294**
15,176	**135,876**	**(151,479)**	**RESULT FOR THE YEAR**		**163,266**	**164,483**	**(43,174)**
			Other Comprehensive Income				
–	–	21,498	Net Increase/(Decrease) in Property, Plant and Equipment Asset Revaluation Reserve		63,004	–	280,948
–	**–**	**21,498**	**Other Comprehensive Income for the Year**		**63,004**	**–**	**280,948**
15,176	**135,876**	**(129,981)**	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		**226,270**	**164,483**	**237,774**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2011

CONSOLIDATED	NOTES	ACCUMULATED FUNDS $000	ASSET REVALUATION SURPLUS $000	AVAILABLE FOR SALE RESERVE $000	TOTAL $000
Balance at 1 July 2010		5,291,341	2,372,651	15,371	7,679,363
Result For The Year		163,266	–	–	163,266
Other Comprehensive Income:					
Net Increase in Property, Plant and Equipment		–	63,004	–	63,004
Other Transfers		81,692	(66,321)	(15,371)	–
Total Other Comprehensive Income		**81,692**	**(3,317)**	**(15,371)**	**63,004**
Total Comprehensive Income For The Year		**244,958**	**(3,317)**	**(15,371)**	**226,270**
Transactions With Owners In Their Capacity As Owners					
Decrease in Net Assets From Equity Transfers	41	1,628,858	–	–	1,628,858
Balance at 30 June 2011		**7,165,157**	**2,369,334**	**0**	**9,534,491**
Balance at 1 July 2009		**5,346,631**	**2,112,411**	**2,773**	**7,461,815**
Result For The Year		(43,174)	–	–	(43,174)
Other Comprehensive Income:					
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	–
Total Other Comprehensive Income		**8,110**	**260,240**	**12,598**	**280,948**
Total Comprehensive Income For The Year		**(35,064)**	**260,240**	**12,598**	**237,774**
Transactions With Owners In Their Capacity As Owners					
Increase in Net Assets From Equity Transfers	41	(20,226)	–	–	(20,226)
Balance at 30 June 2010		**5,291,341**	**2,372,651**	**15,371**	**7,679,363**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2011

PARENT	NOTES	ACCUMULATED FUNDS $000	ASSET REVALUATION SURPLUS $000	TOTAL $000
Balance at 1 July 2010		64,762	108,934	173,696
Result For The Year		15,176	–	15,176
Total Comprehensive Income For The Year		15,176	–	15,176
Balance at 30 June 2011		79,938	108,934	188,872
Balance at 1 July 2009		223,560	92,643	316,203
Result For The Year		(151,479)	–	(151,479)
Other Comprehensive Income:				
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
Total Other Comprehensive Income		**5,207**	**16,291**	**21,498**
Total Comprehensive Income For The Year		**(146,272)**	**16,291**	**(129,981)**
Transactions With Owners In Their Capacity As Owners				
Increase in Net Assets From Equity Transfers	41	(12,526)	–	(12,526)
Balance at 30 June 2010		**64,762**	**108,934**	**173,696**

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2010

UNAUDITED					UNAUDITED		
PARENT					CONSOLIDATED		
Actual 2011 $000	Budget 2011 $000	Actual 2010 $000		Notes	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
			ASSETS				
			Current Assets				
235,104	161,100	61,616	Cash and Cash Equivalents	18	1,125,145	993,036	886,595
62,856	64,928	89,928	Receivables	19	506,979	407,043	409,806
32,274	34,771	34,771	Inventories	20	126,387	128,172	128,172
–	–	–	Financial Assets at Fair Value	21	207,451	124,318	124,318
12,438	12,216	64,216	Other Financial Assets	22	–	–	–
–	–	–	Non-Current Assets Held for Sale	24	46,698	14,708	39,011
342,672	**273,015**	**250,531**	**Total Current Assets**		**2,012,660**	**1,667,277**	**1,587,902**
			Non-Current Assets				
–	–	–	Receivables	19	12,459	12,458	12,458
–	–	–	Financial Assets at Fair Value	21	40,464	10,605	10,605
344	453	57,453	Other Financial Assets	22	–	–	–
			Property, Plant and Equipment				
129,916	129,521	131,744	– Land and Buildings	25	9,190,564	9,369,607	9,027,188
4,676	4,981	4,981	– Plant and Equipment	25	835,574	698,874	742,086
–	–	–	– Infrastructure Systems	25	344,767	357,779	357,779
134,592	134,502	136,725	Total Property, Plant and Equipment		10,370,905	10,426,260	10,127,053
–	–	–	Intangible Assets	26	225,226	195,662	172,290
–	–	–	Other	23	24,636	24,636	24,636
134,936	**134,955**	**194,178**	**Total Non-Current Assets**		**10,673,690**	**10,669,621**	**10,347,042**
477,608	**407,970**	**444,709**	**Total Assets**		**12,686,350**	**12,336,898**	**11,934,944**
			LIABILITIES				
			Current Liabilities				
207,327	189,391	185,391	Payables	28	1,143,407	916,174	967,143
–	–	–	Borrowings	29	12,009	11,267	14,355
14,750	16,549	16,145	Provisions	30	1,401,735	2,854,212	2,760,457
2,427	2,427	–	Other	31	24,980	18,740	18,740
224,504	**208,367**	**201,536**	**Total Current Liabilities**		**2,582,131**	**3,800,393**	**3,760,695**
			Non-Current Liabilities				
–	–	–	Borrowings	29	449,102	443,794	246,021
422	417	407	Provisions	30	9,524	127,767	127,767
63,810	63,310	69,070	Other	31	111,102	121,098	121,098
64,232	**63,727**	**69,477**	**Total Non-Current Liabilities**		**569,728**	**692,659**	**494,886**
288,736	**272,094**	**271,013**	**Total Liabilities**		**3,151,859**	**4,493,052**	**4,255,581**
188,872	**135,876**	**173,696**	**Net Assets**		**9,534,491**	**7,843,846**	**7,679,363**
			EQUITY				
108,934	108,934	108,934	Reserves		2,369,334	2,372,651	2,372,651
79,938	26,942	64,762	Accumulated Funds		7,165,157	5,455,824	5,291,341
			Amounts Recognised in Equity				
–	–	–	Relating to Assets Held for Sale	24	–	15,371	15,371
188,872	**135,876**	**173,696**	**Total Equity**		**9,534,491**	**7,843,846**	**7,679,363**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2011

UNAUDITED					UNAUDITED		
PARENT					CONSOLIDATED		
Actual 2011 $000	Budget 2011 $000	Actual 2010 $000		Notes	Actual 2011 $000	Budget 2011 $000	Actual 2010 $000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
(119,792)	(123,484)	(111,359)	Employee Related		(8,841,108)	(9,229,863)	(8,561,236)
(12,381,251)	(12,325,030)	(11,909,030)	Grants and Subsidies		(1,032,160)	(959,048)	(1,033,238)
–	–	–	Finance Costs		(41,811)	(36,560)	(27,823)
(621,044)	(731,819)	(409,185)	Other		(5,062,546)	(4,999,932)	(4,667,677)
(13,122,087)	**(13,180,333)**	**(12,429,574)**	**Total Payments**		**(14,977,625)**	**(15,225,403)**	**(14,289,974)**
			Receipts				
147,831	78,100	55,927	Sale of Goods and Services		2,343,935	1,766,079	1,877,317
12,656	8,516	6,800	Interest Received		79,954	89,189	54,251
47,441	22,407	164,989	Other		493,632	1,015,521	889,295
207,928	**109,023**	**227,716**	**Total Receipts**		**2,917,521**	**2,870,789**	**2,820,863**
			Cash Flows from Government				
12,546,945	12,575,537	11,708,076	Recurrent Appropriation		12,546,945	12,575,537	11,708,076
479,596	534,195	447,373	Capital Appropriation		479,596	534,195	447,373
22,908	22,908	6,549	Asset Sale Proceeds Transferred to Parent		–	–	–
13,049,449	**13,132,640**	**12,161,998**	**Net Cash Flows from Government**		**13,026,541**	**13,109,732**	**12,155,449**
135,290	**61,330**	**(39,860)**	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	**35**	**966,437**	**755,118**	**686,338**
			CASH FLOWS FROM INVESTING ACTIVITIES				
600	–	360	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		19,719	74,462	66,729
39,928	39,928	40,317	Proceeds from Sale of Investments		–	–	19,652
(2,330)	(1,774)	(954)	Purchases of Land and Buildings, Plant and Equipment, Infrastructure Systems and Intangibles		(623,692)	(709,844)	(638,920)
–	–	–	Purchases of Investments		(112,992)	–	(14,739)
38,198	**38,154**	**39,723**	**NET CASH FLOWS FROM INVESTING ACTIVITIES**		**(716,965)**	**(635,382)**	**(567,278)**
			CASH FLOWS FROM FINANCING ACTIVITIES				
–	–	–	Proceeds from Borrowings and Advances		–	–	46,906
–	–	–	Repayment of Borrowings and Advances		(10,922)	(13,295)	(53,700)
–	**–**	**–**	**NET CASH FLOWS FROM FINANCING ACTIVITIES**		**(10,922)**	**(13,295)**	**(6,794)**
173,488	**99,484**	**(137)**	**NET INCREASE/(DECREASE) IN CASH**		**238,550**	**106,441**	**112,266**
61,616	61,616	60,324	Opening Cash and Cash Equivalents		886,595	886,595	774,329
–	–	1,429	Cash transferred in as a result of administrative restructuring		–	–	–
235,104	**161,100**	**61,616**	**CLOSING CASH AND CASH EQUIVALENTS**	**18**	**1,125,145**	**993,036**	**886,595**

The accompanying notes form part of these financial statements

Summary of Compliance with Financial Directives

for the year ended 30 June 2011

	2011				2010			
	RECURRENT APPROPRIATION $000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND $000	CAPITAL APPROPRIATION $000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND $000	RECURRENT APPROPRIATION $000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND $000	CAPITAL APPROPRIATION $000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND $000
Original Budget Appropriation/Expenditure								
Appropriation Act	12,682,912	12,651,883	534,195	479,596	11,701,281	11,692,663	405,446	405,446
S45 Appropriations Act - transfers from another agency	4,080	4,080	(54,599)	–	–	–	–	–
S24 PF&AA Transfer of functions between departments	(73,000)	(73,000)	–	–	–	–	–	–
S26 PF&AA Commonwealth Specific Purpose Payments	(38,455)	(38,455)	–	–	–	–	–	–
	12,575,537	12,544,508	479,596	479,596	11,701,281	11,692,663	405,446	405,446
Other Appropriations/Expenditure								
Treasurer's Advance	2,437	2,437	–	–	15,500	15,500	41,927	41,927
Transfers to/from another agency (S28 of the Appropriation Act)	–	–	–	–	(87)	(87)	–	–
	2,437	2,437	–	–	15,413	15,413	41,927	41,927
Total Appropriations/ Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	12,577,974	12,546,945	479,596	479,596	11,716,694	11,708,076	447,373	447,373
Amount drawn down against Appropriation		12,546,945		479,596		11,708,076		447,373
Liability to Consolidated Fund *		–		–		–		–

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

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

Service Group Statement

for the year ended 30 June 2011

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** INPATIENT HOSPITAL SERVICES	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Expenses excluding losses										
Operating Expenses										
– Employee Related	733,315	696,954	44,059	34,467	990,576	951,134	1,137,703	1,008,585	4,088,217	3,876,989
– Other Operating Expenses	277,511	266,434	17,322	15,032	429,471	368,948	403,249	476,479	2,507,680	2,236,701
Depreciation and Amortisation	26,684	28,319	1,362	1,021	71,479	56,365	60,194	54,388	268,112	250,868
Grants and Subsidies	92,741	149,395	25,867	17,828	130,666	100,172	51,905	33,619	296,908	199,932
Finance Costs	4,935	1,941	322	98	3,569	1,869	2,647	1,848	12,611	13,207
Total Expenses excluding losses	1,135,186	1,143,043	88,932	68,446	1,625,761	1,478,488	1,655,698	1,574,919	7,173,528	6,577,697
Revenue										
Sale of Goods and Services	49,312	44,140	3,547	251	327,114	140,339	155,916	230,687	921,289	900,330
Investment Revenue	6,345	5,637	183	149	8,712	6,890	6,010	5,032	34,342	28,369
Grants and Contributions	30,124	32,840	1,397	1,773	29,540	31,331	10,666	13,502	84,887	112,571
Other Revenue	6,189	5,013	164	99	12,400	9,009	7,109	9,097	32,846	27,135
Total Revenue	91,970	87,630	5,291	2,272	377,766	187,569	179,701	258,318	1,073,364	1,068,405
Gain/ (Loss) on Disposal	(670)	(240)	(38)	(8)	(1,053)	(576)	(620)	(1,731)	(21,943)	(26,820)
Other Losses	(425)	(546)	(36)	(11)	(1,108)	(1,121)	(15,670)	(23,070)	(29,331)	(17,238)
Net Cost of Services	1,044,311	1,056,199	83,715	66,193	1,250,156	1,292,616	1,492,287	1,341,402	6,151,438	5,553,350
Government Contributions ***										
RESULT FOR THE YEAR	1,044,311	1,056,199	83,715	66,193	1,250,156	1,292,616	1,492,287	1,341,402	6,151,438	5,553,350
Other Comprehensive Income										
Net Increase in Property, Plant and Equipment Asset Revaluation Reserve	4,002	17,844	134	599	7,534	33,588	5,747	25,623	31,743	141,580
Available for Sale Financial Assets Valuation Gains	–	–	–	–	–	–	–	–	–	–
Total Other Comprehensive Income	4,002	17,844	134	599	7,534	33,588	5,747	25,623	31,743	141,580
TOTAL COMPREHENSIVE INCOME	**1,048,313**	**1,074,043**	**83,849**	**66,792**	**1,257,690**	**1,326,204**	**1,498,034**	**1,367,025**	**6,183,181**	**5,694,930**
Administered Revenues										
Consolidated Fund										
– Taxes, Fees and Fines										
Total Administered Revenues										

* 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 2010 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 2011 and 30 June 2011 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 2011

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	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
933,021	850,629	783,679	737,907	223,027	216,984	499,382	512,021	–	–	9,432,979	8,885,670
250,014	194,362	225,324	232,239	133,765	194,887	147,610	150,304	–	–	4,391,946	4,135,386
34,861	38,671	38,515	42,326	7,423	6,598	16,508	14,049	–	–	525,138	492,605
76,005	96,892	155,350	146,359	160,517	161,454	42,201	33,656	–	–	1,032,160	939,307
2,788	2,051	12,899	6,185	1,622	270	418	354	–	–	41,811	27,823
1,296,689	1,182,605	1,215,767	1,165,016	526,354	580,193	706,119	710,384	–	–	15,424,034	14,480,791
44,305	34,303	190,930	188,267	20,771	12,348	95,531	110,464	–	–	1,808,715	1,661,129
3,038	2,890	6,101	6,559	4,151	3,835	21,687	15,058	–	–	90,569	74,419
14,334	5,224	30,719	34,299	26,886	30,043	85,044	106,391	–	–	313,597	367,974
1,192	1,548	9,760	6,047	8,370	7,469	9,946	11,435	–	–	87,976	76,852
62,869	43,965	237,510	235,172	60,178	53,695	212,208	243,348	–	–	2,300,857	2,180,374
(719)	(540)	(920)	20,587	(482)	(123)	(117)	(268)	–	–	(26,562)	(9,719)
(519)	(371)	(1,175)	(1,255)	(702)	(160)	(764)	(560)	–	–	(49,730)	(44,332)
1,235,058	1,139,551	980,352	910,512	467,360	526,781	494,792	467,864	–	–	13,199,469	12,354,468
								13,362,735	12,311,294	13,362,735	12,311,294
1,235,058	1,139,551	980,352	910,512	467,360	526,781	494,792	467,864			163,266	(43,174)
5,599	24,960	5,234	23,337	1,026	4,573	1,984	8,844	–	–	63,004	280,948
–	–	–	–	–	–	–	–	–	–	–	–
5,599	24,960	5,234	23,337	1,026	4,573	1,984	8,844	–	–	63,004	280,948
1,240,657	**1,164,511**	**985,586**	**933,849**	**468,386**	**531,354**	**496,776**	**476,708**			**226,270**	**237,774**
								1,570	1,398	1,570	1,398
								1,570	1,398	1,570	1,398

Service Group Statement

for the year ended 30 June 2011

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** INPATIENT HOSPITAL SERVICES	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
ASSETS										
Current Assets										
Cash and Cash Equivalents	50,245	46,800	3,478	1,328	122,680	87,983	120,782	89,471	536,930	362,424
Receivables	24,686	11,065	5,257	–	52,683	45,225	34,438	28,236	263,624	246,886
Inventories	4,749	3,988	665	124	9,331	7,467	7,018	6,097	52,817	61,445
Financial Assets at Fair Value	8,633	6,780	1,335	227	26,728	16,130	13,946	8,673	99,332	66,461
Non-Current Assets Held for Sale	4,388	10,968	114	81	3,498	1,321	2,862	3,100	19,746	18,978
Total Current Assets	92,701	79,601	10,849	1,760	214,920	158,126	179,046	135,577	972,449	756,194
Non-Current Assets										
Receivables	404	308	11	4	1,187	552	422	929	6,683	7,641
Financial Assets at Fair Value	902	588	38	11	4,399	676	1,948	367	19,488	5,703
Property, Plant and Equipment										
– Land and Buildings	495,740	573,358	16,964	19,246	1,047,094	1,079,229	913,152	823,306	4,770,415	4,549,083
– Plant and Equipment	53,138	46,646	6,742	1,390	103,449	85,890	86,062	83,909	405,377	374,746
– Infrastructure Systems	22,515	19,856	2,402	921	42,851	47,817	27,534	28,411	167,016	187,265
Intangible Assets	14,516	11,843	724	167	26,531	6,527	17,534	6,464	116,942	101,974
Other	962	999	54	44	3,680	2,725	1,684	1,396	12,381	15,282
Total Non-Current Assets	588,177	653,598	26,935	21,783	1,229,191	1,223,416	1,048,336	944,782	5,498,302	5,241,694
Total Assets	680,878	733,199	37,784	23,543	1,444,111	1,381,542	1,227,382	1,080,359	6,470,751	5,997,888
LIABILITIES										
Current Liabilities										
Payables	62,441	39,982	8,159	1,570	94,901	70,586	94,604	90,356	635,628	636,039
Borrowings	979	1,257	134	64	1,046	1,254	888	937	5,087	7,262
Provisions	87,921	213,181	7,009	9,893	149,433	297,187	194,574	322,636	622,119	1,215,386
Other	2,406	1,580	274	52	2,725	2,238	1,952	1,452	10,104	7,726
Total Current Liabilities	153,747	256,000	15,576	11,579	248,105	371,265	292,018	415,381	1,272,938	1,866,413
Non-Current Liabilities										
Borrowings	21,996	15,191	1,851	879	30,820	17,683	28,655	13,281	151,860	96,014
Provisions	980	9,526	142	346	893	13,514	681	20,067	3,935	53,245
Other	3,101	3,061	139	57	13,309	14,287	6,763	6,453	54,174	65,353
Total Non-Current Liabilities	26,077	27,778	2,132	1,282	45,022	45,484	36,099	39,801	209,969	214,612
Total Liabilities	179,824	283,778	17,708	12,861	293,127	416,749	328,117	455,182	1,482,907	2,081,025
Net Assets	**501,054**	**449,421**	**20,076**	**10,682**	**1,150,984**	**964,793**	**899,265**	**625,177**	**4,987,844**	**3,916,863**

*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 (ac),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 2011

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	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
90,254	60,467	98,251	94,588	19,256	11,184	83,269	132,350	–	–	1,125,145	886,595
28,500	17,530	44,548	30,981	25,542	5,791	27,701	24,092	–	–	506,979	409,806
5,526	4,116	5,793	6,001	34,932	35,967	5,556	2,967	–	–	126,387	128,172
11,734	8,334	13,234	9,367	5,293	1,819	27,216	6,527	–	–	207,451	124,318
2,405	1,990	6,561	1,980	703	298	6,421	295	–	–	46,698	39,011
138,419	92,437	168,387	142,917	85,726	55,059	150,163	166,231	–	–	2,012,660	1,587,902
551	214	1,744	1,040	603	160	854	1,610	–	–	12,459	12,458
2,641	814	2,249	1,226	606	88	8,193	1,132	–	–	40,464	10,605
822,752	801,998	691,431	749,851	87,463	146,946	345,553	284,171	–	–	9,190,564	9,027,188
69,118	53,007	82,082	62,150	9,865	10,883	19,741	23,465	–	–	835,574	742,086
32,280	27,643	37,066	27,451	2,259	5,154	10,844	13,261	–	–	344,767	357,779
17,774	15,426	18,025	24,592	3,658	1,246	9,522	4,051	–	–	225,226	172,290
1,586	1,305	2,315	1,517	498	298	1,476	1,070	–	–	24,636	24,636
946,702	900,407	834,912	867,827	104,952	164,775	396,183	328,760	–	–	10,673,690	10,347,042
1,085,121	992,844	1,003,299	1,010,744	190,678	219,834	546,346	494,991	–	–	12,686,350	11,934,944
64,840	32,978	97,502	57,468	35,783	10,970	49,549	27,194	–	–	1,143,407	967,143
1,231	1,292	2,359	1,318	130	384	155	587	–	–	12,009	14,355
132,133	259,099	104,311	229,241	27,904	63,661	76,331	150,173	–	–	1,401,735	2,760,457
2,903	1,972	3,626	2,072	282	361	708	1,287	–	–	24,980	18,740
201,107	295,341	207,798	290,099	64,099	75,376	126,743	179,241	–	–	2,582,131	3,760,695
26,631	17,078	175,283	75,105	3,550	3,414	8,456	7,376	–	–	449,102	246,021
1,271	11,031	1,453	10,149	77	2,992	92	6,897	–	–	9,524	127,767
11,733	11,106	9,712	9,068	1,125	807	11,046	10,906	–	–	111,102	121,098
39,635	39,215	186,448	94,322	4,752	7,213	19,594	25,179	–	–	569,728	494,886
240,742	334,556	394,246	384,421	68,851	82,589	146,337	204,420	–	–	3,151,859	4,255,581
844,379	**658,288**	**609,053**	**626,323**	**121,827**	**137,245**	**400,009**	**290,571**	**–**	**–**	**9,534,491**	**7,679,363**

Financial Report

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2011

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 the Area Health Services (operative to 31 December 2010), the 15 Local Health Networks established from 1 January 2011, the Sydney Children's Hospital Network, the Justice Health Service, the Clinical Excellence Commission (CEC), the Bureau of Health Information, the Agency for Clinical Innovation (ACI), the Clinical Education and Training Institute, the Albury Base Hospital, the Albury Wodonga Health (Employment Division) and the Health Administration Corporation (which includes the operations of the Ambulance Service of NSW, Health Support Services, Health Infrastructure and ACI-CEC Policy and Technical Support). All of these entities have been constituted under the *Health Services Act 1997*. The Department also controls the Graythwaite Trust which was established per Supreme Court order. All of the above are reporting entities in their own right.

The reporting economic entity is based on the control exercised by the Department, and, accordingly, encompasses Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or donor, are nevertheless controlled by the entities referenced above.

(b) The Department's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Department.

(c) The consolidated accounts are those of the consolidated entity comprising the Department of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.

(d) The 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 2011 have been authorised for issue by the Chief Financial Officer and Director-General on 18 November 2011.

2. Summary of Significant Accounting Policies

Basis of Preparation

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.

Statement of Compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

New accounting standards issued but not yet effective

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.

AASB 2010-07, Financial Instruments, arising from the issuance of AASB 9, Financial Instruments, in AASB 2009-5 in December 2010, has mandatory application from 1 July 2013 and will not be early adopted by the Department.

AASB 124 and AASB 2009-12, Related Party Transactions, have application from 1 July 2011 but are assessed as having no material impact on the Department.

AASB 2009-14, Amendments to Australian Interpretation - Prepayment of a Minimum Funding Requirement, has application from 1 July 2011 and principally addresses contributions relating to future service. It has no impact on the Department.

AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury.

AASB 2010-04, Annual Improvements, has application from 1 July 2011 and is assessed as having no material impact on the Department.

AASB 2010-5, Editorial Corrections, applies from 1 July 2011 and principally addresses editorial amendments to a range of Australian Accounting Standards and Interpretations. It is assessed as having no impact on the Department.

AASB 2010-6, Disclosures on Transfers of Financial Assets, has mandatory application from 1 July 2011 and is assessed as having no impact on the Department.

AASB 2010-8, Deferred Tax Recovery of Underlying Assets, has mandatory application from 1 July 2012 but will have no impact on the Department.

AASB 2010-9, Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters, has application from 1 July 2011 and is assessed as having no impact on the Department.

AASB 2010-10, Removal of Fixed Dates for First Time Adopters, has application from 1 July 2013 and is assessed as having no 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 between 15.3% to 21.1% are applied to the value of leave payable at 30 June 2011, such on-costs being consistent with actuarial assessment (comparable on-costs for 30 June 2010 were 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

Responsibility for Long Service Leave liability transferred to the Crown Entity with effect from 31 December 2010. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are now assumed by the Crown Entity. However, the Department still maintains responsibility for liabilities accrued on future leave taken in service (consequential factors), e.g. workers compensation, superannuation and annual leave.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

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.

(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 AASB 139, *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117, *Leases* on a straight line basis over the lease term. Dividend revenue is recognised in accordance with *AASB 118 Revenue* when the Department's right to receive payment is established.

Royalty revenue is recognised in accordance with *AASB 118* 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.

(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.

(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 AASB 116, Property, Plant and Equipment and AASB 140, 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's policy is to revalue Land and Buildings and Infrastructure 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. As a result of the health sector restructure in 2010/11 those Local Health Networks within the former North Sydney Central Coast Area Health Service and Sydney West Area Health Service were permitted to defer formal valuation until 2011/12 given that the frequency of valuations was still within Treasury policy requirements of valuations every five years at minimum, the Health Services were able to demonstrate that assets were still reported at fair value and formal revaluations were scheduled for completion early in the 2011/12 year.

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 AASB 136, *Impairment of Assets* and impairment testing. This is because *AASB 136* modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(l) Maintenance

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

(m) Leased Assets

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the 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, adjusted when applicable, for any loss of service potential. 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, de-recognised 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.

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*.

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 and Reserves

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with Department's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

Accumulated Funds

The category, "Accumulated Funds", includes all current and prior period retained funds.

(aa) 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.

(ab) Emerging Assets

The NSW Department of Health's emerging interest in car parks and hospitals has 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.

(ac) 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 2010 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 & Equipment.

3. Employee Related Expenses

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Employee related expenses comprise the following specific items:		
104,190	98,911	Salaries and Wages	7,423,046	6,955,611
2,949	3,306	Superannuation – Defined Benefit Plans	170,743	152,254
8,455	4,500	Superannuation – Defined Contribution Plans	614,077	566,981
3,192	3,404	Long Service Leave	292,338	351,195
6,578	7,866	Recreation Leave	777,128	715,417
630	1,017	Workers' Compensation Insurance	139,532	124,986
6,015	5,830	Payroll Tax and Fringe Benefits Tax	7,221	6,601
–	–	Death and Disability	8,894	12,625
132,009	**124,834**		**9,432,979**	**8,885,670**
		The following additional information is provided:		
–	–	Employee Related Expenses Capitalised - Land and Buildings	–	766
–	–	Employee Related Expenses Capitalised - Intangibles	5,695	6,754
–	**–**		**5,695**	**7,520**

4. Other Operating Expenses

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
–	–	Blood and Blood Products	88,465	82,567
910	429	Domestic Supplies and Services	72,933	91,600
105,285	111,552	Drug Supplies	650,792	614,208
–	–	Food Supplies	115,322	88,324
447	507	Fuel, Light and Power	144,209	112,766
161,035	58,940	General Expenses (b)	279,097	187,355
10,067	7,071	Information Management Expenses	181,909	106,617
194,507	195,698	Insurance	217,121	218,193
170,946	45,405	Interstate Patient Outflows, NSW*	198,015	184,210
654	1,952	Medical and Surgical Supplies	641,157	648,248
		Maintenance (c)		
1,535	1,016	Maintenance Contracts	117,359	107,901
656	1,033	New/Replacement Equipment under Capitalisation Threshold	151,266	123,378
2,548	3,080	Maintenance and Repairs Non Contract	87,734	111,974
–	1	Operating Lease Motor Vehicles - Minimum Lease Payments	55,985	40,071
2,024	1,868	Postal and Telephone Costs	44,800	50,638
3,168	2,659	Printing and Stationery	45,866	43,062
240	706	Rates and Charges	23,261	16,737
6,090	6,701	Rental	52,503	46,057
99	674	Special Service Departments	240,675	348,260
13,468	14,764	Staff Related Costs	109,979	70,640
–	–	Sundry Operating Expenses (a)	206,787	207,767
2,280	2,450	Travel Related Costs	71,411	79,830
–	–	Visiting Medical Officers	595,300	554,983
675,959	**456,506**		**4,391,946**	**4,135,386**

4. Other Operating Expenses (continued)

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		In 2010-11 a uniform mapping methodology was utilised across all entities under the control of the Department. In some cases this has resulted in movements within reportable line items from the previous year's comparatives. The changes have no impact on the overall value of Net Cost of Services reported.		
		**With effect from 1 January 2011 the Department assumed responsibility for all payments made for treatment provided to NSW residents by other states and territories. The cost was formerly borne by Area Health Services.*		
		(a) Sundry Operating Expenses comprise:		
–	–	Aircraft Expenses (Ambulance)	62,071	60,843
–	–	Contract for Patient Services	134,012	136,340
–	–	Isolated Patient Travel and Accommodation Assistance Scheme	10,704	10,584
–	**–**		**206,787**	**207,767**
		(b) General Expenses include:		
8,160	5,221	Advertising	12,864	9,504
25,469	–	Bad Debt expense*	25,469	–
200	185	Books, Magazines and Journals	6,653	7,085
		Consultancies		
2,290	1,077	– Operating Activities	14,241	15,337
101	713	– Capital Works	2,471	2,405
1,947	1,925	Courier and Freight	16,862	15,088
350	326	Auditors Remuneration – Audit of Financial Statements	5,661	3,895
68,959	–	Forgiveness of prior health service debt to the Department	–	–
1,103	989	Legal Services	7,094	6,834
107	211	Membership/Professional Fees	4,269	4,749
–	–	Operating Leases (excl. Motor Vehicles)	34,444	28,236
–	–	Payroll Services	290	249
–	–	Private/Public Partnership Operating Expenses	54,059	41,972
354	347	Security Services	10,700	10,711
368	120	Translator Services	4,195	2,935
–	–	Quality Assurance/Accreditation	4,319	3,821
415	199	Data Recording and Storage	4,981	3,572
		**The Bad Debt expense includes $21.1 million for Elective Surgery Waiting Lists. The Department had recognised this amount as revenue in 2009/10 having satisfied the Commonwealth's criteria for payment. Monies were ultimately received in 2010/11 by Treasury which provided the due funds to the Department within the level of Consolidated Fund support.*		
		(c) Reconciliation – Total Maintenance		
4,739	5,129	Maintenance Expense – Contracted Labour and Other (Non-Employee Related), included in Note 4 above	356,359	343,254
–	75	Employee Related Maintenance Expense included in Note 3	25,833	59,941
4,739	**5,204**	**Total Maintenance Expenses included in Notes 3 and 4**	**382,192**	**403,195**

5. Depreciation and Amortisation

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
2,241	2,223	Depreciation – Buildings	322,229	296,953
1,343	1,774	Depreciation – Plant and Equipment	167,932	158,754
–	–	Depreciation – Infrastructure Systems	15,869	14,477
–	–	Amortisation – Leased Buildings	1,992	3,080
–	392	Amortisation – Intangibles	17,116	19,341
3,584	**4,389**		**525,138**	**492,605**

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2011

6. Grants and Subsidies

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
23,996	19,914	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service net of payments recognised in Note 4	23,996	19,914
140,917	–	Operating Payments to Other Affiliated Health Organisations*	546,890	491,628
6,332	6,866	Capital Payments to Affiliated Health Organisations	9,765	10,077
		Grants-		
141,645	138,933	Cancer Institute NSW	141,645	138,933
9,118	10,425	External Research	11,120	11,932
4,201	4,490	NSW Institute of Psychiatry	4,490	4,490
96	1,993	National Drug Strategy	96	1,993
73,368	65,837	Non-Government Voluntary Organisations	151,894	144,088
11,912,886	11,597,280	Payments to Controlled Health Entities	–	–
68,692	63,292	Other Payments	142,264	116,252
12,381,251	**11,909,030**		**1,032,160**	**939,307**

*Responsibility for payment of the St Vincents Mater Group of hospitals transferred to the Department from 1 January 2011.

In previous years the grant payments were made by Area Health Services.

7. Finance Costs

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
–	–	Finance Lease Interest Charges	34,728	470
–	–	Other Interest Charges*	7,083	27,353
–	**–**		**41,811**	**27,823**

The increase in 2010/11 reflects the progression of private/public partnership funding arrangements.

8. Sale of Goods and Services

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		(a) Sale of Goods comprise the following:-		
–	–	Sale of Prosthesis	47,879	44,728
–	–	Cafeteria/Kiosk	20,903	17,232
–	–	Linen Service Revenues – Non-Health Services	9,282	9,586
–	–	Meals on Wheels	2,149	2,203
–	–	Pharmacy Sales	7,251	7,136

8. Sale of Goods and Services (continued)

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		(b) Rendering of Services comprise the following:		
–	–	Patient Fees	528,168	418,984
–	–	Staff-Meals and Accommodation	7,634	6,636
		Infrastructure Fees		
–	–	– Monthly Facility Charge	239,398	219,878
–	–	– Annual Charge	72,122	72,705
65,886	53,214	Department of Veterans' Affairs Agreement Funding	306,686	315,358
–	–	Ambulance Non-Hospital User Charges	70,988	68,402
–	–	Use of Ambulance Facilities	3,772	3,581
–	–	Motor Accident Authority Third Party Receipts	96,549	78,203
–	–	Car Parking	17,442	20,444
–	–	Child Care Fees	10,199	10,059
–	–	Clinical Services	12,674	41,019
–	–	Commercial Activities	29,236	50,328
–	–	Fees for Medical Records	1,854	2,350
–	–	Services Provided to Non-NSW Health Organisations	24,610	21,823
–	–	Highly Specialised Drugs	190,973	191,449
–	–	PADP Patient Co-payments	189	573
4,846	3,298	Personnel Services – Institute of Psychiatry	4,846	3,298
10,354	6,830	Personnel Services – Health Professional Councils Authority	10,354	6,830
525	978	Patient Inflows from Interstate	525	978
23,132	8,298	Other	93,032	47,346
104,743	**72,618**		**1,808,715**	**1,661,129**

In 2010-11 a uniform mapping methodology was utilised across all entities under the control of the Department. In some cases this has resulted in movements within reportable line items from the previous year's comparatives. The changes have no impact on the overall value of Net Cost of Services reported.

9. Investment Revenue

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		Interest		
–	–	– TCorp Hour-Glass Investment Facilities Designated at Fair Value through Profit or Loss	16,174	27,654
12,656	13,147	– Treasury Banking System	12,656	13,147
		– Other	31,890	13,450
–	–	Lease and Rental Income	21,436	17,399
–	–	Royalties	241	91
–	1,903	Other	8,172	2,678
12,656	**15,050**		**90,569**	**74,419**

10. Grants and Contributions

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
–	–	Clinical Drug Trials	18,518	20,515
13,638	44,303	Commonwealth Government Grants	73,735	92,170
–	23,430	Health Super Growth	–	23,430
–	–	Industry Contributions/Donations	66,540	68,872
–	–	NSW Government Grants	18,457	18,742
5,553	5,670	Grants from Cancer Institute of NSW	57,281	59,984
–	100	Research Grants	25,672	37,659
–	–	University Commission Grants	236	457
9,377	9,377	Other Grants	53,158	46,145
28,568	**82,880**		**313,597**	**367,974**

11. Other Revenue

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Other Revenue comprises the following:		
3	–	Commissions	2,265	2,315
–	–	Conference and Training Fees	5,270	6,101
473	477	Treasury Managed Fund Hindsight Adjustment	29,934	21,973
–	–	Sale of Merchandise, Old Wares and Books	734	500
6,064	4,711	Sundry Revenue	49,773	45,963
6,540	**5,188**		**87,976**	**76,852**

12. Gain/(Loss) on Disposal

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
7,036	2,776	Property, Plant and Equipment	224,182	323,475
(6,157)	(1,147)	Less Accumulated Depreciation	(180,313)	(271,363)
879	**1,629**	**Written Down Value**	**43,869**	**52,112**
(600)	(360)	Less Proceeds from Disposal	(17,326)	(20,411)
(279)	**(1,269)**	**Loss on Disposal of Property, Plant and Equipment**	**(26,543)**	**(31,701)**
108,880	45,119	Financial Assets at Fair Value	–	19,652
(108,880)	(45,119)	Less Proceeds from Disposal	–	(19,652)
–	**–**	**Gain/(Loss) on Disposal of Financial Assets at Fair Value**	**–**	**–**
–	–	Intangible Assets	–	683
–	–	Less Accumulated Amortisation	–	(138)
		Written Down Value	**–**	**545**
–	–	Less Proceeds from Disposal	–	–
–	**–**	**Loss on Disposal of Intangible Assets**	**–**	**(545)**
–	–	Assets Held for Sale	2,412	23,791
–	–	Less Proceeds from Disposal	(2,393)	(46,318)
–	**–**	**Gain/(Loss) on Disposal of Assets Held for Sale**	**(19)**	**22,527**
(279)	**(1,269)**	**Total Loss on Disposal**	**(26,562)**	**(9,719)**

13. Other Losses

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
–	(82)	Impairment of Receivables	(46,643)	(44,332)
–	–	Write off of Shares	–	–
–	–	Decrement on Land Revaluation	(3,087)	–
–	**(82)**		**(49,730)**	**(44,332)**

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	22,559	146,626	54,638	223,823
Contributions recognised in previous years which were not expended in the current financial year	129,048	379,481	102,150	610,679
Total amount of unexpended contributions as at balance date	**151,607**	**526,107**	**156,788**	**834,502**

Comment on restricted assets appears in Note 27.

15. Appropriations

	PARENT AND CONSOLIDATED 2011 $000	2010 $000
Recurrent Appropriations		
Total Recurrent Draw-Downs from NSW Treasury (per Summary of Compliance)	12,546,945	11,708,076
Total	**12,546,945**	**11,708,076**
Comprising:		
Recurrent Appropriations (per Statement of Comprehensive Income)	12,546,945	11,708,076
Total	**12,546,945**	**11,708,076**
Capital Appropriations		
Total Capital Draw-Downs from NSW Treasury (per Summary of Compliance)	479,596	447,373
Total	**479,596**	**447,373**
Comprising:		
Capital Appropriations (per Statement of Comprehensive Income)	479,596	447,373
Total	**479,596**	**447,373**

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

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
2,949	3,306	Superannuation – Defined Benefit	170,743	152,254
3,192	3,404	Long Service Leave*	165,290	3,404
161	187	Payroll Tax	161	187
6,302	**6,897**		**336,194**	**155,845**

* With effect from 31 December 2010 the Crown Entity assumed responsibility for the Long Service Leave liability of all Health Services controlled by the NSW Department of Health.

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 Local Health Networks 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 Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to 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 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 Local Health Networks 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 coordination 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.

18. Cash and Cash Equivalents

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Current		
235,104	61,616	Cash at Bank and On Hand	795,971	342,319
–	–	Short Term Deposits	329,174	544,276
235,104	**61,616**		**1,125,145**	**886,595**
		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:		
235,104	61,616	Cash and Cash Equivalents (per Statement of Financial Position)	1,125,145	886,595
235,104	**61,616**	**Closing Cash and Cash Equivalents (per Statement of Cash Flows)**	**1,125,145**	**886,595**
		Refer to Note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.		

19. Receivables

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Current		
34,416	52,659	(a) Sale of Goods and Services	274,263	266,259
6,840	1,901	Goods and Services Tax	161,464	74,031
1,055	1,016	Personnel Services – Institute of Psychiatry	1,055	1,016
714	755	Personnel Services – HPCA	714	755
19,139	30,454	Other Debtors	92,954	88,278
62,164	**86,785**	**Sub Total**	**530,450**	**430,339**
(1,016)	(171)	Less Allowance for Impairment	(60,032)	(57,623)
1,708	3,314	Prepayments	36,561	37,090
62,856	**89,928**		**506,979**	**409,806**
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(171)	(96)	Balance at 1 July	(48,057)	(40,402)
171	7	Amounts written off during the year	46,219	32,543
–	–	Amounts recovered during the year	–	52
(1,016)	(82)	(Increase)/decrease in allowance recognised in result for the year	(44,263)	(40,250)
(1,016)	**(171)**	**Balance at 30 June**	**(46,101)**	**(48,057)**
		(c) Movement in the Allowance for Impairment		
		Other Debtors		
–	–	Balance at 1 July	(9,566)	(6,296)
–	–	Amounts written off during the year	2,034	803
–	–	Amounts recovered during the year	(657)	1
–	–	(Increase)/decrease in allowance recognised in result for the year	(5,456)	(4,074)
–	**–**	**Balance at 30 June**	**(13,645)**	**(9,566)**
		Non-Current		
–	–	(a) Sale of Goods and Services	569	849
–	–	Other Debtors	34	–
–	–	**Sub Total**	**603**	**849**
–	–	Less Allowance for Impairment	(286)	(275)
–	–	Prepayments	12,142	11,884

19. Receivables (continued)

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
–	–		12,459	12,458
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
–	–	Balance at 1 July	(275)	(526)
–	–	Amounts written off during the year	–	251
–	–	(Increase)/decrease in allowance recognised in result for the year	(11)	–
–	**–**	**Balance at 30 June**	**(286)**	**(275)**
		(c) Movement in the Allowance for Impairment		
		Other Debtors		
–	–	Balance at 1 July	–	–
–	–	Amounts written off during the year	–	8
–	–	(Increase)/decrease in allowance recognised in result for the year	–	(8)
–	**–**	**Balance at 30 June**	**–**	**–**
		Receivables (both Current and Non-Current) includes:		
–	–	Patient Fees – Compensable	17,401	16,685
–	–	Patient Fees – Ineligibles	30,623	19,950
–	–	Patient Fees – Other	77,941	59,070

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 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		Current – Held for Distribution		
26,217	29,134	Drugs	79,499	67,644
6,057	5,637	Medical and Surgical Supplies	41,361	54,341
–	–	Food Supplies	29	1,115
–	–	Engineering Supplies	384	493
–	–	Other Including Goods in Transit	5,114	4,579
32,274	**34,771**		**126,387**	**128,172**

21. Financial Assets at Fair Value

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Current		
–	–	TCorp Hour-Glass Investment Facilities	207,451	124,318
–	**–**		**207,451**	**124,318**
		Non-Current		
–	–	TCorp Hour-Glass Investment Facilities	40,464	10,605
–	**–**		**40,464**	**10,605**

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	
2011 $000	2010 $000		2011 $000	2010 $000
		Current		
12,438	64,216	Advances Receivable – Intra Health	–	–
12,438	**64,216**		–	–
		Non-Current		
344	57,453	Advances Receivable – Intra Health	–	–
344	**57,453**		–	–

Note 4(b) includes an expense item of $69M in respect of the forgiveness of prior Health Service debt to the Department. Refer to Note 40 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

23. Other Assets

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Non-Current		
–	–	Emerging Rights to Assets (Refer to Note 2 (ab))	24,636	24,636
–	–		**24,636**	**24,636**

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.

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

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		Assets Held for Sale		
–	–	Land and Buildings	46,587	38,716
–	–	Infrastructure Systems	111	295
–	**–**		**46,698**	**39,011**
		Amounts Recognised in Equity Relating to Assets Held for Sale		
–	–	Available for Sale Financial Asset Revaluation Increments/(Decrements)	–	15,371
–	**–**		**–**	**15,371**

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	
	2011 $000	2010 $000
Land and Buildings – Fair Value		
Gross Carrying Amount	201,649	206,985
Less Accumulated Depreciation and Impairment	(71,733)	(75,241)
Net Carrying Amount	**129,916**	**131,744**
Plant and Equipment – Fair Value		
Gross Carrying Amount	26,668	25,630
Less Accumulated Depreciation and Impairment	(21,992)	(20,649)
Net Carrying Amount	**4,676**	**4,981**
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	**134,592**	**136,725**

25. Property, Plant and Equipment – Reconciliation

	PARENT			
	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	TOTAL $000
Year Ended 30 June 2011				
Net Carrying Amount at Start of Year	67,060	64,684	4,981	**136,725**
Additions	–	413	1,917	**2,330**
Disposals	–	–	(879)	**(879)**
Depreciation Expense	–	(2,241)	(1,343)	**(3,584)**
Net Carrying Amount at End of Year	**67,060**	**62,856**	**4,676**	**134,592**
Year Ended 30 June 2010				
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)**
Net Carrying Amount at End of Year	**67,060**	**64,684**	**4,981**	**136,725**

All Land and Buildings for the parent entity were valued by the Department of Finance and Services independently of the Department on 1 July 2009.
Plant and Equipment is predominantly recognised on the basis of depreciated cost.

25. Property, Plant and Equipment

	CONSOLIDATED	
	2011 $000	2010 $000
Land and Buildings – Fair Value		
Gross Carrying Amount	15,846,755	15,442,263
Less Accumulated Depreciation and Impairment	(6,656,191)	(6,415,075)
Net Carrying Amount	**9,190,564**	**9,027,188**
Plant and Equipment – Fair Value		
Gross Carrying Amount	2,573,260	1,909,048
Less Accumulated Depreciation and Impairment	(1,737,686)	(1,166,962)
Net Carrying Amount	**835,574**	**742,086**
Infrastructure Systems – Fair Value		
Gross Carrying Amount	628,221	625,364
Less Accumulated Depreciation and Impairment	(283,454)	(267,585)
Net Carrying Amount	**344,767**	**357,779**
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	**10,370,905**	**10,127,053**

25. Property, Plant and Equipment – Reconciliation

	CONSOLIDATED					
	LAND $000	BUILDINGS $000	LEASED BUILDINGS $000	PLANT AND EQUIPMENT $000	INFRASTRUCTURE SYSTEMS $000	TOTAL $000
Year Ended 30 June 2011						
Net Carrying Amount at Start of Year	1,593,862	7,369,896	63,430	742,086	357,779	**10,127,053**
Additions	4,873	453,125	–	285,120	2,857	**745,975**
Assets Held for Sale	(10,099)	–	–	–	–	**(10,099)**
Disposals	(6,188)	(14,031)	–	(23,650)	–	**(43,869)**
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	7,195	52,722	–	–	–	**59,917**
Depreciation Expense	–	(322,229)	(1,992)	(167,932)	(15,869)	**(508,022)**
Reclassification of Intangibles	–	–	–	(50)	–	**(50)**
Net Carrying Amount at End of Year	**1,589,643**	**7,539,483**	**61,438**	**835,574**	**344,767**	**10,370,905**
Year Ended 30 June 2010						
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)**
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	8,971	237,361	4,663	–	29,953	**280,948**
Administrative Transfers	(20,226)	–	–	–	–	**(20,226)**
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)**
Net Carrying Amount at End of Year	**1,593,862**	**7,369,896**	**63,430**	**742,086**	**357,779**	**10,127,053**

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 Department of Finance and Services.

26. Intangible Assets

	PARENT	
	2011 $000	2010 $000
Software		
Cost (Gross Carrying Amount)	–	2,117
Less Accumulated Amortisation and Impairment	–	(2,117)
Total Intangible Assets at Net Carrying Amount	**–**	**–**

26. Intangibles – Reconciliation

	PARENT
	Software $000
Year Ended 30 June 2011	
Net Carrying Amount at Start of Year	–
Net Carrying Amount at End of Year	**–**

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

26. Intangible Assets

	CONSOLIDATED	
	2011 $000	2010 $000
Software		
Cost (Gross Carrying Amount)	331,622	261,570
Less Accumulated Amortisation and Impairment	(106,396)	(89,280)
Net Carrying Amount	**225,226**	**172,290**
Other		
Cost (Gross Carrying Amount)	–	139
Less Accumulated Amortisation and Impairment	–	(139)
Net Carrying Amount	**–**	**–**
Total Intangible Assets at Net Carrying Amount	**225,226**	**172,290**

26. Intangibles – Reconciliation

	CONSOLIDATED		
	SOFTWARE $000	OTHER $000	TOTAL $000
Year Ended 30 June 2011			
Net Carrying Amount at Start of Year	172,290	–	**172,290**
Additions – Internal Development	70,002	–	**70,002**
Reclassifications From Plant and Equipment	50	–	**50**
Amortisation (Recognised in Depreciation and Amortisation)	(17,116)	–	**(17,116)**
Disposals	–	–	**–**
Net Carrying Amount at End of Year	**225,226**	**–**	**225,226**
Year Ended 30 June 2010			
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)**
Net Carrying Amount at End of Year	**172,290**	**–**	**172,290**

27. Restricted Assets

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
		The Department's financial statements include the following assets which are restricted by externally imposed conditions, e.g. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.		
–	–	Specific Purposes	378,850	367,308
–	–	Perpetually Invested Funds	6,972	6,905
–	–	Research Grants	162,630	164,602
–	–	Private Practice Funds	249,839	221,536
–	–	Other	36,211	35,891
–	**–**		**834,502**	**796,242**

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.

28. Payables

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		Current		
1,260	1,022	Accrued Salaries, Wages and On-Costs	147,339	138,681
395	682	Taxation and Other Payroll Deductions	150,180	76,769
61,465	54,121	Superannuation Guarantee Charge Payables	75,836	54,121
78,973	51,750	Creditors	698,785	606,933
		Other Creditors		
–	–	– Capital Works	71,267	90,639
65,234	77,816	– Intra Health Liability	–	–
207,327	**185,391**		**1,143,407**	**967,143**

29. Borrowings

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		Current		
–	–	Treasury Advances Repayable – Secured	1,901	3,145
–	–	Finance Leases [See note 32(d)] – Secured	2,501	4,477
–	–	Other- Long Bay PPP	978	799
–	–	Other- Mater PPP	6,629	5,934
–	**–**		**12,009**	**14,355**
		Non-Current		
–	–	Treasury Advances Repayable – Secured	4,626	3,557
–	–	Finance Leases [See note 32(d)] – Secured	9,000	10,688
–	–	ANZAC Foundation loan from Sydney University	1,568	1,822
–	–	Other- Long Bay PPP	82,043	83,117
–	–	Other- Mater PPP	140,208	146,837
–	–	Other- Orange PPP	162,092	–
–	–	Other- Royal North Shore PPP	49,565	–
–	**–**		**449,102**	**246,021**

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

30. Provisions

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		Current Employee Benefits and Related On-Costs		
7,406	7,976	Recreation Leave – Short Term Benefit	727,607	703,855
4,099	4,749	Recreation Leave – Long Term Benefit	570,669	505,908
62	342	Long Service Leave – Short Term Benefit *	354	133,053
558	3,078	Long Service Leave – Long Term Benefit *	3,717	1,326,096
–	–	Death and Disability (Ambulance Service of NSW)	7,719	7,151
–	–	Sick Leave – Long Term Benefit	427	596
2,625	–	Long Service Leave Consequential Factors	91,242	83,798
14,750	**16,145**	**Total Current Provisions**	**1,401,735**	**2,760,457**
		Non-Current Employee Benefits and Related On-Costs		
91	407	Long Service Leave – Conditional *	409	118,076
–	–	Sick Leave – Long Term Benefit	56	56
–	–	Death and Disability (Ambulance Service of NSW)	2,854	2,854
331	–	Long Service Leave Consequential Factors	6,205	6,781
422	**407**	**Total Non-Current Provisions**	**9,524**	**127,767**
		Aggregate Employee Benefits and Related On-Costs		
14,750	16,145	Provisions – Current	1,401,735	2,760,457
422	407	Provisions – Non-Current	9,524	127,767
78,291	55,825	Accrued Salaries, Wages and On-Costs (refer to Note 28)	373,355	249,378
93,463	**72,377**		**1,784,614**	**3,137,602**

*The decrease in Long Service Leave liability results from acceptance of the liability by the Crown Entity from 31 December 2010. From that date the liability is restricted to consequential employment factors only.

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 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		Current		
2,427	–	Income in Advance	24,980	18,702
–	–	Other	–	38
2,427	**–**		**24,980**	**18,740**
		Non-Current		
63,113	69,070	Income in Advance	110,405	119,996
697	–	Other	697	1,102
63,810	**69,070**		**111,102**	**121,098**

At 30 June 2011 the Department held $65.354 Million as Income in Advance relating to licensing rights for the future use of the Royal North Shore Hospital car park. At Consolidated level, the Income in Advance principally relates to the Royal North Shore Car Park and 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 and the provision and operation of private facilities and car parks.

32. Commitments for Expenditure

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $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	141,063	326,432
–	–	Later than one year and not later than five years	181,429	348,717
–	–	Later than five years	2,102,698	2,778,631
–	**–**	**Total Capital Expenditure Commitments (Including GST)**	**2,425,190**	**3,453,780**

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

	2011 $000	2010 $000
Not later than one year	655,351	807,105
Later than one year and not later than five years	1,172,052	1,675,388
Later than five years	44,918	–
Total Capital Program	**1,872,321**	**2,482,493**

However, Contractual Commitments are confined to the values reported above for 2011 ($2.425 billion) and 2010 ($3.454 billion).

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for at balance date and not provided for:		
56,563	50,058	Not later than one year	321,858	387,930
42,069	18,731	Later than one year and not later than five years	514,338	563,189
1,189	–	Later than five years	3,559,107	3,852,480
99,821	**68,789**	**Total Other Expenditure Commitments (Including GST)**	**4,395,303**	**4,803,599**

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

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32. Commitments for Expenditure (continued)

PARENT 2011 $000	PARENT 2010 $000		CONSOLIDATED 2011 $000	CONSOLIDATED 2010 $000
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
7,377	7,128	Not later than one year	145,035	123,054
15,950	23,279	Later than one year and not later than five years	271,458	248,023
–	–	Later than five years	159,716	40,628
23,327	**30,407**	**Total Operating Lease Commitments (Including GST)**	**576,209**	**411,705**
		The operating leases include motor vehicles arranged through a lease facility negotiated by NSW Treasury as well as electro medical equipment. Operating leases have also been included for information technology equipment. These operating lease commitments are not recognised in the financial statements as liabilities.		
		(d) Finance Lease Commitments		
		Minimum lease payment (Including GST) commitments in relation to finance leases are payable as follows:		
–	–	Not later than one year	48,101	4,913
–	–	Later than one year and not later than five years	203,012	15,556
–	–	Later than five years	933,934	265
–	**–**	**Minimum Lease Payments (Including GST)**	**1,185,047**	**20,734**
–	–	Less: Future Financing Charges	(624,298)	(3,684)
–	–	Less: GST Component	(107,733)	(1,885)
–	**–**	**Present Value of Minimum Lease Payments**	**453,016**	**15,165**
–	–	Current (Note 29)	9,130	4,477
–	–	Non-Current (Note 29)	443,886	10,688
–	**–**		**453,016**	**15,165**
		The present value of finance lease commitments is as follows:		
–	–	Not later than one year	9,130	4,477
–	–	Later than one year and not later than five years	50,740	10,475
–	–	Later than five years	393,146	213
–	**–**		**453,016**	**15,165**
		The finance lease commitment is in respect of the Hawkesbury Private Hospital. The term of the lease is 20 years and is expected to expire in 2016 at which time the ownership of the buildings transfers to the NSW State Government.		

(e) Contingent Asset Related to Commitments for Expenditure

The total "Commitments for Expenditure" above includes input tax credits of $11M in relation to the Parent Entity and $780M in relation to NSW Health that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2009/10 are $9M and $790M 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 former 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 the Hunter New England Local Health Network (HNELHN) 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 HNELHN 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 (now transferred to the HNELHN) 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 liability (Borrowings)

NOMINAL	2011 $000	2010 $000
Not later than one year	7,292	6,527
Later than one year and not later than five years	39,264	34,831
Later than five years	114,965	126,690

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

NOMINAL	2011 $000	2010 $000
Not later than one year	5,065	4,637
Later than one year and not later than five years	17,601	18,788
Later than five years	30,814	33,921

(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	2011 $000	2010 $000
Not later than one year	26,634	26,414
Later than one year and not later than five years	112,611	107,059
Later than five years	532,685	565,643

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 $81M (2010: $83M) are expected to be recoverable from the Australian Taxation Office.

(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 was a joint project between the NSW Department of Health and the 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 are being 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	2011 $000	2010 $000
Not later than one year	1,076	973
Later than one year and not later than five years	5,574	5,039
Later than five years	84,685	86,296

(b) Capital Commitments – PPP interest

NOMINAL	2011 $000	2010 $000
Not later than one year	9,698	9,801
Later than one year and not later than five years	37,521	38,056
Later than five years	107,501	116,663

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

NOMINAL	2011 $000	2010 $000
Not later than one year	8,704	8,560
Later than one year and not later than five years	40,213	38,679
Later than five years	272,860	283,098

The expenditure commitments include Goods and Services Tax. Related input tax credits of $52M (2010: $53M) 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.

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.

Upon completion of construction of the new facilities including the Orange Hospital in March 2011 Western NSW Local Health Network (LHN) recognised these 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 Western NSW LHN for the duration of the term until December 2035.

In addition, Western NSW LHN recognised 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.

The construction costs of the extended works due to the State variations were progressively paid outside of the PPP financing during construction. Western NSW LHN recognised the extended works as its assets at the completion of construction in March 2011.

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

(a) Repayment of PPP Non-current Liability (Borrowing) Orange Hospital and Various Facilities

NOMINAL	2011 $000	2010 $000
Not later than one year	–	–
Later than one year and not later than five years	–	–
Later than five years	178,300	–

(b) Capital Commitments – New Orange Hospital and Health Facilities

NOMINAL	2011 $000	2010 $000
Not later than one year	15,896	22,663
Later than one year and not later than five years	67,631	68,916
Later than five years	262,280	482,148

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

NOMINAL	2011 $000	2010 $000
Not later than one year	30,325	25,008
Later than one year and not later than five years	125,481	117,946
Later than five years	1,011,265	1,009,921

The expenditure commitments include Goods and Services Tax. Related input tax credits of $154 million (2010: $157 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 2014/15.

Upon completion of each stage the Northern Sydney Local Health Network (NSLHN) will operate and recognise the new Community Health Facility, the new Royal North Shore Hospital and the new car park facility as an asset of $722 million. In addition NSLHN will recognise the liability to InfraShore, payable over the period to 2036 for these facilities.

In March 2011 stage 1 of the new Community Health Building was completed on target. NSLHN recognised the Community Health Building as an asset of $49.565 million. The basis for the accounting treatment is that services will be delivered by NSLHN for the duration of the term until 2036. NSLHN recognised the PPP liability, payable from 2011/12 to 2036 for the construction of the Community Health Building.

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 2010, the Department received an upfront payment that represented 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) Repayment of PPP non current liability (Borrowing) – New Community Health Building

NOMINAL	2011 $000	2010 $000
Not later than one year	–	–
Later than one year and not later than five years	–	–
Later than five years	54,521	–

(b) Commitments – PPP interest in relation to the New Community Health Building

NOMINAL	2011 $000	2010 $000
Not later than one year	5,649	–
Later than one year and not later than five years	23,290	–
Later than five years	100,038	–

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

NOMINAL	2011 $000	2010 $000
Not later than one year	6,065	–
Later than one year and not later than five years	162,811	107,309
Later than five years	2,102,698	2,262,562

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

NOMINAL	2011 $000	2010 $000
Not later than one year	59,446	35,047
Later than one year and not later than five years	213,848	177,318
Later than five years	1,742,155	1,682,619

The expenditure commitments include Goods and Services Tax. Related input tax credits of $407M (2010: $388M) are expected to be recoverable from the Australian Taxation Office.

33. Trust Funds

The NSW Department of Health's controlled entities hold Trust Fund monies of $81.371 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	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
Cash Balance at the Beginning of the Financial Year	5,495	4,687	8,930	10,438	49,389	54,111	**63,814**	**69,236**
Receipts	8,672	6,267	31,719	4,034	376,218	432,683	**416,609**	**442,984**
Expenditure	(6,897)	(5,459)	(27,713)	(5,542)	(364,442)	(437,405)	**(399,052)**	**(448,406)**
Cash Balance at the End of the Financial Year	**7,270**	**5,495**	**12,936**	**8,930**	**61,165**	**49,389**	**81,371**	**63,814**

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 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2010/11. As a result, the 2005/06 final and 2007/08 interim hindsight calculations will be paid in 2011/12.

(c) Affiliated Health Organisations

Based on the definition of control in Australian Accounting Standard AASB 127, Affiliated Health Organisations listed in the Third Schedule of the *Health Services Act, 1997* are only recognised in the Department's consolidated financial statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship, which may exist or be formulated between the administering bodies of the organisation and the Department.

(d) Mater 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 and interest rate adjustments. 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)

Contingent Liability / Debtor

A claim was made against Sydney Local Health Network (Part of the former SSWAHS) by the lessee of certain property controlled by the SLHN on the Royal Prince Alfred Hospital campus, on which the lessee had agreed to construct a carpark and private hospital to be operated by the lessee. The lessee sought damages principally because it claimed its failure to commence construction of the hospital and to complete the carpark was caused by SLHN. The lessee also sought to be restored to possession and an account of net revenue from the incomplete carpark since termination.

The Supreme Court judgement in favour of SLHN on virtually all issues was handed down in 2008/09. Costs were awarded against the lessee in favour of SLHN.

The lessee appealed to the Court of Appeal. There was no alteration to the finding that SLHN did not cause the lessee's failure to commence construction of the hospital and complete the carpark. It was for other reasons that the lessee was not ready, willing and able to comply. Accordingly, the lessee's claim for substantial damages failed.

However the Court of Appeal ordered that the lessee be restored to possession, entitling the lessee to an account of net revenue from the carpark since termination or damages for being out of possession, less rental of more than $4 million which the lessee has not paid. Taking into account the many issues in the proceedings and overlap between them, SLHN was ordered to pay 25% of the lessee's costs of the trial in the Supreme Court. The issues on appeal were much narrower. SLHN was ordered to pay 50% of the lessee's costs of the appeal. Any payment to the lessee for the period of being out of possession will take into account that the lessee was not in a position to construct a hospital at the date of termination. It is expected that a period of up to 12 months will expire before the proceeding to determine quantum is heard.

The lessee has not yet sought to be restored to possession. Although the lessee remains obliged to construct a hospital, the timetable for doing so has expired. The lessee has indicated a willingness to construct a hospital, however the lessee would need an extended timetable to do so. The Network is considering termination. Discussions between the parties are proposed.

(i) Interstate Patient Flows, Australian Capital Territory

In 2010/11 a joint undertaking by both the NSW Department of Health and ACT Health for a clinical and resource costing audit was performed on a subset of NSW patient records at the Canberra Hospital relating to the period of 2006/07 to 2008/09. The audit assessed 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 as well as making recommendations on the appropriate process of regular auditing and data checking relating to NSW patient inflows to the ACT.

Whilst the audit was completed in May 2011 the financial outcome is still subject to ongoing negotiations between the respective Departments. It is further influenced by the need to finalise non-admitted data and cost of capital calculations for the years of 2006/07 to 2008/09.

(j) Invoices in Dispute with Royal Flying Doctor Service (RFDS)

In May 2011 the legal representative for the RFDS issued a letter of demand for unpaid tax invoices in the sum of $0.630 million (GST included). These invoices relate to staff provided to Dubbo Base Hospital and billed to the Greater West Area Health Service (now the Western NSW Local Health Network) for the three years July 2006 to June 2009. There was no clear contractual arrangement for this three year period. The value of the tax invoice for the 2008/09 financial year is $0.384 million (GST inclusive).

Based on legal advice to pay *quantum meruit* (as much as the party doing the service deserves) and 2008/09 roster evidence, the Western Local Health Network estimated its total indebtedness to be $0.244 million (GST inclusive) and paid this to RFDS on 30 June 2011 as full and final satisfaction of all invoices. This dispute is not yet subject to Court action but may result in subsequent litigation.

(k) Other Legal Matters

One legal matter is currently on foot, which carries a potential total liability of $50,000. This compares with two matters reported for 2009/10 for which a contingency of $78,000 was reported.

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

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
135,290	(39,860)	Net Cash Used on Operating Activities	966,437	686,338
(3,584)	(4,389)	Depreciation	(525,138)	(492,605)
(1,016)	(82)	Allowance for Impairment	(49,730)	(44,332)
(6,302)	(6,897)	Acceptance by the Crown of Employee Benefits	(336,194)	(155,845)
(68,959)	–	Debt Forgiveness	–	–
1,380	(606)	(Increase)/ Decrease in Provisions	(147,993)	(288,799)
(28,553)	32,123	Increase / (Decrease) in Prepayments and Other Assets	142,130	100,951
(19,103)	(143,742)	(Increase)/ Decrease in Creditors	(195,878)	4,992
(279)	(1,269)	Net Loss on Sale of Property, Plant and Equipment	(26,562)	(9,719)
(12,546,945)	(11,708,076)	Recurrent Appropriation	(12,546,945)	(11,708,076)
(479,596)	(447,373)	Capital Appropriation	(479,596)	(447,373)
(22,908)	–	Asset Sale Proceeds Transferred to the NSW Department of Health	–	–
–	(203)	Other	–	–
(13,040,575)	**(12,320,374)**	**Net Cost of Services**	**(13,199,469)**	**(12,354,468)**

36. Non-Cash Financing and Investing Activities

PARENT			CONSOLIDATED	
2011 $000	2010 $000		2011 $000	2010 $000
–	–	Property, Plant & Equipment acquired, PPP arrangement	211,657	–
		Assets Received by Donation	–	5,724
–	**–**		**211,657**	**5,724**

37. 2010–11 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 $13.199 Billion was less than the Statement of Comprehensive Income budget by $45 Million. 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 & 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 effected other funding reductions resulting in an adjusted result of $14 million which is within performance bands framed by Treasury.

Details of all adjustments from the reported budget follow:

		$M
Variation from Initial State Budget of $13,200 million		**(1)**
Treasury Funded Variations		
• *Section 45, Appropriations Act* Transfers – National Partnership on Homelessness $2.653M and Government Radio Network (Ambulance Service) $1.427M	(4)	
• *Section 26, Public Finance and Audit Act* variations in Commonwealth Specific Purpose Payments – Essential Vaccines ($5.398M), Improving Hospital Services ($25.671M), Indigenous Early Childhood Development ($2.721M) and Other ($4.665M)	38	
• Impact of Long Service Leave on Crown Entity Acceptance of Liability	(78)	(44)
Variation from Budget disclosed in Statement of Comprehensive Income		**(45)**
Treasury Funding Adjustments not covered by Budget adjustment		
• Treasurer's Advance Payments/ Other (e.g. Expansion of Drug Court in Hunter)	1	
• Deferral of Brain and Mind Research Institute grant payment	25	
• Rollover of Keep Them Safe program	5	31
Variation from Budget		**(14)**

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:

	$M
• Variation from budget for Net Cost of Services as shown in Statement of Comprehensive Income	(45)
• Reductions in recurrent appropriation as reflected in Treasury funding variations shown above	29
• Treasury adjustments for variations in Asset Acquisition Program	54
• Crown acceptance of employee liabilities (a non-cash expense to the Department)	(37)
Variation from Budget	**1**

Assets and Liabilities

Net assets increased by $1,691 million above the budget provided. This included the following variations:

	$M
• Movements in Property, Plant and Equipment per acquisitions and independent asset revaluations less disposals, the reclassification of assets held for sale and depreciation charges	(55)
• Increase in Intangibles	30
• Decrease in Provisions of $1,571M largely as a result of the transfer of Long Service Leave liability to the Crown Entity on 31 December 2010	1,571
• Increase in Receivables, e.g. in respect of monies owing for Highly Specialised Drugs and the treatment of patients eligible under the Department of Veterans' Affairs funding criteria	100
• Increase in Cash and Other Financial Assets largely due to increases in Taxation and Superannuation liability at "point of time" measurement at 30 June 2011, the increased value of restricted assets and the planned use of monies to meet various budget strategies in 2011/12.	245
• Increase in Payables	(227)
• Increase in classification of assets being held for disposal	32
• Increase in Borrowings	(6)
• Other	1
Total	**1,691**

Cash Flow

Cash Flows from Operating Activities

Payments

2010–11 total payments were less than budget by $248 million, the principal component of which was the decrease in Employee Related payments ($389 million) offset by additional grants of $73 million and an increase in Other Payments of $63 million.

Receipts

2010–11 total receipts were $47 million more than budget estimates, major variations occurred in respect of Sale of Goods and Services $578 million and Other Receipts $522 million.

Cash Flows from Government

The decrease of $83 million in Cash Flows from Government results from reduced recurrent funding of $29 million referenced above and a reduction of $55 million for capital consistent with the revised timelines for projects.

Cash Flows from Investing Activities

The main component in the increase of $82 million is Health Service investments.

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.

a) Financial Instrument Categories

PARENT		TOTAL CARRYING AMOUNTS AS PER THE STATEMENT OF FINANCIAL POSITION	
		2011 $000	2010 $000
Class:			
Financial Assets	**Category**		
Cash and Cash Equivalents (Note 18)	N/A	235,104	61,616
Receivables (Note 19)[1]	Loans and receivables (at amortised cost)	54,308	84,713
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)	12,739	121,669
Total Financial Assets		**302,151**	**267,998**
Financial Liabilities			
Payables (Note 28)[2]	Financial liabilities (at amortised cost)	145,396	131,191
Other (Note 31)		697	–
Total Financial Liabilities		**146,093**	**131,191**

1 Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

CONSOLIDATED		TOTAL CARRYING AMOUNTS AS PER THE STATEMENT OF FINANCIAL POSITION	
		2011 $000	2010 $000
Class:			
Financial Assets	**Category**		
Cash and Cash Equivalents (Note 18)	N/A	1,125,145	886,595
Receivables (Note 19)[1]	Loans and receivables (at amortised cost)	309,271	299,259
Financial Assets at Fair Value (Note 21)	At fair value through profit or loss (designated as such upon Available-for-Sale Financial Assets (At fair value) initial recognition)	247,915	134,923
Other Financial Assets (Note 22)	Loans and receivables (at amortised cost)	–	–
Total Financial Assets		**1,682,331**	**1,320,777**
Financial Liabilities			
Borrowings (Note 29)		461,111	260,376
Payables (Note 28) [2]	Financial liabilities (at amortised cost)	917,391	903,351
Other (Note 31)		697	1,140
Total Financial Liabilities		**1,379,199**	**1,164,867**

1 Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(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 4.56% and 4.65% for the Parent and between 4.5% and 6.0% for the Consolidated entity. This compares to rates of 2.9% to 4.4% in the previous year for the Parent and 2.45% to 7.0% 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, $50.569 million (2010: $80.377 million) for the Parent and $174.533 million (2010:$182.178 million) for the Consolidated related to debtors that were not past due and not considered impaired. Debtors of $2.633 million (2010:$4.336 million) for the Parent and $134.738 million (2010:$117.081 million) for the Consolidated were past due but not considered impaired. Together these represent 98.2% (2010: 99.8%) for the Parent and 83.7% (2010: 83.8%) 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.

PARENT	TOTAL [1 2] $000	PAST DUE BUT NOT IMPAIRED [1 2] $000	CONSIDERED IMPAIRED [1 2] $000
2011			
<3 months overdue	1,474	1,474	–
3 months – 6 months overdue	99	99	–
> 6 months overdue	2,076	1,060	1,016
	3,649	2,633	1,016
2010			
<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

CONSOLIDATED	TOTAL [1 2] $000	PAST DUE BUT NOT IMPAIRED [1 2] $000	CONSIDERED IMPAIRED [1 2] $000
2011			
<3 months overdue	108,084	77,015	31,069
3 months – 6 months overdue	41,253	29,315	11,938
> 6 months overdue	45,719	28,408	17,311
	195,056	134,738	60,318
2010			
<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

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 5.41% and 7.00% (2010 4.39% and 8.12%) while over the year the weighted average interest rates reported by Health Services ranged between 5.24% and 5.42% (2010 4.37% and 7.74%). 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.

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, e.g. 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	> 5 Yr $000
2011								
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	1,593	–	–	1,593	1,593	–	–
Creditors	–	144,207	–	–	144,207	144,207	–	–
Other Liabilities	–	697	–	–	697	–	697	–
Total	**–**	**146,497**	**–**	**–**	**146,497**	**145,800**	**697**	**–**
2010								
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	1,625	–	–	1,625	1,625	–	–
Creditors	–	129,566	–	–	129,566	129,566	–	–
Other Liabilities	–	–	–	–	–	–	–	–
Total	**–**	**131,191**	**–**	**–**	**131,191**	**131,191**	**–**	**–**

CONSOLIDATED	Weighted Average Effective int rate %	Nominal Amount $000	INTEREST RATE EXPOSURE Fixed Interest Rate $000	Variable Interest Rate $000	Non-Interest Bearing $000	MATURITY DATES < 1 Yr $000	1-5 Yr $000	> 5 Yr $000
2011								
Payables:								
Accrued Salaries, Wages, On-Costs and Payroll Deductions	–	147,339	–	–	147,339	147,339	–	–
Creditors	–	770,052	–	–	770,052	770,052	–	–
Borrowings:								
Other Loans and Deposits	9.35	448,042	448,042	–	–	8,539	46,366	393,137
Finance leases	6.7	11,501	–	11,501	–	–	2,501	9,000
Other Liabilities	–	1,568	–	–	–	–	1,568	–
Total		**1,378,502**	**448,042**	**11,501**	**917,391**	**925,930**	**50,435**	**402,137**
2010								
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	–
Total		**1,164,867**	**245,211**	**15,165**	**904,491**	**917,744**	**52,761**	**194,362**

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the 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.
2. Of the $46.366 million disclosed in the 2011 "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 2011.

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 2010. The analysis assumes that all other variables remain constant.

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% Result	-1% Equity	+1% Result	+1% Equity
2011					
Financial Assets					
Cash and Cash Equivalents	235,104	(2,351)	(2,351)	2,351	2,351
Receivables	54,308	–	–	–	–
Other Financial Assets	12,739	–	–	–	–
Financial Liabilities					
Payables	145,396	–	–	–	–
Other	697	–	–	–	–
2010					
Financial Assets					
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
Financial Liabilities					
Payables	131,191	–	–	–	–

CONSOLIDATED	CARRYING AMOUNT $000	-1% Result	-1% Equity	+1% Result	+1% Equity
2011					
Financial Assets					
Cash and Cash Equivalents	1,125,145	(11,251)	(11,251)	11,251	11,251
Receivables	309,271	–	–	–	–
Financial Assets at Fair Value	247,915	(2,479)	(2,479)	2,479	2,479
Financial Liabilities					
Borrowings	461,111	4,611	4,611	(4,611)	(4,611)
Payables	917,391	–	–	–	–
Other	697	7	7	(7)	(7)
2010					
Financial Assets					
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
Financial Liabilities					
Borrowings	260,376	2,604	2,604	(2,604)	(2,604)
Payables	903,351	–	–	–	–
Other	1,140	11	11	(11)	(11)

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	2011 $000	2010 $000
Cash facility	Cash, money market instruments	Up to 1.5 years	221,745	223,924
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	78,960	85,085
Medium-term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	3 years to 7 years	68,406	63,621
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	7 years and over	80,686	53,217

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 (i.e. 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).

		IMPACT ON PROFIT/LOSS	
	Change in unit price	2011	2010
Hour-Glass Investment – Cash facility	1%	1,002	2,699
Hour-Glass Investment – Strategic cash facility	2 to 5%	748	1,419
Hour-Glass Investment – Medium-term growth facility	7 to 24%	3,169	6,476
Hour-Glass Investment – Long-term growth facility	15%	9,307	7,982

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	2011 TOTAL $000
TCorp Hour-Glass Investment Facility	–	449,797	–	449,797

(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 2011.

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

Parent

2010/11

No equity transfers occurred in 2010/11.

2009/10

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.

Consolidated

2010/11

Long Service Leave totalling $1.629 Billion transferred to the Crown Entity on 31 December 2010. No other transfers were effected outside of the Department in 2010/11. However a series of equity transfers were effected within the Departmental controlled health services e.g. the establishment of Local Health Networks and the Sydney Children's Hospital Network.

2009/10

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
Total	**20,226**

42. Post Balance Date Events

a) Establishment of Ministry of Health

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

However, in 2011–12 the NSW Department of Health will be replaced by the Ministry of Health with four core functions:

- Westminster role supporting the Ministers and Government, e.g. Budget, Cabinet, Parliamentary policy processes;
- Regulatory functions, e.g. licensing private hospitals, prosecutions under tobacco control and other public health legislation;
- Public health functions, e.g. Population health, prevention, disease surveillance;
- Health system manager including purchasing and securing and distributing resources responsibly.

(b) Transfer of Callan Park Hospital to Leichhardt Council

Given the relocation of health services from the Callan Park site to Concord Hospital an offer has been made to Leichardt Municipal Council for a 99 year lease of 40 of the 60 hectares contained in the Callan Park site. On 19 July 2011 the Council endorsed the establishment of a Trust to oversee Callan Park and the implementation of a Callan Park Master Plan to guide decisions on future use of this site. It is anticipated that control of this site will formally pass to Council in 2011–12.

Based on transfer of 40 hectares the potential reduction in the Department's land and buildings and infrastructure assets approximates $42 million.

END OF AUDITED FINANCIAL STATEMENTS