



INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network (the Network), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Network's financial position, financial performance and cash flows.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Network and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

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

Emphasis of Matter - Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 33. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Network's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Network carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 September 2023
SYDNEY

Justice Health and Forensic Mental Health Network

Statement by the Accountable Authority

for the year ended 30 June 2023



I state, pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('GSF Act'):

1. The financial statements of the Justice Health and Forensic Mental Health Network for the year ended 30 June 2023 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Justice Health and Forensic Mental Health Network's financial position as at 30 June 2023 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Wendy Hoey'.

Wendy Hoey

Chief Executive

25 September 2023

Justice Health and Forensic Mental Health Network
Statement of Comprehensive Income for the year ended 30 June 2023

		Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual Restated 2022 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000
	Notes					
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	209,959	214,307	196,153	-	-
Personnel services	3	-	-	-	204,896	196,755
Visiting medical officers	4	6,044	6,951	6,164	6,044	6,164
Operating expenses	5	85,113	83,833	72,392	85,113	72,392
Depreciation and amortisation	6	6,886	6,925	6,242	6,886	6,242
Grants and subsidies	7	2,414	2,342	2,327	2,414	2,327
Finance costs	8	4,996	5,009	3,396	4,996	3,396
Total expenses excluding losses		315,412	319,367	286,674	310,349	287,276
Revenue						
Ministry of Health recurrent allocations	11	265,138	267,745	248,036	265,138	248,036
Ministry of Health capital allocations	11	15,265	15,265	4,674	15,265	4,674
Acceptance by the Crown ² of employee benefits	14	5,063	5,082	(602)	-	-
Sale of goods and services from contracts with customers	12	40,529	39,578	23,896	40,529	23,896
Grants and other contributions	13	986	654	1,711	986	1,711
Other income	15	94	816	43	94	43
Total revenue		327,075	329,140	277,758	322,012	278,360
Operating result		11,663	9,773	(8,916)	11,663	(8,916)
Gains / (losses) on disposal	16	1	-	107	1	107
Impairment losses on financial assets	20	(662)	-	(691)	(662)	(691)
Other gains / (losses)	17	(108)	(108)	(17)	(108)	(17)
Net result from continuing operations	34	10,894	9,665	(9,517)	10,894	(9,517)
Net result		10,894	9,665	(9,517)	10,894	(9,517)
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	5,902	-	7,450	5,902	7,450
Total other comprehensive income		5,902	-	7,450	5,902	7,450
TOTAL COMPREHENSIVE INCOME		16,796	9,665	(2,067)	16,796	(2,067)

¹ Unaudited adjusted budget, see Note 33.

² Crown represents 'The Crown in right of the State of New South Wales'

See Note 18 for details regarding restated prior year balances for the Network.

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network

Statement of Financial Position as at 30 June 2023

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	Restated	Restated
Notes		\$000	\$000	2022	1 July 2021	\$000	\$000	1 July 2021
				\$000	\$000			\$000
ASSETS								
Current assets								
Cash and cash equivalents	19	627	299	963	1,843	627	963	1,843
Receivables	20	6,308	5,775	5,773	5,289	6,308	5,773	5,289
Inventories	21	675	276	337	721	675	337	721
		7,610	6,350	7,073	7,853	7,610	7,073	7,853
Total current assets		7,610	6,350	7,073	7,853	7,610	7,073	7,853
Non-current assets								
Property, plant & equipment	22				-			-
- Land and buildings		125,057	120,761	113,968	108,662	125,057	113,968	108,662
- Plant and equipment		7,087	4,332	6,229	6,807	7,087	6,229	6,807
Total property, plant & equipment		132,144	125,093	120,197	115,469	132,144	120,197	115,469
Right-of-use assets	23	8,326	8,289	9,916	11,079	8,326	9,916	11,079
Intangible assets	24	1,429	2,049	2,049	1,339	1,429	2,049	1,339
Total non-current assets		141,899	135,431	132,162	127,887	141,899	132,162	127,887
Total assets		149,509	141,781	139,235	135,740	149,509	139,235	135,740

Justice Health and Forensic Mental Health Network
Statement of Financial Position as at 30 June 2023 (continued)

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	Restated	Restated
Notes		\$000	\$000	2022	1 July 2021	\$000	\$000	1 July 2021
				\$000	\$000			\$000
LIABILITIES								
Current liabilities								
Payables	26	17,723	17,547	16,601	14,506	17,723	16,601	14,506
Contract liabilities	27	262	17	17	2	262	17	2
Borrowings	28	4,270	3,538	3,983	3,580	4,270	3,983	3,580
Provisions	29	33,823	33,632	37,259	30,153	33,823	37,259	30,153
		56,078	54,734	57,860	48,241	56,078	57,860	48,241
Total current liabilities		56,078	54,734	57,860	48,241	56,078	57,860	48,241
Non-current liabilities								
Borrowings	28	66,432	67,175	71,194	75,192	66,432	71,194	75,192
Provisions	29	483	483	461	518	483	461	518
Total non-current liabilities		66,915	67,658	71,655	75,710	66,915	71,655	75,710
Total liabilities		122,993	122,392	129,515	123,952	122,993	129,515	123,952
Net assets		26,516	19,389	9,720	11,788	26,516	9,720	11,788
EQUITY								
Reserves		44,741	38,839	38,839	31,389	44,741	38,839	31,389
Accumulated funds		(18,225)	(19,450)	(29,119)	(19,601)	(18,225)	(29,119)	(19,601)
Total Equity		26,516	19,389	9,720	11,788	26,516	9,720	11,788

¹ Unaudited adjusted budget, see Note 33.

See Note 18 for details regarding restated prior year balances for the Network.

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the year ended 30 June 2023

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2022		(28,968)	38,839	9,871
Correction of error - long service leave calculations	18	(151)	-	(151)
Balance at 1 July 2022		(29,119)	38,839	9,720
Net result for the year		10,894	-	10,894
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	5,902	5,902
Total other comprehensive income		-	5,902	5,902
Total comprehensive income for the year		10,894	5,902	16,796
Balance at 30 June 2023		(18,225)	44,741	26,516

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		(19,434)	31,389	11,955
Correction of error - long service leave calculations	18	(168)	-	(168)
Balance at 1 July 2021		(19,602)	31,389	11,787
Restated net result for the year		(9,517)	-	(9,517)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	7,450	7,450
Total other comprehensive income		-	7,450	7,450
Restated total comprehensive income for the year		(9,517)	7,450	(2,067)
Restated balance at 30 June 2022		(29,119)	38,839	9,720

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network

Statement of Cash Flows for the year ended 30 June 2023

	Consolidated	Consolidated	Consolidated	Parent	Parent
	Actual	Budget ¹	Actual	Actual	Actual
	2023	2023	2022	2023	2022
Notes	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Employee related	(211,405)	(214,800)	(192,590)	-	-
Suppliers for goods and services	(100,295)	(100,958)	(82,497)	(100,295)	(82,497)
Grants and subsidies	(2,711)	(2,636)	(2,560)	(2,711)	(2,560)
Finance costs	(4,996)	(5,009)	(3,396)	(4,996)	(3,396)
Personnel services	-	-	-	(211,405)	(192,590)
Total payments	(319,407)	(323,403)	(281,043)	(319,407)	(281,043)
Receipts					
Ministry of Health recurrent allocations	265,138	267,745	248,039	265,138	248,039
Ministry of Health capital allocations	15,265	15,265	4,674	15,265	4,674
Reimbursements from the Crown ²	2,738	2,738	2,852	2,738	2,852
Sale of goods and services	41,048	41,229	23,674	41,048	23,674
Grants and other contributions	889	297	347	889	347
Other	9,188	10,118	7,132	9,188	7,132
Total receipts	334,266	337,392	286,718	334,266	286,718
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,859	13,989	5,675	14,859	5,675
34					
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment	-	-	301	-	301
Purchases of property, plant and equipment and intangibles	(11,200)	(10,670)	(3,276)	(11,200)	(3,276)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(11,200)	(10,670)	(2,975)	(11,200)	(2,975)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings and advances	(2,968)	(2,968)	(2,683)	(2,968)	(2,683)
Payment of principal portion of lease liabilities	(1,027)	(1,015)	(897)	(1,027)	(897)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(3,995)	(3,983)	(3,580)	(3,995)	(3,580)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(336)	(664)	(880)	(336)	(880)
Opening cash and cash equivalents	19 963	963	1,843	963	1,843
CLOSING CASH AND CASH EQUIVALENTS	19 627	299	963	627	963

¹ Unaudited adjusted budget, see Note 33.

² Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

a) Reporting entity

The Justice Health and Forensic Mental Health Network (the Network), as a reporting entity, was established under the provisions of the Health Services Act 1997 with effect from 30 March 2012. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Network is a NSW Government entity and is controlled by the Ministry of Health, which is the immediate parent. The Ministry of Health is controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent.

The Network is also a parent entity in its own right, as it controls the operations of the:

- * Hospital Facilities and the Community Health Centres within its designated geographical remit; and
- * The Justice Health and Forensic Mental Health Network Special Purpose Service Entity which provides personnel services to the Network to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 30 March 2012.

The consolidated entity includes the Network as a parent entity and the Network Special Purpose Service Entity. The consolidated financial statements disclose balances for the parent entity and the consolidated entity.

In preparing the consolidated financial statements, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2023 have been authorised for issue by the Chief Executive on 25 September 2023.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

b) Basis of preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- * applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- * the requirements of the *Government Sector Finance Act 2018* ('GSF Act'); and
- * Treasurer's Directions issued under the GSF Act.

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

Each year the Secretary of NSW Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, through the Service Agreement agree 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 Network'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 Network 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. The deferral of the NSW 2023-24 Budget until 19 September 2023 has necessitated a staged approach to the service agreements and budget allocation for the financial year 2023-24. The Justice Health and Forensic Mental Health Network has received, from the Ministry of Health, interim funding allocation for the first quarter of 2023-24, initial full year activity targets, key performance indicators and performance deliverables for the year and a commitment to receive and execute the final 2023-24 Service agreement in September 2023.

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * The Network has the capacity to review the timing of Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.
- * From 1 July 2023, the Network's Service Agreement will have an adjusted state efficient price to incorporate the additional costs for COVID-19 expenditure.

Property, plant and equipment and certain financial assets are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The Network has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia* [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future periods as new information comes to light on this matter.

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the Network's presentation and functional currency.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

c) Statement of Compliance

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

d) 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 Network 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.

e) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

f) 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.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

g) Changes in estimates

(i) Componentisation

	Useful lives 2023	Useful lives 2022
Structure / shell / building fabric	70 years	40 years
Fit out	30 years	40 years
Combined fit out and trunk reticulated building systems	30 years	40 years
Site engineering services / central plant	55 years	40 years

The net effect of the change in useful lives on actual and expected depreciation expense increase, included in the Statement of Comprehensive Income is as follows:

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

PARENT AND CONSOLIDATED

	2023 Actual \$'000	Future years Expected \$'000
Expenses		
Depreciation and amortisation	167	176

h) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2022-23

Several amendments and interpretations apply for the first time in 2022-23. The Network has assessed the new and amended standards and interpretations that are effective for the first time and have determined they are unlikely to have a material impact on the financial statements of the Network.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise.

i) Impact of COVID-19 on Financial Reporting for 2022-23

The COVID-19 pandemic has resulted in significant changes in the Network activity and in the way the services are being delivered.

- * Note 5 Operating expenses
- * Note 7 Grants and subsidies
- * Note 11 Ministry of Health allocations
- * Note 13 Grants and other contributions
- * Note 17 Other gains / (losses)
- * Note 21 Inventories
- * Note 33 Adjusted budget review

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

2. Employee related expenses

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	182,965	177,287	-	-
Superannuation - defined benefit plans	426	518	-	-
Superannuation - defined contribution plans	17,698	15,920	-	-
Long service leave	4,884	(1,758)	-	-
Redundancies	198	226	-	-
Workers' compensation insurance	3,785	3,955	-	-
Fringe benefits tax	3	5	-	-
	209,959	196,153	-	-

Refer to Note 29 for further details on recognition and measurement of employee related expenses.

The long service leave in 2022 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	182,965	177,287
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	17,698	15,920
Long service leave	-	-	248	(638)
Redundancies	-	-	198	226
Workers' compensation insurance	-	-	3,785	3,955
Fringe benefits tax	-	-	2	5
	-	-	204,896	196,755

Personnel services of Justice Health and Forensic Mental Health Network were provided by its controlled entity, Justice Health and Forensic Mental Health Network Special Purpose Service Entity.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input in a number of disciplines throughout the Network's hospitals. VMO expenses of \$6.04 million (2022: \$6.16 million) represent part of the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

5. Operating expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Advertising	201	91	201	91
Auditor's remuneration - audit of financial statements	131	119	131	119
Blood and blood products	-	1	-	1
Consultancies	318	192	318	192
Contractors	558	335	558	335
Domestic supplies and services	627	575	627	575
Drug supplies*	38,954	23,665	38,954	23,665
Food supplies	870	761	870	761
Fuel, light and power	35	27	35	27
Patient transport costs	42	35	42	35
Information management expenses	7,113	5,584	7,113	5,584
Insurance	162	141	162	141
Maintenance (see Note 5 (b))	10,179	8,356	10,179	8,356
Medical and surgical supplies	1,417	8,538	1,417	8,538
Motor vehicle expenses	308	267	308	267
Postal and telephone costs	531	586	531	586
Printing and stationery	613	589	613	589
Rates and charges	68	122	68	122
Specialised services (dental, radiology, pathology and allied health)	4,548	5,939	4,548	5,939
Staff related costs	2,978	2,301	2,978	2,301
Travel related costs	2,792	1,646	2,792	1,646
Other (see Note 5 (a))	12,668	12,522	12,668	12,522
	85,113	72,392	85,113	72,392

* Drug supplies includes \$0.29 million (2022: \$1.27 million) of COVID-19 vaccinations administered by vaccination hubs within the Network. Refer to Note 21 for further details on COVID-19 vaccines.

The majority of the costs in relation to drug supplies expenses relate to the consumption of inventory items held by the Network. There has been an increase in the number of patients receiving Hepatitis C treatment, which impacted the level of inventory.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

5. Operating expenses (continued)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
(a) Other				
Contract for patient services	-	32	-	32
Corporate support services ¹	739	728	739	728
Courier and freight	1,010	1,505	1,010	1,505
Disability equipment support expenses ¹	50	49	50	49
Legal services	397	308	397	308
Membership/professional fees	30	14	30	14
Public private partnership contracted services	8,263	7,687	8,263	7,687
Quality assurance / accreditation	102	16	102	16
Security services	6	2	6	2
Expenses relating to short-term leases	41	15	41	15
Expenses relating to leases of low-value assets	44	7	44	7
Other miscellaneous	1,986	2,159	1,986	2,159
	12,668	12,522	12,668	12,522

¹ Disability equipment payments under the Enable NSW program has been reclassified from 'Corporate support services' to 'Disability equipment support expenses' in the current year. The prior period 'Disability equipment support expenses' has been restated higher by \$0.049 million and 'Corporate support services' lower by \$0.049 million to reflect this change.

(b) Reconciliation of total maintenance expense

Maintenance contracts	3,105	2,969	3,105	2,969
New / replacement equipment under \$10,000	7,039	5,327	7,039	5,327
Repairs maintenance / non contract	35	54	35	54
Other	-	6	-	6
	10,179	8,356	10,179	8,356

* This balance consists of employees who have been classified as providing maintenance services for the Network and the expense is included in employee related expenses / personnel services in Notes 2 and 3.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

5. Operating expenses (continued)

Recognition and Measurement

Operating expenses includes non-employee costs incurred in delivering the services provided by the Network. These expenses are recognised in the reporting period in which they are incurred.

Maintenance expense

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

Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government entities. The expense / (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance for NSW, a controlled entity of the ultimate parent.

Lease expense

The Network recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

6. Depreciation and amortisation

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Depreciation - buildings	3,966	3,538	3,966	3,538
Depreciation - plant and equipment	1,011	922	1,011	922
Depreciation - right-of-use buildings	1,110	1,148	1,110	1,148
Amortisation - intangible assets	799	634	799	634
	6,886	6,242	6,886	6,242

Depreciation - buildings is higher by \$0.17 million in 2023 due to a change in the useful lives for specialised buildings. Refer to Note 1(g) for further details.

Refer to Note 22 Property, plant and equipment, Note 23 Leases, and Note 24 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Grants to entities controlled by the ultimate parent	2,231	2,176	2,231	2,176
Grants to entities controlled by the immediate parent*	83	111	83	111
Other grants*	100	40	100	40
	2,414	2,327	2,414	2,327

* The Network granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 21 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided as a grant under grants to entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.03 million) and under other grants (external third parties) was \$0.01 million (2022: \$Nil).

Recognition and Measurement

Grants and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

8. Finance costs

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest expense from lease liabilities	230	260	230	260
Interest expense from financial liabilities at amortised cost	4,766	3,136	4,766	3,136
	4,996	3,396	4,996	3,396

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

9. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the Network's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of minor property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

Deemed appropriation money is money received directly by the Network which forms part of the consolidated fund and is not appropriated to the Network by an Act.

10. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) (and the subsequent variations, if applicable) appropriates the sum of \$18.7 billion to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2022-23. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the Network.

The Treasury and Energy Legislation Amendment Act 2022 made some amendments to sections 4.7 and 4.9 of the Government Sector Finance Act 2018 (the GSF Act). These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for the Network, being the Minister for Health, is taken to have been given an appropriation out of the Consolidated Fund under the authority section 4.7 of the GSF Act, at the time the Network receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the Network. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that the Network receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

On 16 June 2023, the GSF Amendment (Deemed Appropriations) Regulation 2023 was approved to bring the GSF regulations in line with the above deemed appropriation amendments to the GSF Act. A summary of compliance is disclosed in the financial statements of the Annual Report of the Ministry of Health. It has been prepared by aggregating the spending authorities of the Minister for Health for the services of the Ministry of Health. It reflects the status at the point in time this disclosure statement is being made. The Network's spending authority and expenditure is included in the summary of compliance.

The delegation / sub-delegations for 2023 and 2022, authorising officers of the Network to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the Network. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the Ministry of Health to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriations Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of the Ministry of Health.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

The State Budget and related Appropriation Bill for year commencing 1 July 2023 has been delayed and is anticipated to be tabled in September 2023. Pursuant to section 4.10 of the GSF Act, the Treasurer has authorised the payment of specified sums out of the Consolidated Fund to meet the requirements of this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2022-23 annual Appropriation Act.

11. Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the Network and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the Network does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The Network recognised additional Ministry of Health recurrent allocations of \$11.14 million (2022: \$20.16 million) and Ministry of Health capital allocations of \$Nil (2022: \$Nil) to cover costs incurred for the testing, diagnosis, treatment and vaccination of COVID-19 patients.

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in cross border agreements. The funding is also recognised as part of the Ministry of Health recurrent allocation from the immediate parent.

12. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Sale and recovery of pharmaceutical supplies	32,924	17,046	32,924	17,046
	32,924	17,046	32,924	17,046
(b) Rendering of services comprise the following:				
Patients				
Patient Fees:				
- Nursing home fees	2,604	2,371	2,604	2,371
Staff				
Private use of motor vehicles	31	24	31	24
Salary packaging fee	2	-	2	-
General community				
Cafeteria / kiosk	369	308	369	308
Fees for conferences and training	890	1,041	890	1,041
Fees for medical records	847	463	847	463
Other	2,862	2,643	2,862	2,643
	7,605	6,850	7,605	6,850
	40,529	23,896	40,529	23,896

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

12. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement

Sale of goods

Revenue from the sale of goods is recognised when the Network satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

12. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Rendering of services

Revenue from rendering of services is recognised when the Network satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans and compensable patients are billed for health services provided under various contractual arrangements. Billings are typically performed upon patient discharge and are based on the rates specified by the Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	-	145	-	145
Commonwealth government grants other	24	-	24	-
Grants from entities controlled by the ultimate parent	23	42	23	42
Grants without specific performance obligations				
Commonwealth government grants other*	237	662	237	662
Other grants from entities controlled by the immediate parent*	668	756	668	756
Other grants*	34	106	34	106
	986	1,711	986	1,711

* The Network received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from other NSW Health entities and external third parties. All COVID-19 vaccines were received for nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 21 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received under Commonwealth government grants other (Commonwealth government) was \$0.24 million (2022: \$0.66 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$0.08 million (2022: \$0.61 million) and under other grants (external third parties) was \$0.03 million (2022: \$0.11 million).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. Grants and other contributions

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network are recognised when the Network satisfies its obligations under the transfer. The Network satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations are recognised when the Network satisfies a performance obligation by transferring the promised goods or services. The Network typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Network uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on an agreed timetable or on achievement of different milestones in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement / funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 27 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the Network obtains control over the granted assets (e.g. cash).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

14. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

The following liabilities and / or expenses have been assumed by the Crown:

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Superannuation - defined benefit plans	427	518	-	-
Long service leave provision	4,636	(1,120)	-	-
	5,063	(602)	-	-

15. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other income comprises the following:				
Commissions	1	1	1	1
Insurance refunds	93	26	93	26
Other	-	16	-	16
	94	43	94	43

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

16. Gains / (losses) on disposal

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	(1)	194	(1)	194
Less: proceeds from disposal	-	301	-	301
Net gains / (losses) on disposal	1	107	1	107
Total gains / (losses) on disposal	1	107	1	107

17. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory write down*	(108)	(17)	(108)	(17)
	(108)	(17)	(108)	(17)

* Inventory write down includes COVID-19 vaccine wastage of \$0.11 million (2022: \$0.02 million). Refer to Note 21 for further details on COVID-19 vaccines.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

18. Prior period error

Correction of permanent part time long service leave

During the year it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised. The issue only impacted employees who had a period of part time service under the Health Employee's Conditions of Employment Award during their employment duration. It was identified that the accrual for enhanced entitlement did not start on the completion of first 10 years of service by the employee, rather it was delayed in some instances and only started upon the completion of full-time equivalency of 10 years of service. This has resulted in an under accrual and / or underpayment of long service leave entitlements for such employees in the current and prior years. The error has been corrected during the year, with retrospective adjustments made in the prior periods.

The Network's liability for long service leave are assumed by The Crown in right of the State of New South Wales. The Network 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 of employee benefits'. Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Network.

The impact to the Network's Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matter are shown below.

Statement of Comprehensive Income for the year ended 30 June 2022 (extract)				Parent	Parent	Parent	
	Consolidated	Consolidated	Consolidated	Actual	Adjustment	Restated	
	Actual	Adjustment	Restated	2022	2022	2022	
Notes	2022	2022	2022	2022	2022	2022	
	\$000	\$000	\$000	\$000	\$000	\$000	
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	196,276	(123)	196,153	-	-	
Personnel services	3	-	-	-	196,770	(15)	196,755
Total expenses excluding		286,797	(123)	286,674	287,291	(15)	287,276
Revenue							
Acceptance by the Crown of employee benefits	14	(494)	(108)	(602)	-	-	
Total revenue		277,866	(108)	277,758	278,360	-	278,360
Operating result		(8,931)	15	(8,916)	(8,931)	15	(8,916)
Net result from continuing operations		-	-	-	-	-	
Net result		(9,532)	15	(9,517)	(9,532)	15	(9,517)
Total other comprehensive income		7,450	-	7,450	7,450	-	7,450
TOTAL COMPREHENSIVE INCOME		(2,082)	15	(2,067)	(2,082)	15	(2,067)

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

18. Prior period error (continued)

Statement of Financial Position as at 1 July 2021 (extract)

	Consolidated Actual 1 July 2021	Consolidated Adjustment 1 July 2021	Consolidated Restated 1 July 2021	Parent Actual 1 July 2021	Parent Adjustment 1 July 2021	Parent Restated 1 July 2021	
Notes	\$000	\$000	\$000	\$000	\$000	\$000	
LIABILITIES							
Current liabilities							
Provisions	29	29,999	154	30,153	29,999	154	30,153
Total current liabilities		48,087	154	48,241	48,087	154	48,241
Non-current liabilities							
Provisions	29	505	13	518	505	13	518
Total non-current liabilities		75,697	13	75,710	75,697	13	75,710
Total liabilities		123,784	168	123,952	123,784	168	123,952
Net assets		11,956	(168)	11,788	11,956	(168)	11,788
EQUITY							
Accumulated funds		(19,433)	(168)	(19,601)	(19,433)	(168)	(19,601)
Total Equity		11,956	(168)	11,788	11,956	(168)	11,788

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

Statement of Financial Position as at 30 June 2022 (extract)

	Consolidated Actual 2022	Consolidated Adjustment 2022	Consolidated Restated 2022	Parent Actual 2022	Parent Adjustment 2022	Parent Restated 2022	
Notes	\$000	\$000	\$000	\$000	\$000	\$000	
LIABILITIES							
Current liabilities							
Provisions	29	37,118	141	37,259	37,118	141	37,259
Total current liabilities		57,719	141	57,860	57,719	141	57,860
Non-current liabilities							
Provisions	29	449	12	461	449	12	461
Total non-current liabilities		71,643	12	71,655	71,643	12	71,655
Total liabilities		129,362	153	129,515	129,362	153	129,515
Net assets		9,873	(153)	9,720	9,873	(153)	9,720
EQUITY							
Accumulated funds		(28,965)	(153)	(29,118)	(28,965)	(153)	(29,118)
Total Equity		9,873	(153)	9,720	9,873	(153)	9,720

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2022.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

19. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	627	963	627	963
	627	963	627	963

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	627	963	627	963
	627	963	627	963

Refer to Note 36 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the Network are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of the Network for payments to suppliers and employees. HealthShare NSW makes payments after the Network has reviewed and approved the invoices and employee rosters. The Network's approval of invoices and employee rosters provides authority to HealthShare NSW to make payments. These payments are reported as expenditures and cash outflows in the financial statements of the Network.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of the Network to fund these payments. Upon payment, they are reported as revenue (Ministry of Health recurrent and capital allocations) and cash inflows in the financial statements of the Network.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

20. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Trade receivables from contracts with customers	3,170	3,464	3,170	3,464
Intra health receivables	1,682	1,229	1,682	1,229
Goods and Services Tax	1,226	1,079	1,226	1,079
Other receivables	1,527	1,268	1,527	1,268
Sub total	7,605	7,040	7,605	7,040
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(2,083)	(2,147)	(2,083)	(2,147)
Sub total	5,522	4,893	5,522	4,893
Prepayments	786	880	786	880
	6,308	5,773	6,308	5,773

(a) * Movement in the allowance for expected credit losses

Trade receivables from contracts with customers				
Balance at the beginning of the year	(2,147)	(1,551)	(2,147)	(1,551)
Amounts written off during the year	722	95	722	95
(Increase) / decrease in allowance recognised in the net result ¹	(658)	(691)	(658)	(691)
Balance at the end of the year	(2,083)	(2,147)	(2,083)	(2,147)
Other receivables				
Amounts written off during the year	3	-	3	-
(Increase) / decrease in allowance recognised in the net result	(3)	-	(3)	-
Balance at the end of the year	-	-	-	-
	(2,083)	(2,147)	(2,083)	(2,147)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Patient fees - inpatient & other	2,357	2,354	2,357	2,354
	2,357	2,354	2,357	2,354

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 36.

	Consolidated 2023 \$000	Consolidated' 2022 \$000	Parent 2023 \$000	Parent' 2022 \$000
Contract receivables (included in Note 20)	4,853	4,694	4,853	4,694
Total contract receivables	4,853	4,694	4,853	4,694

Recognition and Measurement

The Network recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, the Network considers:

- Whether the Network has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Network holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Network recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Network expects to receive, discounted at the original effective interest rate.

For trade receivables, the Network applies a simplified approach in calculating ECLs. The Network recognises a loss allowance based on lifetime ECLs at each reporting date. The Network has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

21. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Held-for-distribution				
Drug supplies	675	339	675	339
Less: Allowance for impairment				
- Drug supplies	-	(2)	-	(2)
	675	337	675	337

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

In the current year, the Network has written-off \$Nil (2022: \$0.00 million) and made an allowance for impairment of \$Nil (2022: \$Nil) for medical and surgical supplies. Written-off medical and surgical supply inventory items mainly consist of personal protective equipment that are either expired or damaged and not in a condition to be used. Allowance for impairment was based on a consumption forecast model, on medical and surgical supplies that are likely to expire before they are consumed.

In 2021, the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. The Network played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumes the responsibility for procuring and distributing vaccines to all states and territories. COVID-19 vaccines were received for nil consideration and were provided to the public free of charge. On the basis that the Network controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the Network.

The value attributable to the COVID-19 vaccines received was measured at its fair value based on replacement cost. The Network was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the Network.

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.35 million (2022: \$1.38 million) and \$0.3 million (2022: \$1.3 million), respectively. \$0.11 million (2022: \$0.02 million) of COVID-19 vaccines were written-off and \$0. million allowance for impairment was reversed (2022: An allowance for impairment was provided for \$0. million). COVID-19 vaccine closing inventory balance as at 30 June 2023, was \$0. million (2022: \$0.07 million) which is included as part of the inventory drug supplies.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Network would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete items are disposed of in accordance with instructions issued by the Ministry of Health.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

22. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	149,926	11,663	-	161,589
Less: accumulated depreciation and impairment	41,264	4,856	-	46,120
Net carrying amount	108,662	6,807	-	115,469

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	108,662	6,807	-	115,469
Additions	1,311	1,279	-	2,590
Reclassification to intangibles	-	(658)	-	(658)
Disposals	-	(194)	-	(194)
Net revaluation increments less revaluation decrements	7,450	-	-	7,450
Depreciation expense	(3,538)	(922)	-	(4,460)
Reclassifications	83	(83)	-	-
Net carrying amount at end of year	113,968	6,229	-	120,197

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Property, plant and equipment (continued)

(a) Total property, plant and equipment (continued)

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	162,072	11,757	-	173,829
Less: accumulated depreciation and impairment	48,104	5,528	-	53,632
Net carrying amount	113,968	6,229	-	120,197

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2023				
Net carrying amount at beginning of year	113,968	6,229	-	120,197
Additions	9,153	1,908	-	11,061
Reclassification to intangibles	-	(40)	-	(40)
Disposals	-	1	-	1
Net revaluation increments less revaluation decrements	5,902	-	-	5,902
Depreciation expense	(3,966)	(1,011)	-	(4,977)
Net carrying amount at end of year	125,057	7,087	-	132,144

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	179,780	13,211	-	192,991
Less: accumulated depreciation and impairment	54,723	6,124	-	60,847
Net carrying amount	125,057	7,087	-	132,144

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

The Network has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by the Network.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

Health Infrastructure, a controlled entity of the immediate parent, manages the approved major capital works program for the Ministry of Health and its controlled entities. Health Infrastructure receives Ministry of Health Capital Allocations and grants on behalf of the Network and records all costs incurred as work in progress or expenses and subsequently transfers to the Network. The costs are then accordingly reflected in the Network's financial statements. The Network acquires most assets in 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 over the period of credit.

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated / occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network.

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

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

Details of depreciation rates initially applied for major asset categories are as follows:

	Useful lives 2023	Useful lives 2022
Buildings	30-70 years	40 years
Buildings - leasehold improvements	3-10 years	3-10 years
Plant and equipment	4-20 years	4-20 years
Infrastructure Systems	40 years	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings.

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

In 2023, the estimated useful lives for buildings were revised. Refer Note 1 (g) for further details regarding the change and the impacts.

Right-of-use assets acquired by lessees

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Network has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 23.

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt 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 to Note 25 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Network conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Network uses an independent professionally qualified valuer for such interim revaluations.

The last comprehensive revaluation was completed on 31 December 2020 and was based on an independent assessment.

Indices were subsequently obtained from external professionally qualified valuers since the last comprehensive revaluation. Indices obtained indicated a cumulative increase of 7.70% in market prices for land and material increases in construction and labour costs of 14.10% for buildings and 0.00% for infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting valuation increment of \$5.1M for land, buildings and infrastructure in 2022 and 2023.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The Network has assessed that any difference between fair value and depreciated historical cost is unlikely to be material. 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.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

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 or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where a reversal of that impairment loss is also recognised in net result.

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases

(a) Entity as a lessee

The Network leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 3 to 18 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The Network does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Network and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$0.8 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$(0.5) million.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Network has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2022	9,916	-	9,916
Reassessments	(480)	-	(480)
Depreciation expense	(1,110)	-	(1,110)
Balance at 30 June 2023	8,326	-	8,326

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	11,079	-	11,079
Reassessments	(15)	-	(15)
Depreciation expense	(1,148)	-	(1,148)
Balance at 30 June 2022	9,916	-	9,916

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2023 \$000	2022 \$000
Balance at 1 July	10,886	11,798
Interest expenses	230	260
Payments	(1,257)	(1,157)
Other adjustments	(480)	(15)
Balance at 30 June	9,379	10,886

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Network is the lessee:

PARENT AND CONSOLIDATION

	2023 \$000	2022 \$000
Depreciation expense of right-of-use assets	1,110	1,148
Interest expense on lease liabilities	230	260
Expenses relating to short-term leases	41	15
Expenses relating to leases of low-value assets	44	7
Total amount recognised in the statement of comprehensive income	1,425	1,430

The Network had total cash outflows for leases of \$1.34 million for the year ended 30 June 2023 (2022: \$1.18 million).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement

The Network assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Network recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The Network recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Buildings	3 to 18 years

If ownership of the leased asset transfers to the Network at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the Network recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the Network; and
- payments of penalties for terminating the lease, if the lease term reflects the Network exercising the option to terminate.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

ii. Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The Network does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Network is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Network's lease liabilities are included in borrowings in Note 28.

iii. Short-term leases and leases of low-value assets

The Network applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

24. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	8,873	8,873
Less: accumulated amortisation and impairment	7,534	7,534
Net carrying amount	1,339	1,339

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	1,339	1,339
Additions - acquired separately	686	686
Reclassifications from plant and equipment	658	658
Amortisation (recognised in depreciation and amortisation)	(634)	(634)
Net carrying amount at end of year	2,049	2,049

	Software \$000	Total \$000
At 1 July 2022		
Cost (gross carrying amount)	10,217	10,217
Less: accumulated amortisation and impairment	8,168	8,168
Net carrying amount	2,049	2,049

	Software \$000	Total \$000
Year ended 30 June 2023		
Net carrying amount at beginning of year	2,049	2,049
Additions - acquired separately	139	139
Reclassifications from plant and equipment	40	40
Amortisation (recognised in depreciation and amortisation)	(799)	(799)
Net carrying amount at end of year	1,429	1,429

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

24. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2023		
Cost (gross carrying amount)	10,397	10,397
Less: accumulated amortisation and impairment	8,968	8,968
Net carrying amount	1,429	1,429

Recognition and Measurement

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Network's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The Network's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the Network are recognised as intangible assets. Most computer software is acquired from eHealth NSW, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

25. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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 Fair Value Measurement, the Network categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) 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 Network recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2023	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	-	107,930	107,930
	-	-	107,930	107,930

There were no transfers between level 1 and 2 during the year ended 30 June 2023.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 22.

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	-	105,394	105,394
	-	-	105,394	105,394

There were no transfers between level 1 and 2 during the year ended 30 June 2022.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 22.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

25. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE for the 2020-21 financial year. CBRE is an independent entity and is not an associated entity of the Network.

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).

The 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 valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

25. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
2023			
Fair value as at 1 July 2022	105,394	-	105,394
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	5,902	-	5,902
Depreciation expense	(3,366)	-	(3,366)
Fair value as at 30 June 2023	107,930	-	107,930

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the period ended 30 June 2023.

	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
2022			
Fair value as at 1 July 2021	100,778	-	100,778
Additions*	110	-	110
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	7,450	-	7,450
Depreciation expense	(2,944)	-	(2,944)
Fair value as at 30 June 2022	105,394	-	105,394

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2022.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Accrued salaries, wages and on-costs	4,702	4,820	-	-
Salaries and wages deductions	35	31	-	-
Payroll and fringe benefits tax	-	14	-	-
Accrued liability - purchase of personnel services	-	-	4,737	4,865
Creditors	11,783	11,230	11,783	11,230
- Payables to entities controlled by the immediate parent	1,203	506	1,203	506
	17,723	16,601	17,723	16,601

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 36.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Network and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Contract liabilities	262	17	262	17
	262	17	262	17

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2023 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2023. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Lease liabilities (see Note 23)	987	1,015	987	1,015
Public Private Partnerships	3,283	2,968	3,283	2,968
	4,270	3,983	4,270	3,983
Non-current				
Lease liabilities (see Note 23)	8,392	9,871	8,392	9,871
Public Private Partnerships	58,040	61,323	58,040	61,323
	66,432	71,194	66,432	71,194

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

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

The Public, Private Partnership relate to the provision of service-enabling infrastructure that includes private sector delivering a combination of design, construction, financing, maintenance, operations and delivery of clinical and non-clinical services. Payments are made by the Network to the private sector entities on the basis of delivery of assets or service delivery. The liability to pay the private sector entities is based on financing arrangements involving Consumer Price Index (CPI)-linked finance and fixed finance.

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 36.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities, public private partnerships and other interest bearing liabilities.

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Network has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 36 (b) for derecognition policy.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Derivatives \$000	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2021	-	-	66,974	11,798	78,772
Cash flows	-	-	(2,683)	(897)	(3,580)
Lease reassessments	-	-	-	(15)	(15)
30 June 2022	-	-	64,291	10,886	75,177
1 July 2022	-	-	64,291	10,886	75,177
Cash flows	-	-	(2,968)	(1,027)	(3,995)
Lease reassessments	-	-	-	(480)	(480)
30 June 2023	-	-	61,323	9,379	70,702

Cash flows from derivatives in the above table will not reconcile to the Statement of Cash Flows as the Statement of Cash Flows presents a net cash movement of financial assets and liabilities.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. Provisions

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	17,970	16,113	-	-
Annual leave - obligations expected to be settled after 12 months	9,540	10,774	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	407	402	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	4,499	4,280	-	-
Provision for other employee benefits*	1,407	5,561	-	-
Provision for personnel services liability	-	-	33,823	37,130
	33,823	37,130	33,823	37,130
Other Provisions				
Other	-	129	-	129
	-	129	-	129
Total current provisions	33,823	37,259	33,823	37,259
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	483	461	-	-
	483	461	483	461
Total non-current provisions	483	461	483	461
Aggregate employee benefits and related on-costs				
Provisions - current	33,823	37,130	-	-
Provisions - non-current	483	461	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 26)	4,737	4,851	-	-
Liability - purchase of personnel services	-	-	39,043	42,442
	39,043	42,442	39,043	42,442

* Provision for other employee benefits in 2022 included a one-off payment to employees of \$4.16 million for the recognition of service during the COVID-19 pandemic.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. Provisions (continued)

Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other				
Carrying amount at beginning of period	129	-	129	-
- Additional provisions recognised*	-	129	-	129
- Amounts used	(129)	-	(129)	-
Carrying amount at end of period	-	129	-	129

* Additional provisions recognised in 2022 included a one-off payment of \$Nil to visiting medical officers and \$Nil to affiliated health organisations for the recognition of service during the COVID-19 pandemic.

Recognition and Measurement

Employee benefits and other provisions

Salaries and wages, annual leave, sick leave, allocated days off (ADO) 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 and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 21.78% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 21.58%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the Network does not expect to settle the liability within 12 months as the Network does not have an unconditional right to defer settlement.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. Provisions (continued)

Recognition and Measurement (continued)

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

The majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

Long service leave and superannuation

The Network's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The Network 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Network.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

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.

Other provisions

Other provisions are recognised when: the Network 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. When the Network expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Network has a detailed formal plan, and the Network has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

30. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 22.

Accumulated funds

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

Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

31. Commitments

(a) Capital commitments

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Within one year	238	292	238	292
Total (including GST)	238	292	238	292

32. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

The Network is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network and the Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

PARENT AND CONSOLIDATION

Net result

Actual Net Result was \$1.2 million favourable to budget mainly due to the timing of new initiatives commencement.

Assets and liabilities

Actual Net Assets for the year were \$7.1 million favourable to budget largely due to \$5.9 million increases in land and building revaluation.

Cash flows

Actual net cash flows from the operating activities were favourable to budget by \$0.9 million mainly due to the favourable Net Result.

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2022 are as follows:

	\$000
Initial allocation, 1 July 2022	241,368
Award increases	9,614
Special projects	5,623
COVID-19 incremental budget relief	11,140
Balance as per Statement of Comprehensive Income	267,745

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2023 \$000	Consolidated ^{1,2} 2022 \$000	Parent 2023 \$000	Parent ^{1,2} 2022 \$000
Net cash used on operating activities	14,859	5,675	14,859	5,675
Depreciation and amortisation expense	(6,886)	(6,242)	(6,886)	(6,242)
Allowance for impairment	(770)	(708)	(770)	(708)
Decrease / (increase) in provisions	3,411	(7,048)	3,411	(7,048)
Increase / (decrease) in inventory	445	(369)	445	(369)
Increase / (decrease) in prepayments and other assets	967	1,171	967	1,171
Decrease / (increase) in payables	(887)	(2,089)	(887)	(2,089)
Decrease / (increase) in contract liabilities	(246)	(14)	(246)	(14)
Net gain / (loss) on sale of property, plant and equipment	1	107	1	107
Net result	10,894	(9,517)	10,894	(9,517)

² Inventory write down has been reclassified from 'Increase / (decrease) in prepayments and other assets' to 'Increase / (decrease) in Inventory' in the current year. The prior period comparatives have been restated to reflect this change.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. Trust funds

PARENT AND CONSOLIDATION

The Network holds trust funds of \$1.3 million (2022: \$1.2 million) which are held for the safe keeping of patients' monies.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2022			30 June 2023
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	1,192	1,792	(1,670)	1,314
Total trust funds	1,192	1,792	(1,670)	1,314

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	1,193	1,634	(1,635)	1,192
Refundable Deposits	18	3	(21)	-
Total trust funds	1,211	1,637	(1,656)	1,192

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments

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

The Network's main risks arising from financial instruments are outlined below, together with the Network'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 risks faced by the Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying	Carrying
		Amount	Amount
		2023	2022
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 19)	Amortised cost	627	963
Receivables (Note 20) ¹	Amortised cost	4,296	3,814
Total financial assets		4,923	4,777
Financial liabilities			
Borrowings (Note 28)	Financial liabilities measured at amortised cost	70,702	75,177
Payables (Note 26) ²	Financial liabilities measured at amortised cost	17,723	16,587
Total financial liabilities		88,425	91,764

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

The Network determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- The Network has transferred substantially all the risks and rewards of the asset; or
- The Network has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

When the Network has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Network's continuing involvement in the asset. In that case, the Network also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Network has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risk

i. Credit risk

Credit risk arises from financial assets of the Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

The Network considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Network may also consider a financial asset to be in default when internal or external information indicates that the Network is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Network.

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2023 and 30 June 2022 was determined as follows:

PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.47%	12.04%	59.60%	98.80%	97.56%	44.35%
Estimated total gross carrying amount ¹	2,348	191	151	83	1,924	4,697
Expected credit loss	11	23	90	82	1,877	2,083
30 June 2022	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.67%	18.81%	22.66%	100.00%	96.36%	45.37%
Estimated total gross carrying amount ¹	2,228	101	278	63	2,062	4,732
Expected credit loss	15	19	63	63	1,987	2,147

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note .

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022.

ii. Liquidity risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network 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 the use of loans and other advances.

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Network's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the 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 Network 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 providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that have a correctly rendered invoice, a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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.

For other suppliers, where settlement cannot be affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments

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

The Network's main risks arising from financial instruments are outlined below, together with the Network'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 risks faced by the Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying	Carrying
		Amount	Amount
		2023	2022
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 19)	Amortised cost	627	963
Receivables (Note 20) ¹	Amortised cost	4,296	3,814
Total financial assets		4,923	4,777
Financial liabilities			
Borrowings (Note 28)	Financial liabilities measured at amortised cost	70,702	75,177
Payables (Note 26) ²	Financial liabilities measured at amortised cost	17,723	16,587
Total financial liabilities		88,425	91,764

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

The Network determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- The Network has transferred substantially all the risks and rewards of the asset; or
- The Network has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

When the Network has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Network's continuing involvement in the asset. In that case, the Network also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risk

i. 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 Network. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

Credit risk arises from financial assets of the Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

The Network considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Network may also consider a financial asset to be in default when internal or external information indicates that the Network is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Network.

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2023 and 30 June 2022 was determined as follows:

PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.47%	12.04%	59.60%	98.80%	97.56%	44.35%
Estimated total gross carrying amount ¹	2,348	191	151	83	1,924	4,697
Expected credit loss	11	23	90	82	1,877	2,083
30 June 2022	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.67%	18.81%	22.66%	100.00%	96.36%	45.37%
Estimated total gross carrying amount ¹	2,228	101	278	63	2,062	4,732
Expected credit loss	15	19	63	63	1,987	2,147

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note .

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022.

ii. Liquidity risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network 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 the use of loans and other advances.

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Network's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the 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 Network 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 providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that have a correctly rendered invoice, a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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.

For other suppliers, where settlement cannot be affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2023								
Payables:								
- Creditors ²		17,723	-	-	17,723	17,723	-	-
Borrowings:								
- Lease liabilities	2.32	10,309	10,309	-	-	1,192	4,963	4,155
- Public Private Partnership	10.62	106,155	-	106,155	-	9,794	39,177	57,184
		134,187	10,309	106,155	17,723	28,709	44,140	61,339
2022								
Payables:								
- Creditors ²		16,587	-	-	16,587	16,587	-	-
Borrowings:								
- Lease liabilities	2.32	12,078	12,078	-	-	1,253	5,301	5,524
- Public Private Partnership	10.62	115,949	-	115,949	-	9,794	39,177	66,978
		144,614	12,078	115,949	16,587	27,634	44,478	72,502

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 Network can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

³ Weighted Average Effective Interest Rate (EIR).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Financial instruments (continued)

iii. 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 Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network 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 as for 2022. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia 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.

However, the Network is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

PARENT AND CONSOLIDATION

	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	701	(701)	742	(742)
Equity	701	(701)	742	(742)

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

37. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023 \$000	2022 \$000
Short-term employee benefits	528	531
Post-employment benefits	53	51
Other long-term benefits	6	14
	587	596

During the financial year, Justice Health and Forensic Mental Health Network obtained key management personnel services from the immediate parent and incurred \$380 thousand (2022: \$796 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The Network's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2022: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2022: \$Nil).

(d) Transactions the Network had with government related entities during the financial year

During the financial year and comparative year, the Network entered into the various transactions with other entities consolidated as part of the Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the immediate parent:

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

37. Related party disclosures (continued)

(d) Transactions the Network had with government related entities during the financial year (continued)

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs

The following revenues were earned from entities controlled by the immediate parent:

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

The following revenues were earned from entities controlled by the ultimate parent:

- Various grants and other contributions towards research and other projects
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

38. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS