



## 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 2014, the statement of comprehensive income, statement of changes in equity, 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 2014, and of their financial performance and 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 District 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 assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about 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.



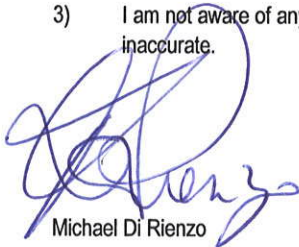
Steven Martin  
Assistant Auditor General, Financial Audit Services

11 September 2014  
SYDNEY

Hunter New England Local Health District  
Certification of the Financial Statements  
for the year ended 30 June 2014

I state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Hunter New England Local Health District for the year ended 30 June 2014 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) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Michael Di Rienzo  
Chief Executive  
9 September 2014

**Hunter New England Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2014**

PARENT							CONSOLIDATION		
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual		
2014 \$000	2014 \$000	2013 \$000			2014 \$000	2014 \$000	2013 \$000		
			<b>Expenses excluding losses</b>						
			<b>Operating Expenses</b>						
----	----	----	Employee Related	3	1,114,102	1,137,238	1,047,438		
1,061,444	1,079,365	1,020,875	Personnel Services	4	----	----	----		
88,675	79,442	84,468	Visiting Medical Officers		88,675	79,442	84,468		
507,807	485,705	481,981	Other Operating Expenses	5	507,807	485,705	481,981		
71,091	70,821	66,914	Depreciation and Amortisation	2(i), 6	71,091	70,821	66,914		
6,017	5,759	5,580	Grants and Subsidies	7	6,017	5,759	5,580		
11,665	11,623	12,628	Finance Costs	8	11,665	11,623	12,628		
116,444	116,624	114,926	Payments to Affiliated Health Organisations	9	116,444	116,624	114,926		
<b>1,863,143</b>	<b>1,849,339</b>	<b>1,787,372</b>	<b>Total Expenses excluding losses</b>		<b>1,915,801</b>	<b>1,907,212</b>	<b>1,813,935</b>		
			<b>Revenue</b>						
1,494,064	1,494,013	1,451,896	NSW Ministry of Health Recurrent Allocations	2(d)	1,494,064	1,494,013	1,451,896		
99,603	104,875	81,015	NSW Ministry of Health Capital Allocations	2(d)	99,603	104,875	81,015		
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	52,658	57,873	26,563		
235,783	230,344	225,964	Sale of Goods and Services	10	235,783	230,344	225,964		
5,393	2,945	4,526	Investment Revenue	11	5,393	2,945	4,526		
57,652	52,270	50,220	Grants and Contributions	12	57,652	52,270	50,220		
12,737	7,678	9,002	Other Revenue	14	12,737	7,678	9,002		
<b>1,905,232</b>	<b>1,892,125</b>	<b>1,822,623</b>	<b>Total Revenue</b>		<b>1,957,890</b>	<b>1,949,998</b>	<b>1,849,186</b>		
(2,600)	(785)	(4,188)	Gain / (Loss) on Disposal	15	(2,600)	(785)	(4,188)		
561	(825)	(1,144)	Other Gains / (Losses)	16	561	(825)	(1,144)		
<b>40,050</b>	<b>41,176</b>	<b>29,919</b>	<b>Net Result</b>	33	<b>40,050</b>	<b>41,176</b>	<b>29,919</b>		
			<b>Other Comprehensive Income</b>						
			<b>Items that will not be reclassified to net result</b>						
			<b>Net Increase/(Decrease) in Property, Plant &amp;</b>						
10,811	----	56,183	Equipment Revaluation Surplus	22	10,811	----	56,183		
<b>10,811</b>	<b>----</b>	<b>56,183</b>	<b>Total Other Comprehensive Income</b>		<b>10,811</b>	<b>----</b>	<b>56,183</b>		
<b>50,861</b>	<b>41,176</b>	<b>86,102</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>50,861</b>	<b>41,176</b>	<b>86,102</b>		

The accompanying notes form part of these financial statements.

Hunter New England Local Health District  
Statement of Financial Position as at 30 June 2014

PARENT								CONSOLIDATION			
Actual	Budget Unaudited	Actual						Actual	Budget Unaudited	Actual	
2014	2014	2013						2014	2014	2013	
\$000	\$000	\$000						\$000	\$000	\$000	
<b>ASSETS</b>											
<b>Current Assets</b>											
120,790	131,650	130,095	Cash and Cash Equivalents	19	120,790	131,650	130,095	Notes	120,790	131,650	130,095
51,175	47,679	46,349	Receivables	20	51,175	47,679	46,349		51,175	47,679	46,349
2,277	2,611	2,613	Inventories	21	2,277	2,611	2,613		2,277	2,611	2,613
<u>174,242</u>	<u>181,940</u>	<u>179,057</u>			<u>174,242</u>	<u>181,940</u>	<u>179,057</u>		<u>174,242</u>	<u>181,940</u>	<u>179,057</u>
2,550	2,550	2,550	Non-Current Assets Held for Sale	23	2,550	2,550	2,550		2,550	2,550	2,550
<u>176,792</u>	<u>184,490</u>	<u>181,607</u>	<b>Total Current Assets</b>		<u>176,792</u>	<u>184,490</u>	<u>181,607</u>		<u>176,792</u>	<u>184,490</u>	<u>181,607</u>
<b>Non-Current Assets</b>											
<b>Property, Plant &amp; Equipment</b>											
1,130,288	1,147,811	1,079,421	- Land and Buildings	22	1,130,288	1,147,811	1,079,421		1,130,288	1,147,811	1,079,421
91,907	57,728	82,018	- Plant and Equipment	22	91,907	57,728	82,018		91,907	57,728	82,018
75,301	70,629	72,682	- Infrastructure Systems	22	75,301	70,629	72,682		75,301	70,629	72,682
3,821	3,924	3,924	- Leasehold Improvements	22	3,821	3,924	3,924		3,821	3,924	3,924
<u>1,301,317</u>	<u>1,280,092</u>	<u>1,238,045</u>	Total Property, Plant & Equipment		<u>1,301,317</u>	<u>1,280,092</u>	<u>1,238,045</u>		<u>1,301,317</u>	<u>1,280,092</u>	<u>1,238,045</u>
<u>1,301,317</u>	<u>1,280,092</u>	<u>1,238,045</u>	<b>Total Non-Current Assets</b>		<u>1,301,317</u>	<u>1,280,092</u>	<u>1,238,045</u>		<u>1,301,317</u>	<u>1,280,092</u>	<u>1,238,045</u>
<u>1,478,109</u>	<u>1,464,582</u>	<u>1,419,652</u>	<b>Total Assets</b>		<u>1,478,109</u>	<u>1,464,582</u>	<u>1,419,652</u>		<u>1,478,109</u>	<u>1,464,582</u>	<u>1,419,652</u>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
125,343	115,460	115,208	Payables	26	125,343	115,460	115,208		125,343	115,460	115,208
9,444	3,305	9,914	Borrowings	27	9,444	3,305	9,914		9,444	3,305	9,914
168,910	172,940	161,961	Provisions	28	168,910	172,940	161,961		168,910	172,940	161,961
677	274	274	Other	29	677	274	274		677	274	274
<u>304,374</u>	<u>291,979</u>	<u>287,357</u>	<b>Total Current Liabilities</b>		<u>304,374</u>	<u>291,979</u>	<u>287,357</u>		<u>304,374</u>	<u>291,979</u>	<u>287,357</u>
<b>Non-Current Liabilities</b>											
115,766	124,325	125,210	Borrowings	27	115,766	124,325	125,210		115,766	124,325	125,210
1,847	1,863	1,809	Provisions	28	1,847	1,863	1,809		1,847	1,863	1,809
315	330	330	Other	29	315	330	330		315	330	330
<u>117,928</u>	<u>126,518</u>	<u>127,349</u>	<b>Total Non-Current Liabilities</b>		<u>117,928</u>	<u>126,518</u>	<u>127,349</u>		<u>117,928</u>	<u>126,518</u>	<u>127,349</u>
<u>422,302</u>	<u>418,497</u>	<u>414,706</u>	<b>Total Liabilities</b>		<u>422,302</u>	<u>418,497</u>	<u>414,706</u>		<u>422,302</u>	<u>418,497</u>	<u>414,706</u>
<u>1,055,807</u>	<u>1,046,085</u>	<u>1,004,946</u>	<b>Net Assets</b>		<u>1,055,807</u>	<u>1,046,085</u>	<u>1,004,946</u>		<u>1,055,807</u>	<u>1,046,085</u>	<u>1,004,946</u>
<b>EQUITY</b>											
66,994	56,183	56,183	Reserves		66,994	56,183	56,183		66,994	56,183	56,183
988,813	989,902	948,763	Accumulated Funds		988,813	989,902	948,763		988,813	989,902	948,763
<u>1,055,807</u>	<u>1,046,085</u>	<u>1,004,946</u>	<b>Total Equity</b>		<u>1,055,807</u>	<u>1,046,085</u>	<u>1,004,946</u>		<u>1,055,807</u>	<u>1,046,085</u>	<u>1,004,946</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 2014

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2013		948,763	56,183	1,004,946
<b>Total Equity at 1 July 2013</b>		<b>948,763</b>	<b>56,183</b>	<b>1,004,946</b>
Net Result for the year		40,050		40,050
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	10,811	10,811
<b>Total Other Comprehensive Income</b>		-----	<b>10,811</b>	<b>10,811</b>
<b>Total Comprehensive Income for the year</b>		<b>40,050</b>	<b>10,811</b>	<b>50,861</b>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	37	-----	-----	-----
<b>Balance at 30 June 2014</b>		<b>988,813</b>	<b>66,994</b>	<b>1,055,807</b>
<b>Balance at 1 July 2012</b>		<b>916,445</b>	-----	<b>916,445</b>
<b>Total Equity at 1 July 2012</b>		<b>916,445</b>	-----	<b>916,445</b>
Net Result for the year		29,919		29,919
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	56,183	56,183
<b>Total Other Comprehensive Income</b>		-----	<b>56,183</b>	<b>56,183</b>
<b>Total Comprehensive Income for the year</b>		<b>29,919</b>	<b>56,183</b>	<b>86,102</b>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	37	2,399	-----	2,399
<b>Balance at 30 June 2013</b>		<b>948,763</b>	<b>56,183</b>	<b>1,004,946</b>

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 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014	2014	2013		2014	2014	2013
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Payments						
---	---	---		(1,074,212)	(1,087,175)	(1,031,929)
(135,883)	(135,805)	(134,380)	Employee Related	(135,883)	(135,805)	(134,380)
(11,666)	(11,623)	(12,409)	Grants and Subsidies	(11,666)	(11,623)	(12,409)
(1,724,892)	(1,715,042)	(1,662,071)	Finance Costs	(650,680)	(627,867)	(630,142)
			Other			
<u>(1,872,441)</u>	<u>(1,862,470)</u>	<u>(1,808,860)</u>	<b>Total Payments</b>	<u>(1,872,441)</u>	<u>(1,862,470)</u>	<u>(1,808,860)</u>
Receipts						
1,494,064	1,494,013	1,451,896	NSW Ministry of Health Recurrent Allocations	1,494,064	1,494,013	1,451,896
99,603	104,875	81,015	NSW Ministry of Health Capital Allocations	99,603	104,875	81,015
19,738	19,738	21,330	Reimbursements from the Crown Entity	19,738	19,738	21,330
237,028	235,756	253,074	Sale of Goods and Services	237,028	235,756	253,074
5,393	2,938	4,526	Interest Received	5,393	2,938	4,526
62,509	57,126	55,821	Grants and Contributions	62,509	57,126	55,821
71,897	66,165	68,650	Other	71,897	66,165	68,650
<u>1,990,232</u>	<u>1,980,611</u>	<u>1,936,312</u>	<b>Total Receipts</b>	<u>1,990,232</u>	<u>1,980,611</u>	<u>1,936,312</u>
<u>117,791</u>	<u>118,141</u>	<u>127,452</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>117,791</u>	<u>118,141</u>	<u>127,452</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
2,842	1,819	3,221	Proceeds from Sale of Property, Plant & Equipment	2,842	1,819	3,221
(120,024)	(110,873)	(89,489)	Purchases of Property, Plant & Equipment	(120,024)	(110,873)	(89,489)
<u>(117,182)</u>	<u>(109,054)</u>	<u>(86,268)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(117,182)</u>	<u>(109,054)</u>	<u>(86,268)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
---	---	881	Proceeds from Borrowings and Advances	---	---	881
(9,914)	(7,494)	(10,174)	Repayment of Borrowings and Advances	(9,914)	(7,494)	(10,174)
<u>(9,914)</u>	<u>(7,494)</u>	<u>(9,293)</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(9,914)</u>	<u>(7,494)</u>	<u>(9,293)</u>
(9,305)	1,593	31,891	<b>NET INCREASE / (DECREASE) IN CASH</b>	(9,305)	1,593	31,891
130,095	130,095	98,204	Opening Cash and Cash Equivalents	130,095	130,095	98,204
<u>120,790</u>	<u>131,688</u>	<u>130,095</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>120,790</u>	<u>131,688</u>	<u>130,095</u>

The accompanying notes form part of these financial statements.





Hunter New England Local Health District  
 Service Group Statements (Continued)  
 for the year ended 30 June 2014

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			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>																						
Current Assets																						
Cash and Cash Equivalents	0,945	4,327	1,094	1,453	17,531	20,071	13,356	13,564	57,989	62,484	11,356	11,422	9,844	13,893	1,916	2,117	759	744			120,790	130,095
Receivables	150	834	44	46	11,481	5,126	438	1,534	28,597	26,952	1,494	811	10,915	10,044	57	362	19	640			51,175	48,349
Inventories	120	81	16	27	381	450	285	1,113	1,113	1,280	159	156	183	272	28	31	12	10			2,277	2,613
Non-Current Assets Held for Sale	122	85	27	25	371	416	255	1,203	288	1,201	235	215	255	311	26	24	5				2,550	
Total Current Assets	7,337	5,307	1,181	1,551	29,724	26,053	14,374	15,712	86,905	91,317	13,244	12,604	21,197	24,520	2,027	2,534	803	1,399			176,792	181,607
Non-Current Assets																						
Property, Plant and Equipment																						
- Land and Buildings	54,253	27,633	11,151	11,010	164,532	178,192	130,955	121,975	534,488	508,191	104,055	90,887	113,185	131,473	11,710	10,039	5,889	2,051			1,130,288	1,079,421
- Plant and Equipment	4,411	2,100	908	838	13,383	13,385	10,648	9,288	43,461	38,614	8,461	6,906	9,203	9,990	952	763	480	156			91,907	82,018
- Infrastructure Systems	3,614	1,881	745	740	10,985	11,862	8,724	8,213	35,808	34,219	6,932	6,120	7,540	8,853	780	678	393	138			75,301	72,662
- Leasehold Improvements	183	100	37	43	556	640	443	443	1,807	1,847	352	330	383	478	40	38	20	7			3,821	3,924
Total Non-Current Assets	62,461	31,694	12,641	12,629	189,495	202,049	150,770	139,899	615,354	582,871	119,800	104,243	130,311	150,794	13,492	11,514	6,792	2,352			1,301,317	1,238,045
TOTAL ASSETS	69,798	37,001	14,022	14,180	219,220	228,112	165,144	155,611	702,269	674,788	133,044	116,847	151,508	176,314	15,509	14,048	7,595	3,751			1,478,109	1,419,652
LIABILITIES																						
Current Liabilities																						
Payables	6,629	3,571	938	1,200	19,857	19,839	15,678	13,502	61,243	56,426	8,736	6,868	10,076	11,993	1,524	1,382	662	428			125,343	115,208
Borrowings	543	330	85	110	1,371	1,530	1,044	1,035	4,534	4,762	888	870	770	1,059	150	161	59	57			9,444	9,914
Provisions	11,347	6,074	1,862	2,187	23,220	23,549	16,370	15,305	77,032	72,947	19,520	18,107	15,601	19,856	2,932	2,640	1,320	1,296			168,910	161,961
Other	39	9	6	3	98	42	75	29	325	132	64	24	55	29	11	4	4	2			577	274
Total Current Liabilities	18,558	9,984	2,891	3,500	44,546	44,960	33,165	29,871	143,134	134,270	29,216	25,867	26,502	32,937	4,317	4,187	2,045	1,781			304,374	287,357
Non-Current Liabilities																						
Borrowings	6,656	4,165	1,050	1,388	18,802	19,317	12,800	13,074	55,577	60,138	10,884	10,993	9,434	13,371	1,836	2,038	727	716			115,766	125,270
Provisions	124	68	20	25	254	263	179	171	842	815	214	202	171	222	29	29	14	14			1,847	1,809
Other	18	11	2	5	46	51	35	34	151	158	30	29	26	35	5	5	2	2			315	350
Total Non-Current Liabilities	6,798	4,244	1,072	1,428	17,102	19,651	13,074	13,279	56,570	61,111	11,128	11,222	9,631	13,628	1,870	2,072	743	732			117,928	127,349
TOTAL LIABILITIES	25,356	14,228	3,963	4,928	61,648	64,611	46,173	43,150	199,704	195,381	40,344	37,091	36,133	46,565	6,187	6,259	2,788	2,513			422,302	414,706
NET ASSETS	44,442	22,773	10,059	9,252	157,572	163,521	118,965	112,461	502,565	479,407	92,700	79,756	115,375	128,749	9,322	7,789	4,807	1,238			1,655,807	1,504,946

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

Hunter New England Local Health District  
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## 1. The Reporting Entity

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

The HNELHD 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 Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Hunter New England Local Health District Special Purpose Service Entity which was established as a Division of the Health Service on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the HNELHD 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 HNELHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive on 9 September 2014.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The HNELHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and 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 Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the HNELHD'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(aa).

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

The Secretary of Health, the Chair of Hunter New England Local Health District Board and the Chief Executive, through the Service Agreement 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 HNELHD'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 HNELHD 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.

Hunter New England Local Health District  
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Other 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 HNELHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- \* The HNELHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the HNELHD 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.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

#### **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.

#### **Statement of Compliance**

The financial statements and notes 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**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.5% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were 14.9%). The HNELHD has assessed the actuarial advice based on the HNELHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

Hunter New England Local Health District  
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**ii) Long Service Leave and Superannuation**

The HNELHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

The HNELHD 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'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the HNELHD as shown in Note 28.

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 14/04) 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 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) Consequential On-Costs**

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

**iv) Other Provisions**

Other provisions exist when the HNELHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

**b) Insurance**

The HNELHD'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 claims 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.

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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 HNELHD 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 HNELHD, 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 HNELHD 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.

*Debt Forgiveness*

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

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*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 District 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 HNELHD use in the advancement of the HNELHD or individuals within it.

*Use of Outside Facilities*

The HNELHD 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 recognised as revenues when the HNELHD 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 HNELHD 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 Organisation) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisation concerned. The HNELHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisation 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 HNELHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- \* receivables and payables are stated with the amount of GST included.

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

**f) Interstate Patient Flows**

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.

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**g) Acquisition of Assets**

Assets acquired are initially recognised at cost. 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(x)).

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

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

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

**h) Capitalisation Thresholds**

Individual items of Property, Plant & Equipment 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 HNELHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their 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.

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**j) Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 22 and Note 24 for further information regarding fair value.

The HNELHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the HNELHD was completed in the 2013/14 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 using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

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

Revaluation increments are 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 revaluation surplus in respect of that asset is transferred to accumulated funds.



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**k) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**l) 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.

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

The HNELHD 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 of disposal. These assets are not depreciated while they are classified as held for sale.

**n) 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.

**o) 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.

**p) 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.

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**q) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are 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.

**r) 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 HNELHD 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 HNELHD 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 HNELHD 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.

**s) 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.

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

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**t) 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 HNELHD transfers the financial asset:

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

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

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

**u) Payables**

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

**v) 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.

**w) Fair Value Hierarchy**

A number of the HNELHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the HNELHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Refer Note 24 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

**y) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

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

**(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.

**z) Trust Funds**

The HNELHD receives monies in a trustee capacity for various trusts as set out in Note 31.

As the HNELHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the HNELHD's own objectives, these funds are not recognised in the financial statements.

**aa) 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".

**ab) Emerging Asset**

The HNELHD'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 HNELHD 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 5.6% at commencement of the concession period.

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**ac) Service Group Statements Allocation Methodology**

Using the statistical data for twelve months ending 30 June 2013, the data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2013-14 year.

In respect of assets and liabilities the Ministry requires the HNELHD 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.

**ad) Changes in Accounting Policy, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in 2013-14**

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 January 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. No impact to prior year values, increased note disclosures, refer note 24.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 3 and 28.

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. Minor Adjustment has been made to note 38.

**(ii) Issued but not yet 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 2010-7, regarding Financial Instruments has 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.

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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 profit entities, the changes have application from 1 July 2014. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The HNELHD in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted for whole of government reporting.

AASB 9, Financial Instruments, has application from 1 Jan 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 1031, Materiality, is applicable to annual reporting periods beginning on or after 1 January 2014. This Standard provides references to other Standards and the Framework that contain guidance on materiality.

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 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments has application from 1 July 2014.

AASB 2014-1, Amendments to Australian Accounting Standards is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have been already assessed above. This standard has application from 1 July 2014.

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements which should have minimal impact due to exemptions not applying to General Government Sector Entities. This standard has application from 1 July 2014.

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	718,703	691,936
----	----	Overtime	27,488	29,625
----	----	Penalties	65,448	62,781
----	----	Superannuation - Defined Benefit Plans	14,638	15,414
----	----	Superannuation - Defined Contribution Plans	79,205	71,507
----	----	Long Service Leave	40,791	11,574
----	----	Annual Leave	93,458	91,045
----	----	Sick Leave and Other Leave	56,435	54,285
----	----	Redundancies	4,224	3,861
----	----	Workers' Compensation Insurance	13,522	15,215
----	----	Fringe Benefits Tax	190	195
-----	-----		-----	-----
			<b>1,114,102</b>	<b>1,047,438</b>
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	188	516
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
718,703	691,936	Salaries and Wages	----	----
27,488	29,625	Overtime	----	----
65,448	62,781	Penalties	----	----
79,205	71,507	Superannuation - Defined Contribution Plans	----	----
2,771	425	Long Service Leave	----	----
93,458	91,045	Annual Leave	----	----
56,435	54,285	Sick Leave and Other Leave	----	----
4,224	3,861	Redundancies	----	----
13,522	15,215	Workers' Compensation Insurance	----	----
190	195	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<b>1,061,444</b>	<b>1,020,875</b>		<b>----</b>	<b>----</b>
The following additional information is provided:				
188	516	Personnel Services Expenses Capitalised - Land and Buildings	----	----
<b>5. Other Operating Expenses</b>				
582	601	Advertising	582	601
221	206	Auditor's Remuneration - Audit of Financial Statements	221	206
7,986	7,204	Blood and Blood Products	7,986	7,204
252	34	Capital Project Expense	252	34
408	414	Consultancies	408	414
19,267	18,963	Domestic Supplies and Services	19,267	18,963
50,526	48,582	Drug Supplies	50,526	48,582
85,878	83,863	Food Supplies	85,878	83,863
16,081	16,284	Fuel, Light and Power	16,081	16,284
32,826	33,201	Other (See (a) below)	32,826	33,201
18,586	17,760	Hospital Ambulance Transport Costs	18,586	17,760
16,330	13,708	Information Management Expenses	16,330	13,708
3,081	2,922	Insurance	3,081	2,922
51,973	45,724	Maintenance (See (b) below)	51,973	45,724
78,558	73,298	Medical and Surgical Supplies	78,558	73,298
5,381	5,428	Motor Vehicle Expenses	5,381	5,428
6,010	5,621	Postal and Telephone Costs	6,010	5,621
4,543	4,455	Printing and Stationery	4,543	4,455
2,363	2,244	Rates and Charges	2,363	2,244
6,791	7,441	Rental	6,791	7,441
80,241	74,066	Special Service Departments	80,241	74,066
8,869	9,441	Staff Related Costs	8,869	9,441
11,054	10,521	Travel Related Costs	11,054	10,521
-----	-----		-----	-----
<b>507,807</b>	<b>481,981</b>		<b>507,807</b>	<b>481,981</b>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>(a) Other Includes:</b>		
8,115	7,591	Corporate Support Services	8,115	7,591
1,654	1,219	Courier and Freight	1,654	1,219
3,405	3,995	Isolated Patient Travel and Accommodation Assistance Scheme	3,405	3,995
511	258	Legal Services	511	258
746	969	Membership/Professional Fees	746	969
3,687	4,178	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	3,687	4,178
5,495	6,518	Public Private Partnership	5,495	6,518
1,153	1,436	Other Operating Lease Expense - Minimum Lease Payments	1,153	1,436
326	433	Quality Assurance/Accreditation	326	433
850	889	Security Services	850	889
6,884	5,715	Other Miscellaneous	6,884	5,715
<u>32,826</u>	<u>33,201</u>		<u>32,826</u>	<u>33,201</u>
		<b>(b) Reconciliation of Total Maintenance</b>		
12,602	11,966	Maintenance Contracts	12,602	11,966
23,457	20,853	New/Replacement Equipment under \$10,000	23,457	20,853
15,914	12,905	Repairs Maintenance/Non Contract	15,914	12,905
		Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)		
51,973	45,724		51,973	45,724
		Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4		
8,852	7,892		8,852	7,892
<u>60,825</u>	<u>53,616</u>	Total Maintenance Expenses	<u>60,825</u>	<u>53,616</u>



Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>6. Depreciation and Amortisation</b>				
48,205	45,582	Depreciation - Buildings	48,205	45,582
18,954	17,421	Depreciation - Plant and Equipment	18,954	17,421
3,666	3,304	Depreciation - Infrastructure Systems	3,666	3,304
266	607	Amortisation - Leasehold Improvements	266	607
<u>71,091</u>	<u>66,914</u>		<u>71,091</u>	<u>66,914</u>
<b>7. Grants and Subsidies</b>				
5,430	4,805	Non-Government Organisations	5,430	4,805
35	37	Nursing Homes	35	37
497	631	Grants to Research Organisations	497	631
-----	107	NSW Government Sector Grants	-----	107
55	-----	Grant Payments to Other NSW Health Entities	55	-----
<u>6,017</u>	<u>5,580</u>		<u>6,017</u>	<u>5,580</u>
<b>8. Finance Costs</b>				
11,591	12,409	Calvary PPP Interest Charges	11,591	12,409
74	219	Interest on Loans	74	219
<u>11,665</u>	<u>12,628</u>		<u>11,665</u>	<u>12,628</u>
<b>9. Payments to Affiliated Health Organisations</b>				
<b>(a) Recurrent Sourced</b>				
115,362	113,431	Calvary Mater Newcastle	115,362	113,431
<u>115,362</u>	<u>113,431</u>		<u>115,362</u>	<u>113,431</u>
<b>(b) Capital Sourced</b>				
1,082	1,495	Calvary Mater Newcastle	1,082	1,495
<u>1,082</u>	<u>1,495</u>		<u>1,082</u>	<u>1,495</u>
<u>116,444</u>	<u>114,926</u>		<u>116,444</u>	<u>114,926</u>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>10. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
1,146 6,508 656	1,091 6,258 757	Pharmacy Sales Sale of Prosthesis Other	1,146 6,508 656	1,091 6,258 757
(b) Rendering of Services comprise the following:-				
88,185 2,257 3,075 29,495 396 24,847 6,160 5,842 1,009 6,750 3,947 300 9 17,435 108 15,671 576 893 ----- 4,963 4,399 11,156	80,219 2,036 2,718 28,430 334 22,690 4,758 5,802 908 6,076 3,821 290 8 16,919 112 20,064 624 855 180 5,685 4,309 11,020	Patient Fees - Inpatient Fees - Nursing Home Fees - Non Inpatient Fees Department of Veterans' Affairs Staff-Meals and Accommodation Infrastructure Fees - Monthly Facility Charge - Annual Charge Car Parking Child Care Fees Clinical Services (excluding Clinical Drug Trials) Commercial Activities Fees for Medical Records Information Retrieval High Cost Drugs Meals on Wheels Motor Accident Authority Third Party Private Use of Motor Vehicles Salary Packaging Fee Hosted services provided to Other LHDs Services Provided to Non NSW Health Organisations Multi Purpose Service Centre Fees Other	88,185 2,257 3,075 29,495 396 24,847 6,160 5,842 1,009 6,750 3,947 300 9 17,435 108 15,671 576 893 ----- 4,963 4,399 11,156	80,219 2,036 2,718 28,430 334 22,690 4,758 5,802 908 6,076 3,821 290 8 16,919 112 20,064 624 855 180 5,685 4,309 11,020
<b>235,783</b>	<b>225,964</b>		<b>235,783</b>	<b>225,964</b>
<b>11. Investment Revenue</b>				
5,393	4,526	Interest	5,393	4,526
<b>5,393</b>	<b>4,526</b>		<b>5,393</b>	<b>4,526</b>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>12. Grants and Contributions</b>				
924	989	Clinical Drug Trials	924	989
26,013	25,420	Commonwealth Government Grants	26,013	25,420
6,274	4,068	Industry Contributions/Donations	6,274	4,068
8,299	8,605	Cancer Institute Grants	8,299	8,605
7,720	6,441	NSW Government Grants	7,720	6,441
3,687	----	Grants from Other NSW Health Entities	3,687	----
1,717	2,534	Research Grants	1,717	2,534
3,018	2,163	Other Grants	3,018	2,163
<u>57,652</u>	<u>50,220</u>		<u>57,652</u>	<u>50,220</u>
<b>13. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	14,638	15,414
----	----	Long Service Leave	38,020	11,149
<u>----</u>	<u>----</u>		<u>52,658</u>	<u>26,563</u>
<b>14. Other Revenue</b>				
Other Revenue comprises the following:-				
438	296	Commissions	438	296
650	765	Conference and Training Fees	650	765
----	375	Discounts	----	375
262	235	Insurance Refunds	262	235
1,830	1,918	Lease and Rental Income	1,830	1,918
8,140	----	Property not Previously Recognised	8,140	----
80	83	Sale of Merchandise, Old Wares and Books	80	83
52	57	Sponsorship Income	52	57
(1,377)	2,766	Treasury Managed Fund Hindsight Adjustment	(1,377)	2,766
2,662	2,507	Other	2,662	2,507
<u>12,737</u>	<u>9,002</u>		<u>12,737</u>	<u>9,002</u>

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>15. Gain / (Loss) on Disposal</b>				
31,526	37,576	Property, Plant and Equipment	31,526	37,576
26,085	30,720	Less: Accumulated Depreciation	26,085	30,720
<hr/>			<hr/>	
5,441	6,856	<b>Written Down Value</b>	5,441	6,856
2,841	2,381	Less: Proceeds from Disposal	2,841	2,381
<hr/>			<hr/>	
<b>(2,600)</b>	<b>(4,475)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(2,600)</b>	<b>(4,475)</b>
<hr/>			<hr/>	
-----	553	Assets Held for Sale	-----	553
-----	840	Less: Proceeds from Disposal	-----	840
<hr/>			<hr/>	
-----	<b>287</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	-----	<b>287</b>
<hr/>			<hr/>	
<b>(2,600)</b>	<b>(4,188)</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(2,600)</b>	<b>(4,188)</b>
<hr/>			<hr/>	
<b>16. Other Gains / (Losses)</b>				
561	(1,144)	Impairment of Receivables	561	(1,144)
<hr/>			<hr/>	
<b>561</b>	<b>(1,144)</b>		<b>561</b>	<b>(1,144)</b>
<hr/>			<hr/>	

Hunter New England Local Health District  
Notes to and forming part of the Financial Statements  
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**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	5,322	12,943	4,894	23,159
Contributions recognised in previous years which were not expended in the current reporting period	6,716	30,018	9,750	46,484
Total amount of unexpended contributions as at balance date	12,038	42,961	14,644	69,643

Comment on restricted assets appears in Note 25

Hunter New England Local Health District  
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**18. Service Groups of the HNELHD**

**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.

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Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>19. Cash and Cash Equivalents</b>		
34,240	94,095	Cash at Bank and On Hand	34,240	94,095
<u>86,550</u>	<u>36,000</u>	Short Term Deposits	<u>86,550</u>	<u>36,000</u>
<b><u>120,790</u></b>	<b><u>130,095</u></b>		<b><u>120,790</u></b>	<b><u>130,095</u></b>
<p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash &amp; 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:</p>				
<u>120,790</u>	<u>130,095</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>120,790</u>	<u>130,095</u>
<b><u>120,790</u></b>	<b><u>130,095</u></b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b><u>120,790</u></b>	<b><u>130,095</u></b>

*Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*



Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>20. Receivables</b>		
		<b>Current</b>		
24,192	19,699	Sale of Goods and Services	24,192	19,699
5,990	8,680	Intra Health Receivables	5,990	8,680
12,297	10,326	Goods and Services Tax	12,297	10,326
5,414	8,771	Other Debtors	5,414	8,771
47,893	47,476	<b>Sub Total</b>	47,893	47,476
(1,666)	(3,506)	Less Allowance for Impairment	(1,666)	(3,506)
46,227	43,970	<b>Sub Total</b>	46,227	43,970
4,948	2,379	Prepayments	4,948	2,379
51,175	46,349		51,175	46,349
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(1,153)	(1,031)	Balance at Commencement of Reporting Period	(1,153)	(1,031)
472	587	Amounts written off during the period	472	587
(766)	(709)	(Increase)/decrease in Allowance Recognised in the Income Statement	(766)	(709)
(1,447)	(1,153)	Balance at 30 June	(1,447)	(1,153)
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(2,353)	(1,951)	Balance at Commencement of Reporting Period	(2,353)	(1,951)
807	33	Amounts written off during the period	807	33
1,327	(435)	(Increase)/decrease in Allowance Recognised in the Income Statement	1,327	(435)
(219)	(2,353)	Balance at 30 June	(219)	(2,353)
(1,666)	(3,506)		(1,666)	(3,506)
		The current sale of goods and services balances above include the following patient fee receivables:		
2,163	1,701	Patient Fees - Compensable	2,163	1,701
1,244	781	Patient Fees - Ineligible	1,244	781
14,502	12,117	Patient Fees - Inpatient & Other	14,502	12,117
17,909	14,599		17,909	14,599

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.*

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>21. Inventories - Current - Held for Distribution</b>				
<u>2,277</u>	<u>2,613</u>	Drugs	<u>2,277</u>	<u>2,613</u>
<u><u>2,277</u></u>	<u><u>2,613</u></u>		<u><u>2,277</u></u>	<u><u>2,613</u></u>

Hunter New England Local Health District  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>22. Property, Plant and Equipment</b>				
		<b>Land and Buildings - Fair Value</b>		
2,142,771	1,993,980	Gross Carrying Amount	2,142,771	1,993,980
		Less: Accumulated Depreciation and Impairment	1,012,483	914,559
<u>1,012,483</u>	<u>914,559</u>	Net Carrying Amount	<u>1,130,288</u>	<u>1,079,421</u>
<b><u>1,130,288</u></b>	<b><u>1,079,421</u></b>			
		<b>Plant and Equipment - Fair Value</b>		
217,191	209,943	Gross Carrying Amount	217,191	209,943
		Less: Accumulated Depreciation and Impairment	125,284	127,925
<u>125,284</u>	<u>127,925</u>	Net Carrying Amount	<u>91,907</u>	<u>82,018</u>
<b><u>91,907</u></b>	<b><u>82,018</u></b>			
		<b>Infrastructure Systems - Fair Value</b>		
146,636	138,143	Gross Carrying Amount	146,636	138,143
		Less: Accumulated Depreciation and Impairment	71,335	65,461
<u>71,335</u>	<u>65,461</u>	Net Carrying Amount	<u>75,301</u>	<u>72,682</u>
<b><u>75,301</u></b>	<b><u>72,682</u></b>			
		<b>Leasehold Improvements - Fair Value</b>		
5,923	5,760	Gross Carrying Amount	5,923	5,760
		Less: Accumulated Depreciation and Impairment	2,102	1,836
<u>2,102</u>	<u>1,836</u>	Net Carrying Amount	<u>3,821</u>	<u>3,924</u>
<b><u>3,821</u></b>	<b><u>3,924</u></b>			
<b><u>1,301,317</u></b>	<b><u>1,238,045</u></b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b><u>1,301,317</u></b>	<b><u>1,238,045</u></b>

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**22. Property, Plant and Equipment - Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2014</b>						
Net Carrying Amount at Start of Year	108,645	970,776	82,018	72,682	3,924	1,238,045
Additions	2,743	108,244	17,919	687	(98)	129,495
Recognition of Assets Held for Sale	---	---	---	---	---	---
Disposals	---	(774)	(4,667)	---	---	(5,441)
Administrative Restructures - Transfers In/(Out)	---	---	---	---	---	---
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	1,712	2,999	---	5,598	---	10,309
Depreciation Expense	---	(48,205)	(18,954)	(3,666)	(266)	(71,091)
Reclassifications	---	(15,852)	15,591	---	261	---
<b>Net Carrying Amount at End of Year</b>	<b>113,100</b>	<b>1,017,188</b>	<b>91,907</b>	<b>75,301</b>	<b>3,821</b>	<b>1,301,317</b>

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2013</b>						
Net Carrying Amount at Start of Year	109,380	891,560	91,622	70,441	3,698	1,166,701
Additions	388	71,392	16,785	91	833	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)	(17,421)	(3,304)	(607)	(66,914)
Reclassifications	---	3,980	(5,433)	1,453	---	---
<b>Net Carrying Amount at End of Year</b>	<b>108,645</b>	<b>970,776</b>	<b>82,018</b>	<b>72,682</b>	<b>3,924</b>	<b>1,238,045</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

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

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2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>23. Non-Current Assets (or Disposal Groups) Held for Sale</b>				
<b>Assets Held for Sale</b>				
<u>2,550</u>	<u>2,550</u>	Land and Buildings	<u>2,550</u>	<u>2,550</u>
<u><b>2,550</b></u>	<u><b>2,550</b></u>		<u><b>2,550</b></u>	<u><b>2,550</b></u>

The non-current assets held for sale constitute assets that are surplus to requirements and is actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

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

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**24. Fair Value Measurement of Non-Financial Assets**

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014. Comparative information for the following has not been provided as permitted by the transitional provisions of the new standard.

a) Fair Value Hierarchy	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>2014</b>				
Property, Plant and Equipment (Note 22)*				
- Land and Buildings	----	178,096	952,192	1,130,288
- Infrastructure Systems	----	----	75,301	75,301
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	----	2,550	----	2,550
	-----	-----	-----	-----
	-----	<u>180,646</u>	<u>1,027,493</u>	<u>1,208,139</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

\*For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values for Plant & Equipment and Leasehold Improvements are not required to be reported under the fair value hierarchy.

**b) Valuation Techniques, Inputs and Processes**

For land, buildings and infrastructure the HNELHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Corporeal Pty Ltd for the 13/14 financial year. Corporeal Pty Ltd is an independent entity and is not an employee of the HNELHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 22 reconciliation.

In accordance with AASB 13 Fair Value Measurement no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

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

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

Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is current replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.

Work in Progress and Newly Completed Buildings is categorised as level 2, as the initial measurement is recognised at cost and is represented accordingly until subject to revaluation. This is considered appropriate as, once assets are brought into use, there is no longer a identical correlation with the "shelf product".

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Level 3 disclosures:

**Buildings and Infrastructure**

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual building and infrastructure assets is assessed by referencing to building costs in external publications such as the Rawlinson's Australian Construction Handbook and with allowances made for the regional locations. The useful economic life of the assets is initially assessed at 40 years. The remaining economic life is assessed based upon physical depreciation and obsolescence. The district provides details to the valuer, of any known structural faults and future planning which may involve the demolition or removal of an asset. Any new assets constructed over the past four years have been included and where refurbishment has been undertaken the capital expenditure is reflected in the remaining life of the asset.

Construction costs used to establish gross replacement cost are not expected to have significant variations, unless new construction is impacted by building/construction variations. The District is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

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24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements	Land and Buildings \$000	Infrastructure \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	985,798	72,682	1,058,480
Additions	8,755	687	9,442
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation	5,347	5,598	10,945
Disposals	(774)	-----	(774)
Depreciation	(46,934)	(3,666)	(50,600)
Fair value as at 30 June 2014	<u>952,192</u>	<u>75,301</u>	<u>1,027,493</u>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>25. Restricted Assets</b>		
		The HNELHD'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.		
		<b>Category</b>		
12,038	9,489	Specific Purposes	12,038	9,489
18	17	Perpetually Invested Funds	18	17
22,399	22,243	Research Grants	22,399	22,243
20,543	19,111	Private Practice Funds	20,543	19,111
<u>14,644</u>	<u>13,444</u>	General Donations	<u>14,644</u>	<u>13,444</u>
<u><b>69,642</b></u>	<u><b>64,304</b></u>		<u><b>69,642</b></u>	<u><b>64,304</b></u>



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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>26. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	27,404	27,115
----	----	Taxation and Payroll Deductions	6,323	5,901
33,727	33,016	Accrued Liability - Purchase of Personnel Services	-----	-----
41,448	26,063	Creditors	41,448	26,063
		Other Creditors		
800	1,487	- Capital Works	800	1,487
13,105	16,807	- Intra Health Liability	13,105	16,807
36,263	37,835	- Other	36,263	37,835
<u>125,343</u>	<u>115,208</u>		<u>125,343</u>	<u>115,208</u>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.*

**27. Borrowings**

		<b>Current</b>		
118	1,617	Other Loans and Deposits	118	1,617
9,326	8,297	Public Private Partnership	9,326	8,297
<u>9,444</u>	<u>9,914</u>		<u>9,444</u>	<u>9,914</u>
		<b>Non-Current</b>		
593	711	Other Loans and Deposits	593	711
115,173	124,499	Public Private Partnership	115,173	124,499
<u>115,766</u>	<u>125,210</u>		<u>115,766</u>	<u>125,210</u>

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

Final Repayment is scheduled for December 2019 for other loans and deposits.

Final repayment to NovaCare for Calvary Mater Newcastle Hospital Public Private Partnership is 2033/34.

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

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.*

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>28. Provisions</b>				
<b>Current</b>				
----	----	Annual Leave - Short Term Benefit	100,060	93,339
----	----	Annual Leave - Long Term Benefit	47,739	50,147
----	----	Long Service Leave Consequential On-Costs	21,111	18,475
168,910	161,961	Provision for Personnel Services Liability	----	----
<u>168,910</u>	<u>161,961</u>	<b>Total Current Provisions</b>	<u>168,910</u>	<u>161,961</u>
<b>Non-Current</b>				
----	----	Long Service Leave Consequential On-Costs	1,111	976
736	833	Other	736	833
1,111	976	Provision for Personnel Services Liability	----	----
<u>1,847</u>	<u>1,809</u>	<b>Total Non-Current Provisions</b>	<u>1,847</u>	<u>1,809</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
----	----	Provisions - Current	168,910	161,961
----	----	Provisions - Non-Current	1,111	976
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	33,727	33,016
203,748	195,953	Liability - Purchase of Personnel Services	----	----
<u>203,748</u>	<u>195,953</u>		<u>203,748</u>	<u>195,953</u>
<b>29. Other Liabilities</b>				
<b>Current</b>				
677	274	Income in Advance	677	274
<u>677</u>	<u>274</u>		<u>677</u>	<u>274</u>
<b>Non-Current</b>				
315	330	Income in Advance	315	330
<u>315</u>	<u>330</u>		<u>315</u>	<u>330</u>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>30. Commitments for Expenditure</b>		
		(a) <b>Capital Commitments</b>		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
		Not later than one year	75,988	85,473
75,988	85,473	Later than one year and not later than five years	1,461	57,096
1,461	57,096	Later than five years	-----	-----
-----	-----			
<u>77,449</u>	<u>142,569</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>77,449</u>	<u>142,569</u>
		Of the commitments reported at 30 June 2014 it is expected that \$1.215M will be met from locally generated moneys.		
		(b) <b>Operating Lease Commitments</b>		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	8,258	7,881
8,258	7,881	Later than one year and not later than five years	14,369	14,527
14,369	14,527	Later than five years	22,804	25,125
22,804	25,125			
<u>45,431</u>	<u>47,533</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>45,431</u>	<u>47,533</u>

The operating lease commitments above are for 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. \$122.9 million as at 30 June 2014 includes input tax credits of \$11.2M that are expected to be recoverable from the Australian Taxation Office (2013 \$17.3M).

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2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>(d) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)</b>				
<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>				
<b>(i) Commitments – Repayment of PPP Liability (Borrowings )</b>				
10,259	9,127	Not later than one year	10,259	9,127
49,242	50,466	Later than one year and not later than five years	49,242	50,466
<u>77,448</u>	<u>86,483</u>	Later than five years	<u>77,448</u>	<u>86,483</u>
<b><u>136,949</u></b>	<b><u>146,076</u></b>	<b>Total PPP Liability Commitments (including GST)</b>	<b><u>136,949</u></b>	<b><u>146,076</u></b>
<b>(ii) Future Interest Charges – New Mental Health Building and Refurbished Buildings (PPP interest)</b>				
13,378	14,325	Not later than one year	13,378	14,325
39,213	45,236	Later than one year and not later than five years	39,213	45,236
<u>69,038</u>	<u>76,393</u>	Later than five years	<u>69,038</u>	<u>76,393</u>
<b><u>121,629</u></b>	<b><u>135,954</u></b>	<b>Total PPP Future Interest Commitments (including GST)</b>	<b><u>121,629</u></b>	<b><u>135,954</u></b>
<b>(iii) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to both hospitals.</b>				
17,486	16,935	Not later than one year	17,486	16,935
88,973	85,405	Later than one year and not later than five years	88,973	85,404
<u>402,340</u>	<u>423,395</u>	Later than five years	<u>402,340</u>	<u>423,395</u>
<b><u>508,799</u></b>	<b><u>525,734</u></b>	<b>Total Other Expenditure Commitments (including GST)</b>	<b><u>508,799</u></b>	<b><u>525,734</u></b>
<b><u>767,377</u></b>	<b><u>807,764</u></b>	<b>Total</b>	<b><u>767,377</u></b>	<b><u>807,764</u></b>

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$69.8m are expected to be recoverable from the Australian Taxation Office (2013 \$73.4m).

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**PARENT AND CONSOLIDATION**

**31. Trust Funds**

The HNELHD holds trust fund moneys of \$2.8 million which are held 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 HNELHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	1,507	1,257	328	279	1,252	1,010	3,087	2,546
Receipts	284	518	36	85	43,277	38,838	43,597	39,441
Expenditure	(348)	(268)	(24)	(36)	(43,479)	(38,596)	(43,851)	(38,900)
Cash Balance at the end of the financial year	<b>1,443</b>	<b>1,507</b>	<b>340</b>	<b>328</b>	<b>1,050</b>	<b>1,252</b>	<b>2,833</b>	<b>3,087</b>

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**32. 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 2007/08 fund year and an interim adjustment for the 2009/10 fund year were not calculated until 2013/14.

As a result, the 2008/09 final and 2010/11 pertaining to the hospitals and community services now forming part of the HNELHD will be paid in 2014/15. It is not possible for the HNELHD to reliably quantify the benefit to be received or amount payable.

**b) Calvary Mater 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 or contingent asset is unable to be fully determined because of uncertain future events.

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2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>33. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
117,791	127,452	Net Cash Flows from Operating Activities	117,791	127,452
(71,091)	(66,914)	Depreciation	(71,091)	(66,914)
561	(1,144)	Allowance for Impairment	561	(1,144)
(388)	6,047	(Increase)/ Decrease Income in Advance	(388)	6,047
(6,987)	(8,796)	(Increase)/ Decrease in Provisions	(6,987)	(8,796)
4,155	(26,758)	Increase / (Decrease) in Prepayments and Other Assets	4,155	(26,758)
(10,360)	4,220	(Increase)/ Decrease in Creditors	(10,360)	4,220
(2,600)	(4,188)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(2,600)	(4,188)
8,969	-----	Donated Assets	8,969	-----
<b>40,050</b>	<b>29,919</b>	<b>Net Result</b>	<b>40,050</b>	<b>29,919</b>

**34. 2013/14 Voluntary Services**

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

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

**35. Unclaimed Monies**

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 HNELHD 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 HNELHD.

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.

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**PARENT AND CONSOLIDATION**

**36. Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was lower than budget by \$1 million, primarily due to:

Expenses were unfavourable to budget by \$(8.6)M.  
\$13.9M savings on salaries and wages (net of VMO unfavourability) following the impact of savings strategies that were introduced across HNELHD early in the financial year;  
\$(22.3)M unfavourability in goods and services and repairs, maintenance and replacements necessarily incurred to ensure ongoing provision of services.

Revenue favourability of \$13.1M offset all expense unfavourability and consisted of the following variances: -  
\$(8.2)M unfavourable Patient Fee revenue consisting of \$(7.9)M unfavourable Motor Accidents Authority revenue;  
\$(5.2)M unfavourable Government Capital recurrent allocations due to capital subsidy not being required following delays to a number of projects;  
\$13.6M favourable User Charges revenue, including \$5.2M favourable Infrastructure fee revenue;  
\$5.4M favourable grant income;  
\$2.4M favourable favourability in interest revenue;  
\$5.1M favourability in other revenue which includes \$(1.4)M unfavourable workers compensation hindsight adjustment relating to previous years performance and \$4.4M favourability for assets bought to account following an asset revaluation;

Government Contributions were \$(5.2)M unfavourable which when added to expense and revenue variances resulted in a net result for the year of \$(1.2)M unfavourable.

**Assets and Liabilities**

Current assets are unfavourable by \$7.7M, due to reduction in cash of \$11M, offset by higher than budget debtors of \$(3.5)M.

Non current assets are favourable \$21M. This is inclusive of a \$34M increase in plant and equipment.

Current Liabilities are unfavourable to budget by \$12.3M, due to unfavourable payables of \$(9.8)M, higher borrowings \$(6.1)M, reduced by reduction in provisions of \$4.0M.

Non current Liabilities are favourable \$8.6M due to reduced borrowing.

Net assets are favourable to budget \$9.7M.

**Cash Flows**

Actual cash movement was \$10.9M unfavourable to budget predominately due to the timing of Government Capital recurrent allocations and unfavourability in asset purchases.

Investing activities were unfavourable due to timing of capital purchases.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2013 are as follows:

	\$000
Initial Allocation	1,467,516
Award Increases	1,556
 <i>Special Projects</i>	
Dental	7,534
Families First Initiatives	1,892
D&A Initiatives	1,668
Other various special projects	3,607
Nursing and Midwifery enhancements	3,151
Voluntary Redundancy	2,110
Outpatients waiting list	1,000
Rotary Wing Reform	930
Rural Health/Rural Doctors Initiatives	909
Other	2,140
Balance as per Statement of Comprehensive Income	1,494,013



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

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

Equity transfers effected in the 2013/14 year were:

Nil equity transfers were effected in 2013/14.

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Equity transfers effected comprised:		
NSW Pathology transfer of Forensic Services	-----	(86)
Crown Entity - Transfer of Long Service Leave On-costs	-----	2,485
	-----	<u>2,399</u>
Assets and Liabilities transferred are as follows:		
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Property, Plant & Equipment	-----	(155)
<b>Liabilities</b>		
Current Liabilities	-----	(31)
Provisions	-----	2,585
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	-----	<u><u>2,399</u></u>

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**38. Financial Instruments**

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

The HNELHD's main risks arising from financial instruments are outlined below, together with the HNELHD'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 HNELHD, 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**

<b>PARENT AND CONSOLIDATION</b>		<b>Carrying Amount 2014 \$000</b>	<b>Carrying Amount 2013 \$000</b>
<b>Class:</b>	<b>Category</b>		
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 19)	N/A	120,790	130,095
Receivables (note 20)*	Loans and receivables (at amortised cost)	33,930	33,644
<b>Total Financial Assets</b>		<u>154,720</u>	<u>163,739</u>
<b>Financial Liabilities</b>			
Borrowings (note 27)	Financial liabilities	125,210	135,124
Payables (note 26)**	measured at amortised cost	119,020	109,307
<b>Total Financial Liabilities</b>		<u>244,230</u>	<u>244,431</u>

**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)

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**(b) Credit Risk**

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the HNELHD. 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 HNELHD, including cash, receivables and authority deposits. No collateral is held by the HNELHD. The HNELHD has not granted any financial guarantees.

Credit risk associated with the HNELHD'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 3.78% in 2013/14 compared to 4.18% 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 HNELHD 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 HNELHD 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 (2014:\$29.61M; 2013: \$26.45M) and not more than 3 months past due (2014: \$2.65M; 2013:\$3.22M) are not considered impaired. Together these represent 90.63% 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 HNELHD'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.

<b>2014</b>	<b>Total <sup>1,2</sup></b>	<b>Past due but not impaired <sup>1,2</sup></b>	<b>Considered impaired <sup>1,2</sup></b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<3 months overdue	2,736	2,649	87
3 months - 6 months overdue	867	450	417
> 6 months overdue	2,252	1,090	1,162
<b>2013</b>			
<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

**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 HNELHD will be unable to meet its payment obligations when they fall due. The HNELHD 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 HNELHD 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 HNELHD has exposure to liquidity risk.

However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNELHD 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 HNELHD'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	
<b>2014</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		27,404	---	---	27,404	---	---	
- Creditors		91,616	---	---	91,616	---	---	
Borrowings:								
- Loans and Deposits	4.06%	801	801	---	---	146	582	
- Public Private Partnership	8.36%	235,071	235,071	---	---	21,488	80,414	
		<u>354,892</u>	<u>235,872</u>	<u>---</u>	<u>119,020</u>	<u>140,654</u>	<u>80,996</u>	
<b>2013</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		27,115	---	---	27,115	---	---	
- Creditors		82,192	---	---	82,192	---	---	
Borrowings:								
- Loans and Deposits	5.63%	2,491	2,491	---	---	1,691	653	
- Public Private Partnership	8.36%	247,960	247,960	---	---	20,979	85,621	
		<u>359,758</u>	<u>250,451</u>	<u>---</u>	<u>109,307</u>	<u>131,977</u>	<u>86,274</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 HNELHD 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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**(d) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The HNELHD's exposures to market risk are primarily through interest rate risk on the HNELHD's borrowings. The HNELHD 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 HNELHD 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 2013. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

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 HNELHD 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 (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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The HNELHD's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	120,790	(1,208)	(1,208)	1,208	1,208
Receivables	33,930	----	----	----	----
<b>Financial Liabilities</b>					
Payables	119,020	----	----	----	----
Borrowings	125,210	1,252	1,252	(1,252)	(1,252)
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	130,095	(1,301)	(1,301)	1,301	1,301
Receivables	33,644	----	----	----	----
<b>Financial Liabilities</b>					
Payables	109,307	----	----	----	----
Borrowings	135,124	1,351	1,351	(1,351)	(1,351)

### 39. Events after the Reporting Period

There are no events after the reporting period that require amendment to the financial statements.

**END OF AUDITED FINANCIAL STATEMENTS**