



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Hunter New England Local Health District (the District), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity, as at 30 June 2013, 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 does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cash flows.

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

Chief Executive's Responsibility for the Financial Statements

The Chief Executive 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 Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and 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 Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

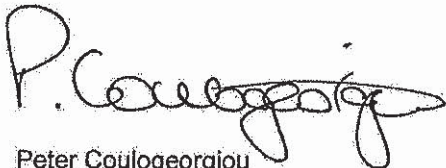
My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that 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 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 roles by the possibility of losing clients or income.



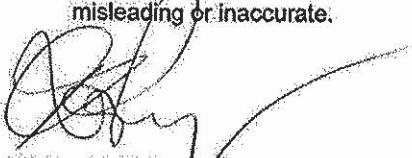
Peter Coulogeorgiou
Director, Financial Audit Services

11 September 2013
SYDNEY

Hunter New England Local Health District
Certification of the Parent/Consolidated Financial Statements
for the year ended 30 June 2013

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that to the best of my knowledge:

- 1) The financial statements of the Hunter New England Local Health District for the year ended 30 June 2013 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Hunter New England Local Health District; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Michael Di Rienzo
Chief Executive
10 September 2013

Hunter New England Local Health District
Statement of Comprehensive Income for the year ended 30 June 2013

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2013	2013	2012		2013	2013	2012	
\$000	\$000	\$000		\$000	\$000	\$000	
Expenses excluding losses							
Operating Expenses							
-----	-----	-----	Employee Related	3	1,047,438	1,055,156	1,012,527
1,020,875	1,025,364	968,295	Personnel Services	4	-----	-----	-----
84,468	76,771	81,309	Visiting Medical Officers		84,468	76,771	81,309
481,981	496,013	479,108	Other Operating Expenses	5	481,981	496,013	479,108
66,914	66,105	59,998	Depreciation and Amortisation	2(i), 6	66,914	66,105	59,998
5,580	6,254	4,823	Grants and Subsidies	7	5,580	6,254	4,823
12,628	12,755	14,205	Finance Costs	8	12,628	12,755	14,205
114,926	114,926	107,717	Payments to Affiliated Health Organisations	9	114,926	114,926	107,717
1,787,372	1,798,188	1,715,455	Total Expenses excluding losses		1,813,935	1,827,980	1,759,687
Revenue							
1,451,896	1,451,896	1,405,146	NSW Ministry of Health Recurrent Allocations	2(d)	1,451,896	1,451,896	1,405,146
81,015	90,196	55,903	NSW Ministry of Health Capital Allocations	2(d)	81,015	90,196	55,903
-----	-----	(5,974)	Transfers to the Ministry of Health		-----	-----	(5,974)
-----	-----	-----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	26,563	29,792	44,232
225,964	228,568	204,636	Sale of Goods and Services	10	225,964	228,568	204,636
4,526	4,040	5,226	Investment Revenue	11	4,526	4,040	5,226
50,220	47,111	40,326	Grants and Contributions	12	50,220	47,111	40,326
9,002	4,018	6,255	Other Revenue	14	9,002	4,018	6,255
1,822,623	1,825,829	1,711,518	Total Revenue		1,849,186	1,855,621	1,755,750
(4,188)	(755)	(1,078)	Gain / (Loss) on Disposal	15	(4,188)	(755)	(1,078)
(1,144)	895	(2,232)	Other Gains / (Losses)	16	(1,144)	895	(2,232)
29,919	27,781	(7,247)	Net Result	32	29,919	27,781	(7,247)
Other Comprehensive Income							
Items that will not be reclassified to net result							
Net Increase/(Decrease) in Property, Plant &							
56,183	-----	-----	Equipment Asset Revaluation Surplus		56,183	-----	-----
56,183	-----	-----	Total Other Comprehensive Income for the year		56,183	-----	-----
86,102	27,781	(7,247)	TOTAL COMPREHENSIVE INCOME		86,102	27,781	(7,247)

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Financial Position as at 30 June 2013

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2013	2013	2012		2013	2013	2012
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
130,095	95,462	98,204	19	130,095	95,462	98,204
46,349	72,460	71,844	20	46,349	72,460	71,844
2,613	2,705	2,705	21	2,613	2,705	2,705
<u>179,057</u>	<u>170,627</u>	<u>172,753</u>		<u>179,057</u>	<u>170,627</u>	<u>172,753</u>
2,550	2,700	2,700	23	2,550	2,700	2,700
181,607	173,327	175,453		181,607	173,327	175,453
Non-Current Assets						
-----	-----	264	20	-----	-----	264
Property, Plant and Equipment						
1,083,345	1,055,998	1,004,638	22	1,083,345	1,055,998	1,004,638
82,018	73,484	91,622	22	82,018	73,484	91,622
72,682	68,202	70,441	22	72,682	68,202	70,441
<u>1,238,045</u>	<u>1,197,684</u>	<u>1,166,701</u>		<u>1,238,045</u>	<u>1,197,684</u>	<u>1,166,701</u>
1,238,045	1,197,684	1,166,965		1,238,045	1,197,684	1,166,965
1,419,652	1,371,011	1,342,418		1,419,652	1,371,011	1,342,418
LIABILITIES						
Current Liabilities						
115,208	122,772	117,567	25	115,208	122,772	117,567
9,914	5,994	9,901	26	9,914	5,994	9,901
161,961	155,852	156,982	27	161,961	155,852	156,982
274	-----	6,306	28	274	-----	6,306
<u>287,357</u>	<u>284,618</u>	<u>290,756</u>		<u>287,357</u>	<u>284,618</u>	<u>290,756</u>
Non-Current Liabilities						
125,210	134,296	134,296	26	125,210	134,296	134,296
1,809	5,127	576	27	1,809	5,127	576
330	345	345	28	330	345	345
<u>127,349</u>	<u>139,768</u>	<u>135,217</u>		<u>127,349</u>	<u>139,768</u>	<u>135,217</u>
414,706	424,386	425,973		414,706	424,386	425,973
1,004,946	946,625	916,445		1,004,946	946,625	916,445
EQUITY						
56,183	-----	-----		56,183	-----	-----
948,763	946,625	916,445		948,763	946,625	916,445
<u>1,004,946</u>	<u>946,625</u>	<u>916,445</u>		<u>1,004,946</u>	<u>946,625</u>	<u>916,445</u>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Changes in Equity for the year ended 30 June 2013

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2012		916,445	-----	916,445
Total Equity at 1 July 2012		916,445	-----	916,445
Net Result for the year		29,919		29,919
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment		-----	56,183	56,183
Total Other Comprehensive Income		-----	56,183	56,183
Total Comprehensive Income for the year		29,919	56,183	86,102
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	36	2,399	-----	2,399
Balance at 30 June 2013		948,763	56,183	1,004,946
Balance at 1 July 2011		864,072	-----	864,072
Total Equity at 1 July 2011		864,072	-----	864,072
Net Result for the year		(7,247)		(7,247)
Other Comprehensive Income:				
Total Comprehensive Income for the year		(7,247)	-----	(7,247)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	36	59,620	-----	59,620
Balance at 30 June 2012		916,445	-----	916,445

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Cash Flows for the year ended 30 June 2013

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2013 \$000	2013 \$000	2012 \$000	Notes	2013 \$000	2013 \$000	2012 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-----	-----	-----	Employee Related	(1,031,928)	(1,039,658)	(991,570)
(134,380)	(135,053)	(126,456)	Grants and Subsidies	(134,380)	(135,053)	(126,456)
(12,409)	(12,409)	(13,841)	Finance Costs	(12,409)	(12,409)	(13,841)
(1,662,071)	(1,668,043)	(1,636,499)	Other	(630,143)	(628,385)	(644,929)
(1,808,860)	(1,815,505)	(1,776,796)	Total Payments	(1,808,860)	(1,815,505)	(1,776,796)
Receipts						
1,451,896	1,451,896	1,405,146	NSW Ministry of Health Recurrent Allocations	1,451,896	1,451,896	1,405,146
81,015	90,196	55,903	NSW Ministry of Health Capital Allocations	81,015	90,196	55,903
-----	-----	(5,974)	Asset Sale Proceeds Transferred to the NSW Ministry of Health	-----	-----	(5,974)
21,330	21,330	44,232	Reimbursements from the Crown Entity	21,330	21,330	44,232
253,074	235,109	208,671	Sale of Goods and Services	253,074	235,109	208,671
4,526	4,033	5,226	Interest Received	4,526	4,033	5,226
55,821	52,712	45,751	Grants and Contributions	55,821	52,712	45,751
68,650	59,739	73,229	Other	68,650	59,739	73,229
1,936,312	1,915,015	1,832,184	Total Receipts	1,936,312	1,915,015	1,832,184
127,452	99,510	55,388	NET CASH FLOWS FROM OPERATING ACTIVITIES	127,452	99,510	55,388
CASH FLOWS FROM INVESTING ACTIVITIES						
3,221	980	7,570	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	3,221	980	7,570
(89,489)	(98,979)	(61,636)	Purchases of Land and Buildings, Plant and Equipment Infrastructure Systems and Intangibles	(89,489)	(98,979)	(61,636)
(86,268)	(97,999)	(54,066)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(86,268)	(97,999)	(54,066)
CASH FLOWS FROM FINANCING ACTIVITIES						
881	881	-----	Proceeds from Borrowings and Advances	881	881	-----
(10,174)	(5,134)	(9,439)	Repayment of Borrowings and Advances	(10,174)	(5,134)	(9,439)
(9,293)	(4,253)	(9,439)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(9,293)	(4,253)	(9,439)
31,891	(2,742)	(8,117)	NET INCREASE / (DECREASE) IN CASH	31,891	(2,742)	(8,117)
98,204	98,204	85,061	Opening Cash and Cash Equivalents	98,204	98,204	85,061
-----	-----	21,260	Cash Transferred In/(Out) as a Result of Administrative Restructuring	-----	-----	21,260
130,095	95,462	98,204	CLOSING CASH AND CASH EQUIVALENTS	130,095	95,462	98,204

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Service Group Statements
for the year ended 30 June 2013

HNE LHD EXPENSES AND INCOME	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		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		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																						
Operating Expenses	39,279	37,970	14,140	13,669	152,297	147,221	98,983	95,684	471,766	456,042	117,104	113,201	128,416	124,136	17,073	16,504	8,380	8,100	1,047,438	1,012,527		
Employee Related	1,073	1,033	135	130	5,245	5,049	13,642	13,131	55,542	53,542	2,162	2,082	6,023	5,797	498	480	68	65	84,468	81,309		
Visiting Medical Officers	14,941	14,852	5,013	4,983	82,997	82,502	56,488	56,151	236,075	234,668	28,726	28,555	50,174	49,875	5,784	5,749	1,783	1,773	481,981	479,108		
Other Operating Expenses	1,713	1,536	683	612	10,920	9,792	7,561	6,780	31,504	28,246	5,634	5,052	8,150	7,308	622	558	127	114	66,914	59,998		
Depreciation and Amortisation	1,291	1,116	268	232	538	465	44	38	578	499	1,920	1,859	485	420	439	380	17	14	5,580	4,823		
Grants and Subsidies	13	14	4	4	2,700	3,037	957	1,077	4,777	5,374	3,711	4,175	460	517	5	6	1	1	12,628	14,205		
Finance Costs	2,023	1,896			25,157	23,579	11,734	10,998	70,909	66,461					5,103	4,783			114,926	107,717		
Payments to Affiliated Health Organisations																						
Total Expenses excluding losses	60,333	58,417	20,243	19,630	279,854	271,645	189,409	183,859	871,231	844,832	159,257	154,724	193,708	188,053	29,524	28,460	10,376	10,067	1,813,935	1,759,667		
Revenue																						
NSW Ministry of Health Recurrent Allocations **																						
NSW Ministry of Health Capital Allocations **																						
Transfers to the NSW Ministry of Health																						
Acceptance by the Crown Entity																						
of Employee Benefits and Other Liabilities	996	1,659	359	597	3,862	6,431	2,510	4,180	11,963	19,922	2,970	4,945	3,257	5,423	433	721	213	354	26,563	44,232		
Sale of Goods and Services	4,067	3,683	226	205	24,992	22,633	7,479	6,773	131,399	118,986	3,954	3,581	48,966	44,345	1,763	1,596	3,118	2,824	225,964	204,636		
Investment Revenue	13	15	1	1	466	538	130	150	2,727	3,148	31	36	1,156	1,335	1	2	1	1	4,526	5,226		
Grants and Contributions	7,332	5,888	2,451	1,968	1,351	1,085	226	181	5,755	4,621	397	319	19,229	15,441	10,551	8,472	2,928	2,351	50,220	40,326		
Other Revenue	783	544	62	43	1,034	719	867	602	4,321	3,002	733	509	1,017	707	61	43	124	86	9,002	6,255		
Total Revenue	13,191	11,789	3,099	2,814	31,705	31,406	11,212	11,886	156,165	143,715	8,085	9,390	73,625	67,251	12,809	10,834	6,384	5,616	1,849,186	1,755,750		
Gain / (Loss) on Disposal																						
Other Gains / (Losses)																						
Net Result	(47,142)	(46,628)	(17,144)	(16,816)	(248,149)	(240,239)	(178,197)	(171,973)	(720,398)	(704,427)	(151,172)	(145,334)	(120,083)	(120,802)	(16,715)	(17,626)	(3,992)	(4,451)	1,532,911	1,461,049	29,919	(7,247)
Other Comprehensive Income																						
Increase/(Decrease) in Revaluation Surplus	1,438		573		9,169		6,349		26,450		4,731		6,843		523		107		56,183			
Total Other Comprehensive Income	1,438		573		9,169		6,349		26,450		4,731		6,843		523		107		56,183			
Total Comprehensive Income	(45,704)	(46,628)	(16,571)	(16,816)	(238,980)	(240,239)	(171,848)	(171,973)	(693,948)	(704,427)	(146,441)	(145,334)	(113,240)	(120,802)	(16,192)	(17,626)	(3,885)	(4,451)	1,532,911	1,461,049	86,102	(7,247)

Service Group Statements focus on the key measures of service delivery performance, refer note 2ad).

* The name and purpose of each service group is summarised in Note 18

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

Hunter New England Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2013

HNE LHD 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		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		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																						
Current Assets																						
Cash and Cash Equivalents	4,327	3,260	1,452	1,095	20,071	15,160	13,584	10,261	62,485	47,148	11,422	8,635	13,893	10,495	2,117	1,588	744	562	744	562	130,095	98,204
Receivables	834	1,293	46	73	5,126	7,946	1,534	2,378	26,952	41,777	811	1,257	10,044	15,569	362	560	640	991	640	991	46,349	71,844
Inventories	81	84	27	28	450	466	306	317	1,280	1,325	156	161	272	282	31	32	10	10	10	10	2,613	2,705
Non-Current Assets Held for Sale	65	69	26	28	416	441	288	305	1,200	1,271	215	227	311	329	24	25	5	5	5	5	2,550	2,700
Total Current Assets	5,307	4,706	1,551	1,224	26,063	24,013	15,712	13,261	91,917	91,521	12,604	10,280	24,520	26,675	2,534	2,205	1,399	1,568	1,399	1,568	181,607	175,453
Non-Current Assets																						
Receivables								9		153		5		57		2		4				264
Property, Plant and Equipment																						
- Land and Buildings	27,734	25,719	11,050	10,247	176,802	163,957	122,418	113,524	510,039	472,983	91,218	84,591	131,951	122,365	10,075	9,343	2,058	1,909	2,058	1,909	1,083,345	1,004,638
- Plant and Equipment	2,100	2,346	837	935	13,385	14,953	9,268	10,353	38,613	43,134	6,906	7,715	9,990	11,160	763	852	156	174	156	174	82,018	91,622
- Infrastructure Systems	1,861	1,803	741	718	11,862	11,496	8,213	7,960	34,218	33,164	6,120	5,931	8,853	8,580	676	665	138	134	138	134	72,682	70,441
Total Non-Current Assets	31,695	29,873	12,628	11,900	202,049	190,435	139,899	131,846	582,870	549,434	104,244	98,242	150,794	142,162	11,514	10,852	2,352	2,221	2,352	2,221	1,238,045	1,166,965
TOTAL ASSETS	37,002	34,579	14,179	13,124	228,112	214,448	155,611	145,107	674,787	640,955	116,848	108,522	175,314	168,837	14,048	13,057	3,751	3,789	3,751	3,789	1,419,652	1,342,418
LIABILITIES																						
Current Liabilities																						
Payables	3,571	3,645	1,198	1,223	19,839	20,245	13,502	13,779	56,431	57,563	6,866	7,007	11,993	12,239	1,382	1,411	426	435	426	435	115,208	117,567
Borrowings	330	329	111	110	1,530	1,528	1,035	1,034	4,761	4,754	870	871	1,059	1,058	161	160	57	57	57	57	9,914	9,901
Provisions	6,074	5,887	2,186	2,119	23,549	22,825	15,305	14,835	72,948	70,704	18,107	17,551	19,856	19,246	2,640	2,559	1,296	1,256	1,296	1,256	161,961	156,982
Other	9	209	3	70	42	973	29	659	132	3,029	24	554	29	674	4	102	2	36	2	36	274	6,306
Total Current Liabilities	9,984	10,070	3,498	3,522	44,960	45,571	29,871	30,307	134,272	136,070	25,867	25,983	32,937	33,217	4,187	4,232	1,781	1,784	1,781	1,784	287,357	290,756
Non-Current Liabilities																						
Borrowings	4,165	4,458	1,397	1,498	19,317	20,731	13,074	14,032	60,139	64,477	10,993	11,808	13,371	14,352	2,038	2,172	716	768	716	768	125,210	134,296
Provisions	68	22	24	8	263	84	171	54	816	259	202	64	222	71	29	9	14	5	14	5	1,809	576
Other	11	11	4	4	51	53	34	36	159	166	29	30	35	37	5	6	2	2	2	2	330	345
Total Non-Current Liabilities	4,244	4,491	1,425	1,510	19,631	20,868	13,279	14,122	61,114	64,902	11,224	11,902	13,628	14,460	2,072	2,187	732	775	732	775	127,349	135,217
TOTAL LIABILITIES	14,228	14,561	4,923	5,032	64,591	66,439	43,150	44,429	195,386	200,972	37,091	37,885	46,565	47,677	6,259	6,419	2,513	2,559	2,513	2,559	414,706	425,973
NET ASSETS	22,774	20,018	9,256	8,092	163,521	148,009	112,461	100,678	479,401	439,983	79,757	70,637	128,749	121,160	7,789	6,638	1,238	1,230	1,238	1,230	1,004,946	916,445

* The name and purpose of each service group is summarised in Note 18

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(ad), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

1. The Reporting Entity

The Hunter New England Local Health District (the HNE LHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The HNE LHD as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity, comprises all the operating activities of the Hospital facilities and the Community Health Centres under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the HNE LHD.
- * The Hunter New England Local Health District Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. This Division provides personnel services to enable the HNE LHD to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The HNE LHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2013 have been authorised for issue by the Chief Executive on 10 September 2013.

2. Summary of Significant Accounting Policies

Basis of Preparation

The HNE LHD'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 Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and its regulations, and the Treasurers' Directions. Apart from the basis for the HNE LHD's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ab).

Notwithstanding the consolidated entity has a working capital deficiency of \$105.8m (2012 deficiency of \$115.3m) and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the HNE LHD have been prepared on a going concern basis.

The Director General of Health, the Chair of Hunter New England Local Health District Board and the Chief Executive, have agreed to service and funding levels for the forward financial year. The service agreement sets out the level of financial resources for public health services under the HNE LHD's control and the source of these funds. By agreement, the service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNE LHD fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other mitigating circumstances why the going concern is appropriate include:

- * Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The HNE LHD has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- * The HNE LHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the HNE LHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at "fair value through profit and 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.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. The comparative period is a twelve month period.

Statement of Compliance

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

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

a) Employee Benefits and Other Provisions

i) Salaries & 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 14.9% are applied to the value of leave payable at 30 June 2013, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2012 were also 17%).

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

The outstanding amounts of 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

The HNE LHD's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity.

The HNE LHD 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 and other liabilities'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the HNE LHD as shown in Note 27.

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 NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The HNE LHD's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 25, 'Payables'.

The superannuation expense for the reporting period 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 HNE LHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

b) Insurance

The HNE LHD's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. 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 to not-for-profit general government sector entities.

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 revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis, when the service has been provided to the patient.

High Cost Drugs

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents. The HNE LHD, recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs, through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the HNE LHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Rental revenue from operating leases 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 HNE LHD's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge for the use of hospital facilities at rates determined by the NSW Ministry of Health. Charges consist of two components:

- * a monthly charge raised by the Ministry based on a percentage of receipts generated
- * the residue of the Private Practice Trust Fund at the end of each financial year, such sum being credited for HNE LHD use in the advancement of the HNE LHD or individuals within it.

Use of Outside Facilities

The HNE LHD uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

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

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the HNE LHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Calvary Mater Newcastle (Affiliated Health Organisations) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The HNE LHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

- * the amount of GST incurred by the HNE LHD 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) Interstate Patient Flows

From 1 July 2012, interstate patient flows are funded through the state pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

In the previous year, the HNE LHD recognised the value of inflows for acute inpatient treatment provided to residents from other states and territories as revenue in note 10.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the HNE LHD.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(y)).

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.

Land and buildings which are owned by the Health Administration Corporation or the State and administered by the HNE LHD are deemed to be controlled by the HNE LHD and are reflected as such in the financial statements.

h) Capitalisation Thresholds

Individual items of property, plant & equipment and intangibles are capitalised where their cost is \$10,000 or above.

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 HNE LHD. 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%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	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, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Ministry of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB 116, Property, Plant and Equipment and AASB 140, Investment Property.

Investment property is separately discussed at Note 2(o).

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 the depreciated replacement cost.

The HNE LHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the HNE LHD was completed in the 2011 financial year and was based on an independent assessment.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

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

When revaluing non-current assets by reference to current prices for assets newer than those being 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 revaluation surplus, 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 net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

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 HNE LHD is effectively exempt from AASB 136, Impairment of Assets. 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 regarded as material. Selling costs are regarded as immaterial.

l) Assets Not Able to be Reliably Measured

The HNE LHD may at times hold certain assets that are not recognised in the Statement of Financial Position because the HNE LHD is unable to measure reliably the value of the assets.

An example of an asset that may not be reliably measured is land under roads.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

m) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

n) Non-Current Assets (or disposal groups) Held for Sale

The HNE LHD 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.

o) Investment Properties

The HNE LHD does not have any property that meets the definition of Investment Property.

p) 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.

q) 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, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, 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.

r) 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 in accordance with instructions issued by the NSW Ministry of Health.

s) 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 recognised in the Net Result when impaired, derecognised or through the amortisation process.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

t) 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 HNE LHD 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 HNE LHD subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the HNE LHD commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

u) 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 net result for the year.

Any reversals of impairment losses are reversed through the net 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.

v) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the HNE LHD transfers the financial asset:

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

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

w) Payables

These amounts represent liabilities for goods and services provided to the HNE LHD 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 HNE LHD.

x) 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 net result for the year on derecognition.

The finance lease liability is determined in accordance with AASB 117, Leases.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

y) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

z) Equity and Reserves

(i) Revaluation Surplus

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

(ii) Accumulated Funds

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

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

aa) Trust Funds

The HNE LHD receives monies in a trustee capacity for various trusts as set out in Note 30.

As the HNE LHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the HNE LHD's own objectives, they are not brought to account in the financial statements.

ab) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

ac) Mater Public Private Partnership (PPP) Asset

The HNE LHD's emerging interest in the Mater Public Private Partnership has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the HNE LHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 5.63% at commencement of the concession period.

ad) Service Group Statements Allocation Methodology

The Ministry of Health, in conjunction with all health entities, undertook an analysis of service group statements to ensure that the National Health Funding reforms definitions are consistently applied to 2011/12 and 2012/13 financial statements. Using the statistical data for twelve months ending 30 June 2012, new percentages were derived which resulted in variances in several service groups for the 2011/12 comparative year, which have been restated.

The data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2012/13 year. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the Ministry requires the HNE LHD 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 NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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ae) **New Australian Accounting Standards Issued but not Effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 10, Consolidated Financial Statements has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127. Changes to the reporting of consolidated entities is not expected as a result of this amendment.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the HNE LHD.

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have a material impact.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. Future impact is assessed as minimal.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2013/14 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact on the HNE LHD.

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the HNE LHD.

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 policy of NSW Treasury.

AASB 1055, Budgetary Reporting, has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted by NSW Treasury for whole of government reporting.

AASB 2010-10 regarding removal of fixed dates for first time adopters, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the HNE LHD.

AASB 2011-2, Trans-Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration of Key Management Personnel, recognising that this is more a governance issue.

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013. The exemption is not expected to have a material impact.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not-for-profits, the changes have application from 1 July 2014 but are assessed as having no material effect.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119, applicable from 1 July 2013 assessed as having no material impact.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

AASB 2011-11, Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements, applicable from 1 July 2013 assessed as having no material impact.

The following changes will depend on the policies determined by NSW Treasury.

AASB 2012-1, Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements. Sets out reduced disclosure requirements as a consequence of the issuance of AASB 13, having application from 1 July 2013.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2012-4, Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards'). Applicable to reporting periods on or after 1 January 2013.

AASB 2012-5 regarding annual improvements 2009 to 2011 cycle applicable to reporting periods on or after 1 January 2013.

AASB 2012-7, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-9, Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-10, Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-11, Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments, having application from 1 July 2013.

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, having application from 1 July 2014.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	691,936	661,335
----	----	Overtime	29,625	31,284
----	----	Penalties	62,781	63,736
----	----	Superannuation - Defined Benefit Plans	15,414	15,557
----	----	Superannuation - Defined Contribution Plans	71,507	67,193
----	----	Long Service Leave	11,574	36,243
----	----	Annual Leave	91,045	83,465
----	----	Sick Leave and Other Leave	54,285	39,315
----	----	Redundancies	3,861	102
----	----	Workers' Compensation Insurance	15,215	14,102
----	----	Payroll Tax and Fringe Benefits Tax	195	195
-----	-----		1,047,438	1,012,527
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
691,936	661,335	Salaries and Wages	----	----
29,625	31,284	Overtime	----	----
62,781	63,736	Penalties	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
71,507	67,193	Superannuation - Defined Contribution Plans	----	----
425	7,568	Long Service Leave	----	----
91,045	83,465	Annual Leave	----	----
54,285	39,315	Sick Leave and Other Leave	----	----
3,861	102	Redundancies	----	----
15,215	14,102	Workers' Compensation Insurance	----	----
195	195	Payroll Tax and Fringe Benefits Tax	----	----
1,020,875	968,295		-----	-----
5. Other Operating Expenses				
7,204	10,188	Blood and Blood Products	7,204	10,188
34	241	Capital Project Expense	34	241
18,963	18,099	Domestic Supplies and Services	18,963	18,099
48,582	47,788	Drug Supplies	48,582	47,788
83,863	82,372	Food Supplies	83,863	82,372
16,284	13,153	Fuel, Light and Power	16,284	13,153
30,429	49,999	General Expenses (See (b) below)	30,429	49,999
17,760	18,142	Hospital Ambulance Transport Costs	17,760	18,142
13,708	8,397	Information Management Expenses	13,708	8,397
2,922	2,953	Insurance	2,922	2,953
Maintenance (See (c) below)				
11,966	9,457	Maintenance Contracts	11,966	9,457
20,853	15,165	New/Replacement Equipment under \$10,000	20,853	15,165
12,905	14,259	Repairs Maintenance/Non Contract	12,905	14,259
73,298	71,727	Medical and Surgical Supplies	73,298	71,727
5,428	4,713	Motor Vehicle Expenses	5,428	4,713
5,621	5,151	Postal and Telephone Costs	5,621	5,151
4,455	4,534	Printing and Stationery	4,455	4,534
2,243	2,395	Rates and Charges	2,243	2,395
7,441	7,019	Rental	7,441	7,019
74,066	71,982	Special Service Departments	74,066	71,982
9,441	9,036	Staff Related Costs	9,441	9,036
3,994	2,882	Sundry Operating Expenses (See (a) below)	3,994	2,882
10,521	9,456	Travel Related Costs	10,521	9,456
481,981	479,108		481,981	479,108

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
3,994	2,882	(a) Sundry Operating Expenses comprise :	3,994	2,882
3,994	2,882	Isolated Patient Travel and Accommodation Assistance Scheme	3,994	2,882
		(b) General Expenses include :-		
601	1,007	Advertising	601	1,007
206	198	Auditor's Remuneration - External Audit	206	198
478	490	Books, Magazines and Journals	478	490
		Consultancies		
414	1,158	- Operating Activities	414	1,158
7,591	7,347	Corporate Support Services	7,591	7,347
1,219	1,098	Courier and Freight	1,219	1,098
85	77	Data Recording and Storage	85	77
258	220	Legal Services	258	220
969	837	Membership/Professional Fees	969	837
4,178	4,558	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	4,178	4,558
6,518	5,124	Public Private Partnership	6,518	5,124
1,436	1,254	Other Operating Lease Expense - Minimum Lease Payments	1,436	1,254
6	5	Payroll Services	6	5
433	333	Quality Assurance/Accreditation	433	333
889	645	Security Services	889	645
-----	20,690	Services Purchased from Health Reform Transition Organisations	-----	20,690
2	46	Translator Services	2	46
5,146	4,912	Other	5,146	4,912
30,429	49,999		30,429	49,999
		(c) Reconciliation of Total Maintenance		
45,724	38,881	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	45,724	38,881
7,892	6,867	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	7,892	6,867
53,616	45,748	Total Maintenance Expenses included in Notes 3, 4 and 5	53,616	45,748

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
6. Depreciation and Amortisation				
45,582	39,406	Depreciation - Buildings	45,582	39,406
607	249	Amortisation - Leased Buildings	607	249
17,421	17,110	Depreciation - Plant and Equipment	17,421	17,110
3,304	3,233	Depreciation - Infrastructure Systems	3,304	3,233
66,914	59,998		66,914	59,998
7. Grants and Subsidies				
4,805	4,193	Non-Government Organisations	4,805	4,193
37	40	Nursing Homes	37	40
442	28	Grants to Research Orgs	442	28
189	181	Promotion of Research	189	181
107	-----	Budget Sector Other Grants	107	-----
-----	381	Other Grants	-----	381
5,580	4,823		5,580	4,823
8. Finance Costs				
12,409	13,841	Calvary PPP Interest Charges	12,409	13,841
219	364	Interest on Loans	219	364
12,628	14,205	Total Finance Costs	12,628	14,205
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
113,431	106,739	Calvary Mater Newcastle	113,431	106,739
113,431	106,739		113,431	106,739
(b) Capital Sourced				
1,495	978	Calvary Mater Newcastle	1,495	978
1,495	978		1,495	978
114,926	107,717	Total Payments to Affiliated Health Organisations	114,926	107,717

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
6,258	6,114	Sale of Prosthesis	6,258	6,114
757	448	Other	757	448
1,091	1,300	Pharmacy Sales	1,091	1,300
(b) Rendering of Services comprise the following:-				
		Patient Fees [see note 2(d)]		
81,342	74,407	- Inpatient Fees	81,342	74,407
2,036	2,089	- Nursing Home Fees	2,036	2,089
1,595	4,242	- Non Inpatient Fees	1,595	4,242
28,430	28,769	Department of Veterans' Affairs	28,430	28,769
334	307	Staff-Meals and Accommodation	334	307
22,690	18,693	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	22,690	18,693
4,758	5,148	- Annual Charge	4,758	5,148
5,802	5,249	Car Parking	5,802	5,249
908	832	Child Care Fees	908	832
6,076	3,547	Clinical Services (excluding Clinical Drug Trials)	6,076	3,547
3,821	3,141	Commercial Activities	3,821	3,141
290	274	Fees for Medical Records	290	274
8	5	Information Retrieval	8	5
16,919	15,911	High Cost Drugs	16,919	15,911
112	121	Meals on Wheels	112	121
20,064	12,302	Motor Accident Authority Third Party	20,064	12,302
-----	3,910	Patient Inflows from Interstate*	-----	3,910
624	591	Private Use of Motor Vehicles	624	591
855	274	Salary Packaging Fee	855	274
180	-----	Hosted services provided to Other LHDs	180	-----
5,685	4,660	Services Provided to Non NSW Health Organisations	5,685	4,660
4,309	3,574	Multi Purpose Service Centre Fees	4,309	3,574
11,020	8,728	Other	11,020	8,728
225,964	204,636		225,964	204,636

*From 1 July 2012, interstate patient flows are paid through the state pool account. As a result, these funds are now recognised through recurrent allocation. Refer note 2(f).

11. Investment Revenue

4,526	5,226	Interest	4,526	5,226
		- Other		
4,526	5,226		4,526	5,226

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
12. Grants and Contributions				
989	674	Clinical Drug Trials	989	674
25,420	10,287	Commonwealth Government Grants	25,420	10,287
----	166	Commonwealth Teaching Hospital Grants	----	166
4,068	4,811	Industry Contributions/Donations	4,068	4,811
8,605	7,563	Cancer Institute Grants	8,605	7,563
6,441	14,578	NSW Government Grants	6,441	14,578
2,534	1,057	Research Grants	2,534	1,057
2,163	1,190	Other Grants	2,163	1,190
50,220	40,326		50,220	40,326
13. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	15,414	15,558
----	----	Long Service Leave	11,149	28,674
-----	-----		26,563	44,232
14. Other Revenue				
Other Revenue comprises the following:-				
296	244	Commissions	296	244
765	805	Conference and Training Fees	765	805
375	274	Discounts	375	274
235	164	Insurance Refunds	235	164
1,918	1,639	Lease and Rental Income	1,918	1,639
83	78	Sale of Merchandise, Old Wares and Books	83	78
57	270	Sponsorship Income	57	270
2,766	908	Treasury Managed Fund Hindsight Adjustment	2,766	908
2,507	1,873	Other	2,507	1,873
9,002	6,255		9,002	6,255

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
15. Gain / (Loss) on Disposal				
37,576	11,884	Property, Plant and Equipment	37,576	11,884
30,720	9,686	Less: Accumulated Depreciation	30,720	9,686
6,856	2,198	Written Down Value	6,856	2,198
2,381	1,294	Less: Proceeds from Disposal	2,381	1,294
(4,475)	(904)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(4,475)	(904)
553	6,450	Assets Held for Sale	553	6,450
840	6,276	Less: Proceeds from Disposal	840	6,276
287	(174)	Gain/(Loss) on Disposal of Assets Held for Sale	287	(174)
(4,188)	(1,078)	Total Gain/(Loss) on Disposal	(4,188)	(1,078)
16. Other Gains / (Losses)				
(1,144)	(2,232)	Impairment of Receivables	(1,144)	(2,232)
(1,144)	(2,232)		(1,144)	(2,232)

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT & CONSOLIDATION

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	2,432	12,276	4,626	19,334
Contributions recognised in previous years which were not expended in the current reporting period	7,057	29,095	8,818	44,970
Total amount of unexpended contributions as at balance date	9,489	41,371	13,444	64,304

Comment on restricted assets appears in Note 24

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

18. Service Groups of the HNE LHD

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 program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that 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 road and air ambulance services and treatment of patients in 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 hospitals, including elective surgery and maternity services.

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

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

Hunter New England Local Health District
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Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that 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 Ministry'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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT		CONSOLIDATION	
2013 \$000	2012 \$000	2013 \$000	2012 \$000
19. Cash and Cash Equivalents			
94,095	35,704	94,095	35,704
36,000	62,500	36,000	62,500
130,095	98,204	130,095	98,204
Cash & 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:			
130,095	98,204	130,095	98,204
130,095	98,204	130,095	98,204

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
20. Receivables				
Current				
19,699	19,645	Sale of Goods and Services	19,699	19,645
7,205	29,278	Intra Health Receivables	7,205	29,278
10,326	9,732	Goods and Services Tax	10,326	9,732
<u>10,246</u>	<u>15,621</u>	Other Debtors	<u>10,246</u>	<u>15,621</u>
47,476	74,276	Sub Total	47,476	74,276
<u>(3,506)</u>	<u>(2,982)</u>	Less Allowance for Impairment	<u>(3,506)</u>	<u>(2,982)</u>
43,970	71,294	Sub Total	43,970	71,294
<u>2,379</u>	<u>550</u>	Prepayments	<u>2,379</u>	<u>550</u>
<u>46,349</u>	<u>71,844</u>		<u>46,349</u>	<u>71,844</u>
(a) Movement in the Allowance for Impairment				
-----	-----	Sale of Goods and Services		
(1,031)	(224)	Balance at Commencement of Reporting Period	(1,031)	(224)
587	390	Amounts written off during the year	587	390
-----	(908)	Administrative Restructures - Transfers (In)/out	-----	(908)
		(Increase)/decrease in Allowance Recognised in		
<u>(709)</u>	<u>(289)</u>	Result for the Year	<u>(709)</u>	<u>(289)</u>
<u>(1,153)</u>	<u>(1,031)</u>	Balance at 30 June	<u>(1,153)</u>	<u>(1,031)</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
(1,951)	(10)	Balance at Commencement of Reporting Period	(1,951)	(10)
33	25	Amounts written off during the year	33	25
-----	-----	Amounts recovered during the year	-----	-----
-----	(23)	Administrative Restructures - Transfers (In)/out	-----	(23)
		(Increase)/decrease in Allowance Recognised in		
<u>(435)</u>	<u>(1,943)</u>	Result for the Year	<u>(435)</u>	<u>(1,943)</u>
<u>(2,353)</u>	<u>(1,951)</u>	Balance at 30 June	<u>(2,353)</u>	<u>(1,951)</u>
<u>(3,506)</u>	<u>(2,982)</u>		<u>(3,506)</u>	<u>(2,982)</u>
Non-Current				
-----	264	Sale of Goods and Services	-----	264
-----	264	Sub Total	-----	264
-----	-----	Prepayments	-----	-----
<u>-----</u>	<u>264</u>		<u>-----</u>	<u>264</u>
(c) Patient Fee Receivables				
(Current and Non-Current) include:				
1,701	1,334	Patient Fees - Compensable	1,701	1,334
781	388	Patient Fees - Ineligible	781	388
<u>12,117</u>	<u>11,585</u>	Patient Fees - Other	<u>12,117</u>	<u>11,585</u>
<u>14,599</u>	<u>13,307</u>		<u>14,599</u>	<u>13,307</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT

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2013 2012
\$000 **\$000**

2013 2012
\$000 **\$000**

21. Inventories - Current - Held for Distribution

2,613	2,576		2,613	2,576
-----	129	Drugs	-----	129
		Medical and Surgical Supplies		
2,613	2,705		2,613	2,705

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,999,740	1,847,881	Gross Carrying Amount	1,999,740	1,847,881
<u>916,395</u>	<u>843,243</u>	Less: Accumulated Depreciation and Impairment	<u>916,395</u>	<u>843,243</u>
<u>1,083,345</u>	<u>1,004,638</u>	Net Carrying Amount	<u>1,083,345</u>	<u>1,004,638</u>
Plant and Equipment - Fair Value				
209,943	214,399	Gross Carrying Amount	209,943	214,399
<u>127,925</u>	<u>122,777</u>	Less: Accumulated Depreciation and Impairment	<u>127,925</u>	<u>122,777</u>
<u>82,018</u>	<u>91,622</u>	Net Carrying Amount	<u>82,018</u>	<u>91,622</u>
Infrastructure Systems - Fair Value				
138,143	129,339	Gross Carrying Amount	138,143	129,339
<u>65,461</u>	<u>58,898</u>	Less: Accumulated Depreciation and Impairment	<u>65,461</u>	<u>58,898</u>
<u>72,682</u>	<u>70,441</u>	Net Carrying Amount	<u>72,682</u>	<u>70,441</u>
<u>1,238,045</u>	<u>1,166,701</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,238,045</u>	<u>1,166,701</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT & CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leasehold Improvements	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013							
Net Carrying Amount at Start of Year	109,380	863,465	28,095	3,698	91,622	70,441	1,166,701
Additions	388	275	71,117	833	16,785	91	89,489
Recognition of Assets Held for Sale	(6,510)	6,107	-----	-----	-----	-----	(403)
Disposals	(197)	(3,279)	-----	-----	(3,380)	-----	(6,856)
Administrative Restructures - Transfers In/(Out)	-----	-----	-----	-----	(155)	-----	(155)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	5,584	46,598	-----	-----	-----	4,001	56,183
Depreciation Expense	-----	(45,582)	-----	(607)	(17,421)	(3,304)	(66,914)
Reclassifications	-----	33,003	(29,023)	-----	(5,433)	1,453	-----
Net Carrying Amount at End of Year	108,645	900,587	70,189	3,924	82,018	72,682	1,238,045

	Land	Buildings	Work in Progress	Leasehold Improvements	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012							
Net Carrying Amount at Start of Year	110,677	785,788	85,643	3,725	56,114	73,674	1,115,621
Additions	-----	232	48,978	-----	12,426	-----	61,636
Recognition of Assets Held for Sale	(2,250)	-----	-----	-----	-----	-----	(2,250)
Disposals	(97)	(19)	-----	-----	(2,082)	-----	(2,198)
Administrative Restructures - Transfers In/(Out)	1,050	20,632	1,342	222	30,644	-----	53,890
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	-----	-----	-----	-----	-----	-----	-----
Depreciation Expense	-----	(39,406)	-----	(249)	(17,110)	(3,233)	(59,998)
Reclassifications	-----	96,238	(107,868)	-----	11,630	-----	-----
Net Carrying Amount at End of Year	109,380	863,465	28,095	3,698	91,622	70,441	1,166,701

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the HNE LHD [see note 2(g)].

(ii) Land and Buildings were valued in the 2010/11 financial year by Corporeal Pty Ltd, Property Valuers and Consultants (Certified Practising Valuer, Registered Valuer No 2673). in accordance with note 2 Corporeal Pty Ltd, Property Valuers and Consultants (Certified Practising Valuer, Registered Valuer No 2673). is not an employee of the HNE LHD.

(iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets 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 gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indices applied to Non Current Assets as determined by Corporeal Pty Ltd, Property Valuers and Consultants (Certified Practising Valuer, Registered Valuer No 2673) in December 2012 :

Year	Land	Buildings	Infrastructure
2010/11	2.0%	2.0%	2.0%
2011/12	2.0%	1.8%	1.8%
2012/13	1.0%	1.7%	1.7%

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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	PARENT		CONSOLIDATION
	2013	2012	2013
	\$000	\$000	\$000
23. Non-Current Assets (or Disposal Groups) Held for Sale			
Assets Held for Sale			
Land and Buildings	2,550	2,700	2,550
	2,550	2,700	2,700

The non-current assets held for resale constitute assets that are surplus to requirements and will be actively marketed for sale in the next twelve months, with an expectation that the sale will be effected by 30th June 2014.

The balance in non-current assets held for sale relates to a parcel of land on the John Hunter Hospital campus. The contract for the sale of the land exchanged on 28 June 2013 with a settlement date within three years.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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	PARENT	CONSOLIDATION	
	2013 \$000	2013 \$000	2012 \$000
24. Restricted Assets			
<p>The HNE LHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>			
Category			
9,489	9,489	9,710	9,710
17	17	17	17
22,243	22,243	22,243	19,957
19,111	19,111	19,111	17,373
13,444	13,444	13,444	11,844
	64,304	64,304	58,901

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		25. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	27,115	23,817
-----	-----	Taxation and Payroll Deductions	5,901	5,740
33,016	29,557	Accrued Liability - Purchase of Personnel Services	-----	-----
26,063	31,270	Creditors	26,063	31,270
		Other Creditors		
1,487	444	- Capital Works	1,487	444
16,807	15,083	- Intra Health Liability	16,807	15,083
37,835	41,213	- Other	37,835	41,213
<u>115,208</u>	<u>117,567</u>		<u>115,208</u>	<u>117,567</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

		26. Borrowings		
		Current		
1,617	2,489	Other Loans and Deposits	1,617	2,489
8,297	7,412	Novacare - Calvary Mater Newcastle PPP	8,297	7,412
<u>9,914</u>	<u>9,901</u>		<u>9,914</u>	<u>9,901</u>
		Non-Current		
711	1,500	Other Loans and Deposits	711	1,500
124,499	132,796	Novacare - Calvary Mater Newcastle PPP	124,499	132,796
<u>125,210</u>	<u>134,296</u>		<u>125,210</u>	<u>134,296</u>

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

Other loans still to be extinguished represent monies to be repaid to the HealthShare NSW and NSW Treasury.

Final Repayment is scheduled for December 2019.

Liability to NovaCare, \$133m. Final repayment to NovaCare for Calvary Mater Newcastle Hospital PPP

Liability Schedule is 2033/34.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
27. Provisions				
Current				
-----	-----	Annual Leave - Short Term Benefit	93,339	88,345
-----	-----	Annual Leave - Long Term Benefit	50,147	50,122
-----	-----	Long Service Leave On-Costs	18,475	18,515
161,961	156,982	Provision for Personnel Services Liability	-----	-----
<u>161,961</u>	<u>156,982</u>	Total Current Provisions	<u>161,961</u>	<u>156,982</u>
Non-Current				
-----	-----	Long Service Leave On-Costs	976	576
833	-----	Other	833	-----
976	576	Provision for Personnel Services Liability	-----	-----
<u>1,809</u>	<u>576</u>	Total Non-Current Provisions	<u>1,809</u>	<u>576</u>
Aggregate Employee Benefits and Related On-Costs				
-----	-----	Provisions - Current	161,961	156,982
-----	-----	Provisions - Non-Current	976	576
-----	-----	Accrued Salaries, Wages and On-Costs (Note 25)	33,016	29,557
195,953	187,115	Liability - Purchase of Personnel Services	-----	-----
<u>195,953</u>	<u>187,115</u>		<u>195,953</u>	<u>187,115</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
28. Other Liabilities				
Current				
274	6,306	Income in Advance	274	6,306
274	6,306		274	6,306
Non-Current				
330	345	Income in Advance	330	345
330	345		330	345

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		29. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, and infrastructure assets, contracted for at balance date and not provided for:		
		Not later than one year	85,473	24,980
85,473	24,980	Later than one year and not later than five years	57,096	-----
57,096	-----		-----	-----
		Total Capital Expenditure Commitments (Including GST)	142,569	24,980
142,569	24,980			
		Of the commitments reported at 30 June 2013 it is expected that \$1.1 million (2012 \$351K) will be met from locally generated moneys.		
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	7,881	7,273
7,881	7,273	Later than one year and not later than five years	14,527	14,488
14,527	14,488	Later than five years	25,125	27,527
25,125	27,527		-----	-----
		Total Operating Lease Commitments (Including GST)	47,533	49,288
47,533	49,288			
		The operating lease commitments above are for rental properties, motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		(c) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$190.1 million as at 30 June 2013 includes input tax credits of \$17.3 million that are expected to be recoverable from the Australian Taxation Office (2012 \$5.9 million).		

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
(d) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)				
<p>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 has been completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.</p>				
<p>When Stage 1 construction was completed in January 2008, 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 \$71.33M. 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 former HNEAHS or the Ministry of Health. Upon completion of the Project, the former HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.</p>				
<p>The former HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by the former HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by the former HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.</p>				
<p>In addition, the former Hunter New England Area Health Service recognised the liability to NovaCare, payable over the period to 2033, for the construction of both hospitals. The liability transferred from the former HNEAHS to the HNELHD on 1 January 2011.</p>				
<p>An estimate of the commitments is as follows:</p>				
(i) Commitments – Repayment of PPP Liability (Borrowings)				
9,127	8,153	Not later than one year	9,127	8,153
50,466	44,366	Later than one year and not later than five years	50,466	44,366
86,483	101,710	Later than five years	86,483	101,710
146,076	154,229	Total PPP Liability Commitments (including GST)	146,076	154,229
(ii) Future Interest Charges – New Mental Health Building and Refurbished Buildings (PPP interest)				
14,325	15,119	Not later than one year	14,325	15,119
45,236	50,569	Later than one year and not later than five years	45,236	50,569
76,393	85,385	Later than five years	76,393	85,385
135,954	151,073	Total PPP Future Interest Commitments (including GST)	135,954	151,073
(iii) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to both hospitals.				
16,935	16,904	Not later than one year	16,935	16,904
85,404	82,066	Later than one year and not later than five years	85,404	82,066
423,395	443,668	Later than five years	423,395	443,668
525,734	542,638	Total Other Expenditure Commitments (including GST)	525,734	542,638
807,764	847,940	Total	807,764	847,940

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$73.4m are expected to be recoverable from the Australian Taxation Office (2012 \$77.0m).

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

30. Trust Funds

The HNE LHD holds trust fund moneys of \$3.1 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 HNE LHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
		Patient Trust	Refundable Deposits	Private Practice Trust Funds	Total							
Cash Balance at the beginning of the financial year	1,257	1,029	279	308	781	2,546	2,118					
Receipts	518	457	85	(6)	38,838	39,441	36,208					
Expenditure	(268)	(229)	(36)	(23)	(38,596)	(38,900)	(35,780)					
Cash Balance at the end of the financial year	1,507	1,257	328	279	1,252	3,087	2,546					

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATED

31. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2006/07 fund year and an interim adjustment for the 2008/09 fund year were not calculated until 2012/13.

As a result, the 2007/08 final and 2009/10 pertaining to the hospitals and community services now forming part of the HNE LHD will be paid in 2013/14. It is not possible for the HNE LHD to reliably quantify the benefit to be received.

b) Affiliated Health Organisations

Based on the definition of control in Australian Accounting Standard AASB127, Consolidated and Separate Financial Statements, Affiliated Health Organisations listed in Schedule 3 of the Health Services Act, 1997 are only recognised in the HNE LHD'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 HNE LHD and the Ministry.

c) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

	PARENT		CONSOLIDATION
	2013	2012	2012
	\$000	\$000	\$000
32. Reconciliation of Cash Flows from Operating Activities to Net Result			
Net Cash Flows from Operating Activities	127,452	55,388	55,388
Depreciation	(66,914)	(59,998)	(59,998)
Allowance for Impairment	(1,144)	(2,232)	(2,232)
(Increase)/ Decrease Income in Advance	6,047	(2,575)	(2,575)
(Increase)/ Decrease in Provisions	(8,796)	(17,184)	(17,184)
Increase / (Decrease) in Prepayments and Other Assets	(26,758)	(2,802)	(2,802)
(Increase)/ Decrease in Creditors	4,220	23,234	23,234
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(4,188)	(1,078)	(1,078)
	29,919	(7,247)	(7,247)
	29,919	(7,247)	(7,247)

33. 2012/13 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the HNE LHD. Services provided include:

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

Hunter New England Local Health District
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PARENT AND CONSOLIDATED

34. Unclaimed Moneys

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

All money and personal effects of patients which are left in the custody of HNE LHD 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 HNE LHD.

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.

35. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than budget by \$2.1M.

Significant variation to budgets are;

\$14.0M savings on goods and services following the impact of savings strategies that were introduced across HNELHD early in the financial year,

Government Capital recurrent allocations were lower than budget by \$9.1M due to timing of cash received,

\$2.8M refund to HNELHD relating to workers compensation performance, reflecting HNELHD's focus on safety

\$(3.4)M recognition of book value of demolished buildings that have since been replaced with Multi Purpose Centres

Provision for doubtful debts were lower than budget by \$2.0M.

The actual Comprehensive Income was higher than budget by \$58.3M primarily due to the revaluation of Land, Buildings & Infrastructure assets in 2012/13 resulting in a revaluation increment of \$56.2M.

Assets and Liabilities

Current assets are favourable by \$8.3M, due to favourable cash of \$35M, offset by lower than budget debtors of \$26M.

Non current assets are favourable \$40.3M. This is inclusive of a \$56.2M asset revaluation of Land Buildings & Infrastructure offset by an unfavourability in asset purchases.

Current Liabilities are unfavourable to budget by \$2.7M, due to favourable payables of \$7.6M, offset by higher than budgeted leave provisions of \$6.1M and borrowings of \$3.9M.

Non current Liabilities are favourable \$12.4M due to favourable leave provisions of \$3.3M and borrowings of \$9.1M.

Net assets are favourable to budget \$58.3M as noted above.

Cash Flows

Actual cash movement was \$34.6M favourable to budget. The majority of favourability was from Operating Activity due to timing of creditors and savings on Goods & Services as noted above in the Net Result.

Investing activities were favourable due to timing of capital purchases.

Hunter New England Local Health District
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PARENT AND CONSOLIDATED

NSW Ministry of Health Recurrent Allocations

\$000

Initial Allocation	1,407,554	
Award Increases		16,847

Special Projects

National Partnership Public Dental Waiting Lists	3,309	
Isolated Patient Travel and Accommodation Assistance Scheme	1,398	
Healthy Children's Initiatives	1,262	
PAIN Management	1,069	
National Partnership Homeless Drug and Alcohol	972	
Organ and Tissue Donation	595	
Commonwealth Geriatric Assessment - GERA	582	
Nicotine Detox Initiatives	534	
FALL prevention	526	
Various Special Projects	2,439	
Motor Accidents Authority	<u>(2,283)</u>	10,403

Other

Nursing / Maternity Services	6,409	
Treasury Managed Fund	5,151	
Adjustment for Future Years Cross Border Revenue	3,220	
Voluntary Redundancies	1,469	
Rural Health/Rural Doctors Initiatives	1,110	
Workforce/training Initiatives	946	
Mater PPP	326	
Other Miscellaneous	1,621	
Forensic t/f to PATH NSW	<u>(3,160)</u>	17,092

Balance as per Statement of Comprehensive Income		<u><u>1,451,896</u></u>
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Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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36. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2011/12 year were:

An increase in net assets of \$59.62M relating to HNE LHD's assumption of responsibilities upon final close of Health Reform Transitional Organisation Northern on 31 May 2012.

Equity transfers effected in the 2012/13 year were:

A decrease in net assets of \$0.09M relating to HNE LHD's transfer of responsibilities of Forensic Services to NSW Health Pathology on 1 July 2012.

An increase in net assets of \$2.49M relating to Crown Entity - Transfer of Long Service Leave On-Costs

	2013	2012
	\$000	\$000
Equity transfers effected comprised:		
Health Reform Transitional Organisation Northern	-----	59,620
NSW Pathology transfer of Forensic Services	(86)	-----
Crown Entity - Transfer of Long Service Leave On-costs	2,485	-----

	2,399	59,620
--	--------------	---------------

Assets and Liabilities transferred are as follows:

	2013	2012
	\$000	\$000
Assets		
Current		
Cash & Cash Equivalents	-----	21,260
Receivables	-----	10,470
Prepayments	-----	250
Non Current		
Property, Plant & Equipment	(155)	53,890
Non current Receivables	-----	264
Liabilities		
Current		
Current Liabilities	(31)	(568)
Payables	-----	(14,435)
Provisions	2,585	(11,511)

Increase/(Decrease) in Net Assets From Equity Transfers

	2,399	59,620
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Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

37. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2013 \$000	Carrying Amount 2012 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 19)	N/A	130,095	98,204
Receivables (note 20)*	Loans and receivables (at amortised cost)	33,644	61,826
Total Financial Assets		163,739	160,030
Financial Liabilities			
Borrowings (note 26)	Financial liabilities	135,124	144,197
Payables (note 25)**	measured at amortised cost	109,307	111,827
Total Financial Liabilities		244,431	256,024

Notes

*Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**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 HNE LHD's debtors defaulting on their contractual obligations, resulting in a financial loss to the HNE LHD. 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 financial assets of the HNE LHD, including cash, receivables and authority deposits. No collateral is held by the HNE LHD. The HNE LHD has not granted any

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financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 4.18% in 2012/13 compared to 5.70% in the previous year.

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 Ministry of Health Accounting Manual for Public Health Organisations 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 HNE LHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The HNE LHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2013:\$26.45M; 2012: \$58.68M) and not more than 3 months past due (2013: \$3.22M; 2012:\$3.15M) are not considered impaired and together these represent 80.11% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the HNE LHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

2013	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	3,448	3,220	228
3 months - 6 months overdue	1,103	776	327
> 6 months overdue	6,057	3,106	2,951
2012			
<3 months overdue	4,859	3,149	1,710
3 months - 6 months overdue	668	528	140
> 6 months overdue	1,774	642	1,132

Notes

1 Each column in the table reports "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.

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(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The HNE LHD has exposure to liquidity risk.

However, the risk is minimised by the service agreement, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNE LHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		27,115	-----	-----	27,115	27,115	-----	-----
- Creditors		82,192	-----	-----	82,192	82,192	-----	-----
Borrowings:								
- Loans and Deposits	5.63%	2,491	2,491	-----	-----	1,691	653	147
- Novacare - Calvary Mater Newcastle PPP	8.36%	247,960	247,960	-----	-----	20,979	85,621	141,360
		<u>359,758</u>	<u>250,451</u>	<u>-----</u>	<u>109,307</u>	<u>131,977</u>	<u>86,274</u>	<u>141,507</u>
2012								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		23,817	-----	-----	23,817	23,817	-----	-----
- Creditors		88,010	-----	-----	88,010	88,010	-----	-----
Borrowings:								
- Loans and Deposits	6.64%	4,234	4,234	-----	-----	2,692	1,542	-----
- Novacare - Calvary Mater Newcastle PPP	8.36%	268,791	268,791	-----	-----	20,832	84,983	162,976
		<u>384,852</u>	<u>273,025</u>	<u>-----</u>	<u>111,827</u>	<u>135,351</u>	<u>86,525</u>	<u>162,976</u>

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 HNE LHD 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.

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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 HNE LHD's exposures to market risk are primarily through interest rate risk on the HNE LHD's borrowings.
The HNE LHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit 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 HNE LHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2012. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the HNE LHD's interest bearing liabilities.

However, HNE LHD is not permitted to borrow external to the NSW Ministry of Health (energy loans which are negotiated through Treasury excepted).

Both Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The HNE LHD 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 HNE LHD's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit	-1% Equity	+1% Profit	+1% Equity
2013					
Financial Assets					
Cash and Cash Equivalents	130,095	(1,301)	(1,301)	1,301	1,301
Receivables	33,644	-----	-----	-----	-----
Financial Liabilities					
Payables	109,307	-----	-----	-----	-----
Borrowings					
- Fixed	2,328	-----	-----	-----	-----
- Variable	132,796	(1,328)	(1,328)	1,328	1,328
2012					
Financial Assets					
Cash and Cash Equivalents	98,204	(982)	(982)	982	982
Receivables	61,826	-----	-----	-----	-----
Financial Liabilities					
Payables	111,827	-----	-----	-----	-----
Borrowings					
- Fixed	3,989	-----	-----	-----	-----
- Variable	140,208	(1,402)	(1,402)	1,402	1,402

Note 38 Events after the Reporting Period

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