



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Local Health District (the District), 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
- present fairly the District'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 District 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 39. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The 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 District'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 District 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.



David Daniels
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2023
SYDNEY

Sydney Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2023



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

1. The financial statements of Sydney Local Health District 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 Sydney Local Health District'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 'Teresa Anderson'.

Dr Teresa Anderson
Chief Executive
13-Sep-2023

A handwritten signature in black ink, appearing to read 'Puneet Datta'.

Puneet Datta
A/Executive Director of Finance
13-Sep-2023

Sydney Local Health District

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	1,393,912	1,378,020	1,418,066	-	-
Personnel services	3	-	-	-	1,361,621	1,424,200
Visiting medical officers	4	71,607	70,143	64,719	71,607	64,719
Operating expenses	5	736,827	737,733	984,387	736,827	983,000
Depreciation and amortisation	6	91,683	87,970	77,244	91,683	76,359
Grants and subsidies	7	27,667	28,881	32,338	27,667	32,261
Finance costs	8	1,287	821	536	1,287	536
Payments to Affiliated Health Organisations	9	14,332	14,695	15,033	14,332	15,033
Total expenses excluding losses		2,337,315	2,318,263	2,592,323	2,305,024	2,596,108
Revenue						
Ministry of Health recurrent allocations	12	2,007,786	1,915,932	2,062,512	2,007,786	2,062,512
Ministry of Health capital allocations	12	70,585	67,638	53,793	70,585	53,793
Acceptance by the Crown ² of employee benefits	16	32,291	32,590	(9,679)	-	-
Sale of goods and services from contracts with customers	13	229,228	244,784	242,936	229,228	242,936
Investment revenue	14	10,724	9,018	3,617	10,724	3,347
Grants and other contributions	15	71,718	55,456	117,317	89,597	112,548
Other income	17	14,754	25,911	11,120	38,034	10,914
Total revenue		2,437,086	2,351,329	2,481,616	2,445,954	2,486,050
Operating result		99,771	33,066	(110,707)	140,930	(110,058)
Gains / (losses) on disposal	18	(279)	-	(898)	(279)	(898)
Impairment losses on financial assets	23	(13,708)	(770)	(16,216)	(13,708)	(16,216)
Other gains / (losses)	19	31	38	(10,810)	31	(10,810)
Net result		85,815	32,334	(138,631)	126,974	(137,982)
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	26	104,533	-	161,611	104,533	158,440
Total other comprehensive income		104,533	-	161,611	104,533	158,440
TOTAL COMPREHENSIVE INCOME		190,348	32,334	22,980	231,507	20,458

¹ Unaudited adjusted budget, see Note 39.

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

See Note 21 for details regarding restated prior year balances for SLHD.

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Financial Position as at 30 June 2023

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
	Notes	Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
		2023	2023	Restated	Restated	2023	2022	1 July 2021
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	22	243,115	216,868	227,141	213,699	243,115	203,971	189,431
Receivables	23	77,084	86,615	86,118	174,784	77,084	85,855	174,281
Inventories	24	13,118	12,607	13,276	11,540	13,118	13,276	11,540
Total current assets		333,317	316,090	326,535	400,023	333,317	303,102	375,252
Non-current assets								
Other financial assets	25	77,872	77,872	76,012	74,196	77,872	76,012	74,196
Property, plant & equipment	26							
- Land and buildings		2,135,423	2,018,017	2,017,553	1,868,911	2,135,423	2,002,241	1,856,329
- Plant and equipment		100,284	119,184	106,984	107,524	100,284	104,415	104,561
- Infrastructure systems		28,515	26,845	26,845	9,882	28,515	26,845	9,882
Total property, plant & equipment		2,264,222	2,164,046	2,151,382	1,986,317	2,264,222	2,133,501	1,970,772
Right-of-use assets	27	53,580	57,333	23,521	17,205	53,580	23,521	17,205
Intangible assets	28	5,773	4,977	4,977	5,355	5,773	4,977	5,355
Total non-current assets		2,401,447	2,304,228	2,255,892	2,083,073	2,401,447	2,238,011	2,067,528
Total assets		2,734,764	2,620,318	2,582,427	2,483,096	2,734,764	2,541,113	2,442,780
LIABILITIES								
Current liabilities								
Payables	31	102,189	145,141	141,403	130,235	102,189	141,336	130,015
Contract liabilities	32	1,045	643	643	1,229	1,045	555	680
Borrowings	33	11,480	5,122	6,634	5,101	11,480	6,634	5,101
Provisions	34	314,685	311,714	343,098	282,538	314,685	343,098	281,861
Other current liabilities	35	146	233	233	267	146	233	34
Total current liabilities		429,545	462,853	492,011	419,370	429,545	491,856	417,691
Non-current liabilities								
Borrowings	33	46,471	56,732	22,066	17,878	46,471	22,066	17,878
Provisions	34	3,977	3,977	3,927	4,406	3,977	3,927	4,406
Total non-current liabilities		50,448	60,709	25,993	22,284	50,448	25,993	22,284
Total liabilities		479,993	523,562	518,004	441,653	479,993	517,849	439,974
Net assets		2,254,771	2,096,756	2,064,423	2,041,443	2,254,771	2,023,264	2,002,806
EQUITY								
Reserves		1,128,130	1,023,599	1,023,597	862,205	1,128,130	1,011,365	853,144
Accumulated funds		1,126,641	1,073,157	1,040,826	1,179,238	1,126,641	1,011,899	1,149,662
Total Equity		2,254,771	2,096,756	2,064,423	2,041,443	2,254,771	2,023,264	2,002,806

¹ Unaudited adjusted budget, see Note 39.

See Note 21 for details regarding restated prior year balances for SLHD.

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Changes in Equity for the year ended 30 June 2023

CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2022		1,042,107	1,023,597	2,065,704
Correction of error - long service leave calculations	21	(1,281)	-	(1,281)
Restated balance at 1 July 2022		1,040,826	1,023,597	2,064,423
Net result for the year		85,815	-	85,815
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	104,533	104,533
Total other comprehensive income		-	104,533	104,533
Total comprehensive income for the year		85,815	104,533	190,348
Transfer of asset revaluation surplus to accumulated funds on transfer of assets		-	-	-
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	36	-	-	-
Balance at 30 June 2023		1,126,641	1,128,130	2,254,771

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,180,674	862,205	2,042,879
Correction of error - long service leave calculations	21	(1,436)	-	(1,436)
Restated balance at 1 July 2021		1,179,238	862,205	2,041,443
Restated net result for the year		(138,631)	-	(138,631)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	161,611	161,611
Total other comprehensive income		-	161,611	161,611
Restated total comprehensive income for the year		(138,631)	161,611	22,980
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		219	(219)	-
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	36	-	-	-
Restated balance at 30 June 2022		1,040,826	1,023,597	2,064,423

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Changes in Equity for the year ended 30 June 2023

PARENT

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2022		1,013,180	1,011,365	2,024,545
Correction of error - long service leave calculations	21	(1,281)	-	(1,281)
Restated balance at 1 July 2022		1,011,899	1,011,365	2,023,264
Net result for the year		126,974	-	126,974
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	104,533	104,533
Total other comprehensive income		-	104,533	104,533
Total comprehensive income for the year		126,974	104,533	231,507
Transfer of asset revaluation surplus to accumulated funds on transfer of assets		(12,232)	12,232	-
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	36	-	-	-
Balance at 30 June 2023		1,126,641	1,128,130	2,254,771

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		1,151,098	853,144	2,004,242
Correction of error - long service leave calculations	21	(1,436)	-	(1,436)
Restated balance at 1 July 2021		1,149,662	853,144	2,002,806
Restated net result for the year		(137,982)	-	(137,982)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	26	-	158,440	158,440
Total other comprehensive income		-	158,440	158,440
Restated total comprehensive income for the year		(137,982)	158,440	20,458
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		219	(219)	-
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	36	-	-	-
Restated balance at 30 June 2022		1,011,899	1,011,365	2,023,264

The accompanying notes form part of these financial statements.

Sydney Local Health District

Statement of Cash Flows for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,408,373)	(1,390,877)	(1,395,028)	-	-
Suppliers for goods and services		(913,042)	(870,623)	(1,056,813)	(913,159)	(1,054,933)
Grants and subsidies		(46,090)	(47,667)	(45,504)	(46,090)	(45,398)
Finance costs		(1,288)	(821)	(524)	(1,288)	(524)
Personnel services		-	-	-	(1,408,373)	(1,390,668)
Total payments		(2,368,793)	(2,309,988)	(2,497,869)	(2,368,910)	(2,491,523)
Receipts						
Ministry of Health recurrent allocations		2,007,786	1,915,932	2,062,512	2,007,786	2,062,512
Ministry of Health capital allocations		70,585	67,638	53,793	70,585	53,793
Reimbursements from the Crown ²		23,161	23,161	21,744	-	-
Sale of goods and services		235,683	246,515	294,153	235,987	293,882
Interest received		8,847	7,202	1,836	8,847	1,566
Grants and other contributions		71,073	56,571	56,497	70,880	51,955
Other		69,030	82,560	100,764	115,367	122,293
Total receipts		2,486,165	2,399,579	2,591,299	2,509,452	2,586,001
NET CASH FLOWS FROM OPERATING ACTIVITIES	40	117,372	89,591	93,430	140,542	94,478
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		-	-	22	-	22
Purchases of property, plant and equipment and intangibles		(90,070)	(92,356)	(73,528)	(90,070)	(73,478)
Other		-	(44)	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(90,070)	(92,400)	(73,506)	(90,070)	(73,456)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(919)	(919)	(894)	(919)	(894)
Payment of principal portion of lease liabilities		(10,409)	(6,545)	(5,588)	(10,409)	(5,588)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(11,328)	(7,464)	(6,482)	(11,328)	(6,482)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	22	227,141	227,141	213,699	203,971	189,431
CLOSING CASH AND CASH EQUIVALENTS	22	243,115	216,868	227,141	243,115	203,971

¹ Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

Sydney Local Health District

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

Sydney Local Health District (SLHD), as a reporting entity, was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

SLHD 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.

SLHD 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
- * Sydney Local Health District Special Purpose Service Entity which provides personnel services to SLHD to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.
- * The Anzac Health and Medical Research Foundation (ANZAC), which conducts medical research on the Concord Hospital campus. During the year, the Board of the ANZAC resolved to wind up and dissolve the ANZAC Health and Medical Research Foundation Trust. As part of the winding up process, all assets and liabilities were transferred across to SLHD effective from 1 July, 2022.

The consolidated entity includes SLHD as a parent entity and SLHD 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 13-Sep-2023.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies (continued)

b) Basis of preparation

SLHD'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 SLHD have been prepared on a going concern basis.

Each year the Secretary of NSW Health, the Chair of Sydney Local Health District 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 SLHD'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 SLHD 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 Sydney Local Health District 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.
- * SLHD 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.
- * SLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD 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, SLHD'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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies (continued)

b) Basis of preparation (continued)

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 SLHD's presentation and functional currency.

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 SLHD 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.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies (continued)

g) Changes in estimates

(i) Componentisation

During 2023, SLHD conducted a review of the useful lives of its specialised buildings. As part of the review, new depreciation useful lives were determined for each of the four major specialised building components, which previously were all depreciated over 40 years. As a result, SLHD has revised the accounting policy for the useful lives for specialised buildings, effective from 1 July 2022. The new useful lives were determined as follows:

	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 / (decrease)), included in the Statement of Comprehensive Income is as follows:

PARENT AND CONSOLIDATED

	2023 Actual \$'000	Future years Expected \$'000
Expenses		
Depreciation and amortisation	3,808	4,087

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies (continued)

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. SLHD 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 SLHD.

(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 SLHD activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2022-23 and increased disclosures are presented in the following notes:

- * Note 5 Operating expenses
- * Note 7 Grants and subsidies
- * Note 12 Ministry of Health allocations
- * Note 13 Sale of goods and services from contracts with customers
- * Note 15 Grants and other contributions
- * Note 19 Other gains / (losses)
- * Note 24 Inventories
- * Note 31 Payables
- * Note 34 Provisions
- * Note 39 Adjusted budget review

Sydney Local Health District

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)	1,225,454	1,301,116	-	-
Superannuation - defined benefit plans	4,977	5,692	-	-
Superannuation - defined contribution plans	121,026	119,893	-	-
Long service leave	27,873	(20,690)	-	-
Workers' compensation insurance	14,522	12,026	-	-
Fringe benefits tax	60	29	-	-
	1,393,912	1,418,066	-	-

¹ 'Long service leave' costs has been restated to be lower by \$1.26 million in the prior year for the consolidated entity. Refer to Note 21 for further details regarding restatement as a result of an error.

Refer to Note 34 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$Nil (2022: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

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)	-	-	1,225,454	1,297,888
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	121,026	119,577
Long service leave	-	-	559	(5,320)
Workers' compensation insurance	-	-	14,522	12,026
Fringe benefits tax	-	-	60	29
	-	-	1,361,621	1,424,200

¹ 'Long service leave' costs has been restated to be lower by \$0.16 million in the prior year for the parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

Personnel services of Sydney Local Health District were provided by its controlled entity, Sydney Local Health District Special Purpose Service Entity.

Personnel services of \$Nil (2022: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input in a number of disciplines throughout SLHD's hospitals. VMO expenses of \$71.61 million (2022: \$64.72 million) represent part of the day-to-day running costs incurred in the normal operations of SLHD. These costs are expensed as incurred.

The increase in VMO costs this year is as a result of the resumption to pre COVID-19 levels of elective surgery.

Sydney Local Health District

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	476	796	476	795
Auditor's remuneration - audit of financial statements	276	301	276	266
Blood and blood products	23,334	21,919	23,334	21,919
Consultancies	60	50	60	50
Contractors	3,343	4,395	3,343	4,395
Domestic supplies and services	25,462	36,159	25,462	36,152
Drug supplies*	134,733	138,438	134,733	138,421
Food supplies	35,509	41,818	35,509	41,814
Fuel, light and power	19,063	14,502	19,063	14,501
Patient transport costs	14,113	14,317	14,113	14,317
Information management expenses	52,718	55,179	52,718	55,136
Insurance	2,553	2,363	2,553	2,321
Maintenance (see Note 5 (b))	59,906	80,340	59,906	80,136
Medical and surgical supplies	114,731	125,747	114,731	125,692
Motor vehicle expenses	2,325	2,147	2,325	2,147
Postal and telephone costs	3,919	3,934	3,919	3,933
Printing and stationery	4,270	4,908	4,270	4,895
Rates and charges	2,796	2,161	2,796	2,157
Specialised services (dental, radiology, pathology and allied health)	95,374	246,423	95,374	245,861
Staff related costs	20,745	22,510	20,745	22,300
Travel related costs	6,100	1,566	6,100	1,555
Other (see Note 5 (a))	115,021	164,414	115,021	164,237
	736,827	984,387	736,827	983,000

* Drug supplies includes \$0.33 million (2022: \$43.26 million) of COVID-19 vaccinations administered by vaccination hubs within SLHD. Refer to Note 24 for further details on COVID-19 vaccines.

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by SLHD.

Sydney Local Health District

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				
Aircraft expenses (Ambulance)	615	436	615	436
Contract for patient services	76,450	99,987	76,450	99,987
Corporate support services ¹	8,884	8,870	8,884	8,870
Courier and freight	1,460	1,059	1,460	1,012
Disability equipment support expenses ¹	1,230	1,200	1,230	1,200
Isolated patient travel and accommodation assistance scheme*	-	31	-	31
Legal services	1,650	944	1,650	935
Membership/professional fees	767	552	767	541
Quality assurance / accreditation	216	184	216	184
Security services	11,005	31,471	11,005	31,471
Expenses relating to short-term leases	2,812	5,576	2,812	5,576
Expenses relating to leases of low-value assets	1,855	2,149	1,855	2,149
Variable lease payments, not included in lease liabilities	-	1	-	1
Other miscellaneous	8,077	11,954	8,077	11,844
	115,021	164,414	115,021	164,237

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 \$1.200 million and 'Corporate support services' lower by \$1.200 million to reflect this change.

* From 1 July 2022, the isolated patient travel and accommodation assistance scheme program is being managed by HealthShare NSW, a controlled entity of the immediate parent.

(b) Reconciliation of total maintenance expense

Maintenance contracts	22,295	20,188	22,295	20,034
New / replacement equipment under \$10,000	12,984	33,421	12,984	33,399
Repairs maintenance / non contract	24,621	26,705	24,621	26,677
Other	6	26	6	26
	59,906	80,340	59,906	80,136
Maintenance expense - contracted labour and other (non-employee related) in Note 5				
Employee related/personnel services maintenance expense included in Notes 2 and 3*.	7,453	7,950	7,453	7,950
	67,359	88,290	67,359	88,086

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

Sydney Local Health District

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 SLHD. 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

SLHD'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

SLHD 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.

Sydney Local Health District

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	61,797	53,053	61,797	52,612
Depreciation - plant and equipment	17,504	16,856	17,504	16,412
Depreciation - infrastructure systems	978	786	978	786
Depreciation - right-of-use buildings	7,664	3,471	7,664	3,471
Depreciation - right-of-use plant and equipment	2,858	2,416	2,858	2,416
Amortisation - intangible assets	882	662	882	662
	91,683	77,244	91,683	76,359

Depreciation - buildings is higher by \$3.81 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 26 Property, plant and equipment, Note 27 Leases, and Note 28 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
Non-government organisations	22,468	20,224	22,468	20,224
Grants to research organisations	2,163	3,243	2,163	3,243
Grants to entities controlled by the immediate parent*	703	6,033	703	6,033
Other grants*	2,333	2,838	2,333	2,761
	27,667	32,338	27,667	32,261

* SLHD granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration where the total value of COVID-19 vaccines were recorded at current replacement cost. Refer to Note 24 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 \$0.06 million (2022: \$5.62 million) and under other grants (external third parties) was \$0.00 million (2022: \$0.10 million).

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.

Sydney Local Health District

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	1,167	377	1,167	377
Interest expense from financial liabilities at amortised cost	122	147	122	147
Other interest charges	(2)	12	(2)	12
	1,287	536	1,287	536

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.

9. Payments to Affiliated Health Organisations

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Recurrent sourced				
Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft	13,675	14,330	13,675	14,330
The Benevolent Society	657	703	657	703
	14,332	15,033	14,332	15,033

Recognition and Measurement

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

General operating expenses / revenues of Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft and the Benevolent Society have only been included in the Statement of Comprehensive Income prepared to the extent of the payments made / received or accrued to the health organisations concerned. SLHD is not deemed to own or control the various assets / liabilities of the aforementioned health organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

10. 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, SLHD'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 SLHD which forms part of the consolidated fund and is not appropriated to SLHD by an Act.

11. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) appropriates the sum of \$18,729.86 million 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 SLHD.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority of s4.7 of the GSF Act 2018, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister(s) from deemed appropriation money has been delegated or sub-delegated to officers of SLHD for its own services.

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of other entities the principal department is administratively responsible for and which receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. SLHD's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations authorising officers of SLHD to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the SLHD. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table included in the financial statements of the Annual Report of NSW Health.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

12. Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to SLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and SLHD 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.

SLHD recognised additional Ministry of Health recurrent allocations of \$56.03 million (2022: \$527.58 million) and Ministry of Health capital allocations of \$Nil (2022: \$1.56 million) 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. 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	79,464	54,280	79,464	54,280
Sale of prostheses	8,581	6,990	8,581	6,990
Other ¹	353	175	353	175
	88,398	61,445	88,398	61,445

(b) Rendering of services comprise the following:

Patients				
Patient Fees:				
- Inpatient fees	83,728	64,296	83,728	64,296
- Nursing home fees	602	322	602	322
- Non inpatient fees	5,897	4,000	5,897	4,000
Department of Veterans' Affairs	6,131	3,852	6,131	3,852
Motor Accident Authority third party	4,048	2,865	4,048	2,865
Staff				
Private use of motor vehicles	45	71	45	71
Salary packaging fee	10	12	10	12
Meals and accommodation	282	266	282	266
Child care fees	1,402	1,371	1,402	1,371
General community				
Cafeteria / kiosk	-	3	-	3
Car parking	925	1,848	925	1,848
Clinical services (excluding clinical drug trials)	268	375	268	375
Commercial activities	329	103	329	103
Fees for conferences and training	1,718	801	1,718	801
Fees for medical records	254	209	254	209
Information retrieval	14	39	14	39
Non-NSW Health entities				
Services to other organisations	7,248	7,328	7,248	7,328
Entities controlled by the immediate parent				
Hosted service revenues	2,413	2,382	2,413	2,382
Other				
Infrastructure fees - annual charge	6,240	4,384	6,240	4,384
Infrastructure fees - monthly facility charge	16,989	15,341	16,989	15,341
Quarantined Hotel Passengers ²	(537)	68,424	(537)	68,424
Other	2,824	3,199	2,824	3,199
	140,830	181,491	140,830	181,491
	229,228	242,936	229,228	242,936

¹ Enteral nutrition income has been reclassified from 'Enteral nutrition' to 'Sale of goods - other' in the current year. The prior period 'Sale of goods - other' has been restated higher by \$0.005 million and 'Enteral nutrition' lower by \$0.005 million to reflect this change.

² Quarantined Hotel Passengers revenue reflects SLHD's management of the Health Quarantine Program on behalf of NSW Health. Decrease in revenue is due to Hotel quarantine ceased from 30 April 2022.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. 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 SLHD 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.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, 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.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. 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 SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

Recognition and Measurement (continued)

Rendering of services (continued)

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Infrastructure fees	Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the Ministry of Health. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	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.

Refer to Note 32 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when SLHD expects to recognise the unsatisfied portion as revenue.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

14. Investment revenue

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest income from financial assets at amortised cost	8,847	1,811	8,847	1,541
Finance income on the net investment in the lease	1,860	1,816	1,860	1,816
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	-	(27)	-	(27)
Royalties	17	17	17	17
	10,724	3,617	10,724	3,347

Recognition and Measurement

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss includes distributions received as well as movements in the fair value.

Royalties

Royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

15. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	4,345	4,134	4,345	4,134
Clinical trials and research grants	11,388	11,343	11,388	9,325
Commonwealth government grants received for community based services	11,700	11,270	11,700	11,270
Grants from entities controlled by the ultimate parent	988	1,030	988	1,030
Other grants from entities controlled by the immediate parent	474	1,689	18,353	1,689
Other grants	7,318	4,838	7,318	4,838
Grants without specific performance obligations				
Clinical trial and research grants	4,895	4,442	4,895	2,259
Commonwealth government grants other*	133	56,946	133	56,946
Grants from entities controlled by the ultimate parent	6,954	4,109	6,954	4,109
Other grants from entities controlled by the immediate parent*	2,406	4,896	2,406	4,896
Other grants*	3,336	3,563	3,336	3,414
Donations				
Donations	17,781	9,057	17,781	8,638
	71,718	117,317	89,597	112,548

* SLHD 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 24 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received under Commonwealth government grants other (Commonwealth government) was \$0.12 million (2022: \$56.95 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$0.05 million (2022: \$2.96 million) and under other grants (external third parties) was \$0.05 million (2022: \$0.00 million).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

15. Grants and other contributions (continued)

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by SLHD are recognised when SLHD satisfies its obligations under the transfer. SLHD 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 SLHD satisfies a performance obligation by transferring the promised goods or services. SLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. SLHD 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 32 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 SLHD obtains control over the granted assets (e.g. cash).

Volunteer services

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. SLHD receives volunteer services for the below activities:

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

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

16. 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	4,977	5,692	-	-
Long service leave provision	27,314	(15,370)	-	-
	32,291	(9,678)	-	-

¹ 'Long service leave provision' revenue has been restated to be lower by \$1.10 million in the prior year for the consolidated and parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

17. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other income comprises the following:				
Commissions	96	100	96	100
Discounts	160	81	160	81
Insurance refunds	1,532	567	1,532	567
Rental income				
- other rental income	7,106	7,233	7,106	7,085
Sponsorship	867	468	867	468
Other	4,993	2,671	28,273	2,613
	14,754	11,120	38,034	10,914

Recognition and Measurement

Insurance refunds

Insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for Government entities. Insurance refunds are recognised when TMF accepts the insurance claim.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. The rental income is incidental to the purpose for holding the property.

Other income

Other income arises from varying arrangements. Income is generally recognised on an accrual basis and/or when the right to receive the income has been established in accordance with the substance of the relevant agreement.

Forgiveness of liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

18. 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	280	713	280	713
Less: proceeds from disposal	-	22	-	22
Net gains / (losses) on disposal	(280)	(691)	(280)	(691)
Right-of-use assets				
Written down value of assets disposed	39	4	39	4
Less: lease liabilities extinguished	40	4	40	4
Net gains / (losses) on disposal*	1	-	1	-
Intangible assets				
Written down value of assets disposed	-	207	-	207
Less: proceeds from disposal	-	-	-	-
Net gains / (losses) on disposal	-	(207)	-	(207)
Total gains / (losses) on disposal	(279)	(898)	(279)	(898)

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

19. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory write down*	38	(10,810)	38	(10,810)
Foreign exchange gains / (losses)	(7)	-	(7)	-
	31	(10,810)	31	(10,810)

* Inventory write down includes COVID-19 vaccine wastage of \$8.62 million (2022: \$2.15 million), Monkeypox vaccine wastage of \$0.009 million (2022: \$Nil) and impairment decrement of COVID-19 vaccines of \$(8.66) million (2022: impairment increment of \$8.66 million). Refer to Note 24 for further details on COVID-19 vaccines.

Recognition and Measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 23 Receivables
- Note 24 Inventories
- Note 26 Property, plant and equipment
- Note 27 Leases
- Note 28 Intangible assets

20. Conditions and restrictions on income of not-for-profit entities

SLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. SLHD determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 30 Restricted assets.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

21. Prior period error

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 certain awards during their employment. 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 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 current and prior years.

SLHD's liability for long service leave are assumed by The Crown in right of the State of New South Wales. SLHD 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 SLHD.

The incorrect calculation of long service leave entitlements has resulted in lower 'Employee related expenses' and lower 'Acceptance by the Crown of employee benefits' revenue in the Statement of Comprehensive Income in prior years. Any consequential on-costs has resulted in lower 'Provisions' liability in the Statement of Financial Position and lower 'Employee related expenses' in the Statement of Comprehensive Income. The error has been corrected during the year, with retrospective adjustments made in the prior periods.

The impact to the 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)

		Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
	Notes	Actual	Adjustment	Restated	Actual	Adjustment	Restated
		2022	2022	2022	2022	2022	2022
		\$000	\$000	\$000	\$000	\$000	\$000
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	1,419,327	(1,261)	1,418,066	-	-	-
Personnel services	3	-	-	-	1,424,356	(156)	1,424,200
Total expenses excluding		2,593,584	(1,261)	2,592,323	2,596,264	(156)	2,596,108
Revenue							
Acceptance by the Crown of employee benefits	16	(8,574)	(1,105)	(9,679)	-	-	-
Total revenue		2,482,721	(1,105)	2,481,616	2,486,050	-	2,486,050
Operating result		(110,863)	156	(110,707)	(110,214)	156	(110,058)
Net result		(138,787)	156	(138,631)	(138,138)	156	(137,982)
Total other comprehensive income		161,611	-	161,611	158,440	-	158,440
TOTAL COMPREHENSIVE INCOME		22,824	156	22,980	20,302	156	20,458

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

21. Prior period error (continued)

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

	Notes	Consolidated Actual 1 July 2021 \$000	Consolidated Adjustment 1 July 2021 \$000	Consolidated Restated 1 July 2021 \$000	Parent Actual 1 July 2021 \$000	Parent Adjustment 1 July 2021 \$000	Parent Restated 1 July 2021 \$000
LIABILITIES							
Current liabilities							
Provisions	34	281,221	1,317	282,538	280,544	1,317	281,861
Total current liabilities		418,053	1,317	419,370	416,374	1,317	417,691
Non-current liabilities							
Provisions	34	4,286	120	4,406	4,286	120	4,406
Total non-current liabilities		22,164	120	22,284	22,164	120	22,284
Total liabilities		440,217	1,436	441,653	438,538	1,436	439,974
Net assets		2,042,879	(1,436)	2,041,443	2,004,242	(1,436)	2,002,806
EQUITY							
Accumulated funds		1,180,674	(1,436)	1,179,238	1,151,098	(1,436)	1,149,662
Total Equity		2,042,879	(1,436)	2,041,443	2,004,242	(1,436)	2,002,806

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)

	Notes	Consolidated Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
LIABILITIES							
Current liabilities							
Provisions	34	341,923	1,175	343,098	341,923	1,175	343,098
Total current liabilities		490,836	1,175	492,011	490,681	1,175	491,856
Non-current liabilities							
Provisions	34	3,821	106	3,927	3,821	106	3,927
Total non-current liabilities		25,887	106	25,993	25,887	106	25,993
Total liabilities		516,723	1,281	518,004	516,568	1,281	517,849
Net assets		2,065,704	(1,281)	2,064,423	2,024,545	(1,281)	2,023,264
EQUITY							
Accumulated funds		1,042,107	(1,281)	1,040,826	1,013,180	(1,281)	1,011,899
Total Equity		2,065,704	(1,281)	2,064,423	2,024,545	(1,281)	2,023,264

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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

22. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	243,115	227,141	243,115	203,971
	243,115	227,141	243,115	203,971

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)	243,115	227,141	243,115	203,971
	243,115	227,141	243,115	203,971

Refer to Note 43 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by SLHD 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 SLHD for payments to suppliers and employees. HealthShare NSW makes payments after SLHD has reviewed and approved the invoices and employee rosters. SLHD'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 SLHD.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of SLHD 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 SLHD.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Trade receivables from contracts with customers	108,237	105,846	108,237	105,792
Intra health receivables	4,188	12,902	4,188	12,902
Goods and Services Tax	4,215	7,507	4,215	7,437
Other receivables	5,184	2,667	5,184	2,567
Sub total	121,824	128,922	121,824	128,698
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers ²	(52,021)	(44,376)	(52,021)	(44,376)
- Other receivables	(26)	(7)	(26)	(7)
Sub total	69,777	84,539	69,777	84,315
Prepayments	7,307	1,579	7,307	1,540
	77,084	86,118	77,084	85,855

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(44,376)	(34,178)	(44,376)	(34,178)
Amounts written off during the year	6,021	6,009	6,021	6,009
(Increase) / decrease in allowance recognised in the net result ¹	(13,665)	(16,208)	(13,665)	(16,208)
Balance at the end of the year	(52,021)	(44,376)	(52,021)	(44,376)
Other receivables				
Balance at the beginning of the year	(7)	(12)	(7)	(12)
Amounts written off during the year	23	14	23	14
(Increase) / decrease in allowance recognised in the net result	(42)	(9)	(42)	(9)
Balance at the end of the year	(26)	(7)	(26)	(7)
	(52,047)	(44,383)	(52,047)	(44,383)

¹ Includes total impairment loss of \$13.67 million (2022: \$16.21 million) recognised on receivables from contracts with customers.

² Trade receivables from contracts with customers includes Quarantined Hotel Passengers Debtors.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Receivables (continued)

(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 - compensable	4,136	3,646	4,136	3,646
Patient fees - ineligible	22,095	16,515	22,095	16,515
Patient fees - inpatient & other	16,853	13,315	16,853	13,315
	43,084	33,476	43,084	33,476

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 43.

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Contract receivables (included in Note 23)	112,422	118,748	112,422	118,694
Total contract receivables	112,422	118,748	112,422	118,694

¹ Prior year figures have been restated higher by \$Nil as a result of items previously excluded under contract receivables.

Recognition and Measurement

SLHD 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, SLHD considers:

- Whether SLHD 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

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

23. Receivables (continued)

Impairment

SLHD 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 SLHD expects to receive, discounted at the original effective interest rate.

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

24. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Held-for-distribution				
Drug supplies	4,718	14,452	4,718	14,452
Medical and surgical supplies	8,400	7,486	8,400	7,486
Sub total	13,118	21,938	13,118	21,938
Less: Allowance for impairment				
- Drug supplies	-	(8,662)	-	(8,662)
	13,118	13,276	13,118	13,276

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, SLHD has written-off \$Nil (2022: \$Nil) 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. SLHD 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 SLHD controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by SLHD.

The value attributable to the COVID-19 vaccines received was measured at its fair value based on replacement cost. SLHD 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 SLHD.

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.23 million (2022: \$59.91 million) and \$0.39 million (2022: \$48.97 million), respectively. \$8.62 million (2022: \$2.15 million) of COVID-19 vaccines were written-off and \$8.66 million allowance for impairment was reversed (2022: An allowance for impairment was provided for \$8.66 million). COVID-19 vaccine closing inventory balance as at 30 June 2023, was \$0.01 million (2022: \$8.79 million) which is included as part of the inventory drug supplies.

Sydney Local Health District

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

24. Inventories (continued)

Recognition and Measurement (continued)

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 SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

25. Other financial assets

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-current				
Receivables on finance leases as lessor (Note 27)	77,872	76,012	77,872	76,012
	77,872	76,012	77,872	76,012

Refer to Note 43 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement

Financial assets at amortised cost

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the Statement of Comprehensive Income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Impairment

SLHD 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 SLHD expects to receive, discounted at the original effective interest rate.

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, SLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

SLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence, SLHD measures the loss allowance for term deposits at an amount equal to a 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

SLHD uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

For lease receivables, the entity applies the simplified approach permitted by AASB 9, where the loss allowance is based on lifetime ECLs.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment

(a) Total property, plant and equipment

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,598,850	258,212	18,101	2,875,163
Less: accumulated depreciation and impairment	729,939	150,688	8,219	888,846
Net carrying amount	1,868,911	107,524	9,882	1,986,317

	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	1,868,911	107,524	9,882	1,986,317
Additions	57,988	15,585	-	73,573
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Equity transfers - transfers in / (out)	-	-	-	-
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increments less revaluation decrements ²	160,750	-	861	161,611
Depreciation expense	(53,053)	(16,856)	(786)	(70,695)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	2,017,553	106,984	26,845	2,151,382

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.

² Net Revaluation includes both the Concord Phase 1 redevelopment and the comprehensive asset revaluation. Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	2,895,185	264,842	38,100	3,198,127
Less: accumulated depreciation and impairment	877,632	157,858	11,255	1,046,745
Net carrying amount	2,017,553	106,984	26,845	2,151,382

	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	2,017,553	106,984	26,845	2,151,382
Additions	80,906	9,147	-	90,053
Reclassification to intangibles	-	(1,661)	-	(1,661)
Disposals	-	(280)	-	(280)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	474	-	474
Net revaluation increments less revaluation decrements	102,910	-	1,623	104,533
Depreciation expense	(61,797)	(17,504)	(978)	(80,279)
Reclassifications	(4,149)	3,124	1,025	-
Net carrying amount at end of year	2,135,423	100,284	28,515	2,264,222

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,130,802	267,133	41,479	3,439,414
Less: accumulated depreciation and impairment	995,379	166,849	12,964	1,175,192
Net carrying amount	2,135,423	100,284	28,515	2,264,222

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 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by SLHD

CONSOLIDATION

SLHD 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 SLHD.

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,543,949	258,211	18,100	2,820,260
Less: accumulated depreciation and impairment	707,617	150,688	8,218	866,523
Net carrying amount	1,836,332	107,523	9,882	1,953,737

	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	1,836,333	107,522	9,882	1,953,737
Additions	57,987	15,585	-	73,572
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increment less revaluation decrements	164,578	-	861	165,439
Depreciation expense	(52,053)	(16,856)	(786)	(69,695)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	1,989,802	106,982	26,845	2,123,629

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by SLHD (continued)

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	2,843,368	264,841	38,100	3,146,309
Less: accumulated depreciation and impairment	853,566	157,859	11,255	1,022,680
Net carrying amount	1,989,802	106,982	26,845	2,123,629

	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	1,989,802	106,982	26,845	2,123,629
Additions	80,908	9,149	-	90,057
Reclassification to intangibles	-	(1,661)	-	(1,661)
Disposals	-	(280)	-	(280)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	474	-	474
Net revaluation increments less revaluation decrements	102,794	-	1,623	104,417
Depreciation expense	(60,340)	(17,504)	(978)	(78,822)
Reclassifications	(4,149)	3,124	1,025	-
Net carrying amount at end of year	2,109,015	100,284	28,515	2,237,814

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,078,687	267,133	41,479	3,387,299
Less: accumulated depreciation and impairment	969,672	166,849	12,964	1,149,485
Net carrying amount	2,109,015	100,284	28,515	2,237,814

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(c) Property, plant and equipment where SLHD is the lessor under operating leases

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	22,323	-	-	22,323
Net carrying amount	32,577	-	-	32,577

	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	32,577	-	-	32,577
Net revaluation increment less revaluation decrements	(3,828)	-	-	(3,828)
Depreciation expense	(1,000)	-	-	(1,000)
Net carrying amount at end of year	27,749	-	-	27,749

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(c) Property, plant and equipment where SLHD is the lessor under operating leases (continued)

CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	51,816	-	-	51,816
Less: accumulated depreciation and impairment	24,067	-	-	24,067
Net carrying amount	27,749	-	-	27,749

	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	27,749	-	-	27,749
Net revaluation increments less revaluation decrements	116	-	-	116
Depreciation expense	(1,457)	-	-	(1,457)
Net carrying amount at end of year	26,408	-	-	26,408

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	52,115	-	-	52,115
Less: accumulated depreciation and impairment	25,707	-	-	25,707
Net carrying amount	26,408	-	-	26,408

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment

(a) Total property, plant and equipment

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,582,950	251,504	18,100	2,852,554
Less: accumulated depreciation and impairment	726,621	146,943	8,218	881,782
Net carrying amount	1,856,329	104,561	9,882	1,970,772

	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	1,856,329	104,561	9,882	1,970,772
Additions	57,988	15,535	-	73,523
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increments less revaluation decrements ²	157,579	-	861	158,440
Depreciation expense	(52,612)	(16,412)	(786)	(69,810)
Reclassifications	(16,874)	(14)	16,888	-
Net carrying amount at end of year	2,002,241	104,415	26,845	2,133,501

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.

² Net Revaluation includes both the Concord Phase 1 redevelopment and the comprehensive asset revaluation.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	2,875,173	258,145	38,100	3,171,418
Less: accumulated depreciation and impairment	872,932	153,730	11,255	1,037,917
Net carrying amount	2,002,241	104,415	26,845	2,133,501

	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	2,002,241	104,415	26,845	2,133,501
Additions	80,906	9,147	-	90,053
Reclassification to intangibles	-	(1,661)	-	(1,661)
Disposals	-	(280)	-	(280)
Transfers within NSW Health entities through Statement of Comprehensive Income	15,312	3,043	-	18,355
Net revaluation increments less revaluation decrements	102,910	-	1,623	104,533
Depreciation expense	(61,797)	(17,504)	(978)	(80,279)
Reclassifications	(4,149)	3,124	1,025	-
Net carrying amount at end of year	2,135,423	100,284	28,515	2,264,222

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,130,802	267,133	41,479	3,439,414
Less: accumulated depreciation and impairment	995,379	166,849	12,964	1,175,192
Net carrying amount	2,135,423	100,284	28,515	2,264,222

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 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by SLHD

PARENT

SLHD 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 SLHD.

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	2,528,049	251,504	18,100	2,797,653
Less: accumulated depreciation and impairment	704,299	146,943	8,218	859,460
Net carrying amount	1,823,750	104,561	9,882	1,938,193
	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	1,823,750	104,562	9,882	1,938,194
Additions	57,987	15,535	-	73,522
Reclassification to intangibles	-	(384)	-	(384)
Disposals	(169)	(544)	-	(713)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,673	-	1,673
Net revaluation increment less revaluation decrements	161,407	-	861	162,268
Depreciation expense	(51,612)	(16,412)	(786)	(68,810)
Reclassifications	(16,873)	(14)	16,888	1
Net carrying amount at end of year	1,974,490	104,416	26,845	2,105,751

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by SLHD (continued)

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	2,823,356	258,145	38,100	3,119,601
Less: accumulated depreciation and impairment	848,866	153,730	11,255	1,013,851
Net carrying amount	1,974,490	104,415	26,845	2,105,750

	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	1,974,490	104,415	26,845	2,105,750
Additions	80,908	9,149	-	90,057
Reclassification to intangibles	-	(1,661)	-	(1,661)
Disposals	-	(280)	-	(280)
Transfers within NSW Health entities through Statement of Comprehensive Income	15,312	3,041	-	18,353
Net revaluation increments less revaluation decrements	102,794	-	1,623	104,417
Depreciation expense	(60,340)	(17,504)	(978)	(78,822)
Reclassifications	(4,149)	3,124	1,025	-
Net carrying amount at end of year	2,109,015	100,284	28,515	2,237,814

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	3,078,687	267,133	41,479	3,387,299
Less: accumulated depreciation and impairment	969,672	166,849	12,964	1,149,485
Net carrying amount	2,109,015	100,284	28,515	2,237,814

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(c) Property, plant and equipment where SLHD is the lessor under operating leases

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	22,323	-	-	22,323
Net carrying amount	32,577	-	-	32,577

	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	32,577	-	-	32,577
Net revaluation increment less revaluation decrements	(3,828)	-	-	(3,828)
Depreciation expense	(1,000)	-	-	(1,000)
Net carrying amount at end of year	27,749	-	-	27,749

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

(c) Property, plant and equipment where SLHD is the lessor under operating leases (continued)

PARENT

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	51,816	-	-	51,816
Less: accumulated depreciation and impairment	24,067	-	-	24,067
Net carrying amount	27,749	-	-	27,749

	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	27,749	-	-	27,749
Net revaluation increments less revaluation decrements	116	-	-	116
Depreciation expense	(1,457)	-	-	(1,457)
Net carrying amount at end of year	26,408	-	-	26,408

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	52,115	-	-	52,115
Less: accumulated depreciation and impairment	25,707	-	-	25,707
Net carrying amount	26,408	-	-	26,408

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. 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 SLHD and records all costs incurred as work in progress or expenses and subsequently transfers to SLHD. The costs are then accordingly reflected in SLHD's financial statements. SLHD acquires most assets in this manner.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 36).

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated / occupied by SLHD are deemed to be controlled by SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. 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 SLHD.

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 and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

'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. SLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 27.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. 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 29 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. SLHD 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. SLHD uses an independent professionally qualified valuer for such interim revaluations.

The last comprehensive revaluation was completed on 31 December 2021 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 4.50% in market prices for land and material increases in construction and labour costs of 11.15% for buildings and 11.15% for infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment 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. SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. 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.

SLHD 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, SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

26. Property, plant and equipment (continued)

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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases

(a) Entity as a lessee

SLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 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. SLHD 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 SLHD 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 \$Nil (2022: \$Nil) 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 \$Nil (2022: \$Nil).

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

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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	17,864	5,657	23,521
Additions	34,951	4,848	39,799
Reassessments	813	8	821
Disposals	-	(39)	(39)
Depreciation expense	(7,664)	(2,858)	(10,522)
Balance at 30 June 2023	45,964	7,616	53,580

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	13,288	3,917	17,205
Additions	1,764	4,025	5,789
Reassessments	6,283	135	6,418
Disposals	-	(4)	(4)
Depreciation expense	(3,471)	(2,416)	(5,887)
Balance at 30 June 2022	17,864	5,657	23,521

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Balance at 1 July	23,942	17,328
Additions	39,799	5,789
Interest expenses	1,167	378
Payments	(11,576)	(5,966)
Terminations / derecognition	(40)	(4)
Other adjustments	821	6,418
Balance at 30 June	54,113	23,943

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

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Depreciation expense of right-of-use assets	10,522	5,887
Interest expense on lease liabilities	1,167	377
Expenses relating to short-term leases	2,812	5,576
Expenses relating to leases of low-value assets	1,855	2,149
Variable lease payments, not included in the measurement of lease liabilities	-	1
(Gains) / losses on disposal	(2)	-
Total amount recognised in the statement of comprehensive income	16,354	13,990

SLHD had total cash outflows for leases of \$16.24 million for the year ended 30 June 2023 (2022: \$13.69 million).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(a) Entity as a lessee (continued)

Leases at significantly below market terms and conditions principally to enable the entity to further its objectives

SLHD entered into a number of leases, with lease terms ranging from 1 to 5 with various local councils for the use of community health buildings. The contract specifies lease payments of \$Nil (2022: Nil) per annum. The leased premise is be used by SLHD to provide different community health services. The community health buildings account for a small portion of the similar assets SLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on SLHD's operations.

Recognition and Measurement

SLHD 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.

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

SLHD 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	1 to 10 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to SLHD 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. SLHD 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, SLHD 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, SLHD 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 SLHD; and
- payments of penalties for terminating the lease, if the lease term reflects SLHD exercising the option to terminate.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. 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. SLHD 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, SLHD 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.

SLHD's lease liabilities are included in borrowings in Note 33.

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

SLHD 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.

iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable SLHD to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

(b) Entity as a lessor

Reconciliation of net investment in leases

PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	162,456	162,456
Less: unearned finance income	(84,584)	(86,444)
Net investment in finance lease *	77,872	76,012

* The net investment in finance lease is for Chris O'Brien Lifehouse.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and Measurement

Lessor for finance leases

Leases that SLHD transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, SLHD recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease are, as follows:

PARENT AND CONSOLIDATION

	2023 \$'000	2022 \$'000
Within one year	1,943	1,965
One to two years	539	601
Two to three years	536	534
Three to four years	463	475
Four to five years	374	379
Later than five years	3,272	3,657
Total (excluding GST)	7,127	7,611

Recognition and Measurement

Lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	6,588	6,588
Less: accumulated amortisation and impairment	1,233	1,233
Net carrying amount	5,355	5,355

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	5,355	5,355
Additions - acquired separately	107	107
Reclassifications from plant and equipment	384	384
Disposals	(207)	(207)
Amortisation (recognised in depreciation and amortisation)	(662)	(662)
Net carrying amount at end of year	4,977	4,977

	Software \$000	Total \$000
At 1 July 2022		
Cost (gross carrying amount)	6,836	6,836
Less: accumulated amortisation and impairment	1,859	1,859
Net carrying amount	4,977	4,977

	Software \$000	Total \$000
Year ended 30 June 2023		
Net carrying amount at beginning of year	4,977	4,977
Additions - acquired separately	17	17
Reclassifications from plant and equipment	1,661	1,661
Amortisation (recognised in depreciation and amortisation)	(882)	(882)
Net carrying amount at end of year	5,773	5,773

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2023		
Cost (gross carrying amount)	8,514	8,514
Less: accumulated amortisation and impairment	2,741	2,741
Net carrying amount	5,773	5,773

Recognition and Measurement

SLHD recognises intangible assets only if it is probable that future economic benefits will flow to SLHD 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 SLHD'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.

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

Computer software developed or acquired by SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. 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, SLHD 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).

SLHD 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 26)				
- Land and buildings	-	34,228	1,969,243	2,003,471
- Infrastructure systems	-	-	28,516	28,516
	-	34,228	1,997,759	2,031,987

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 26.

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 26)				
- Land and buildings	-	35,620	1,911,177	1,946,797
- Infrastructure systems	-	-	26,845	26,845
	-	35,620	1,938,022	1,973,642

(i) Land and buildings – Level 3 has been restated higher by \$301.17 million as a result of some assets incorrectly excluded in the 2022 financial statements.

(ii) Infrastructure systems – Level 3 has been restated higher by \$17.52 million as a result of some assets incorrectly excluded in the 2022 financial statements.

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 26.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems SLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Limited (CBRE) for the 2021-22 financial year. CBRE Valuations Pty Limited (CBRE) is an independent entity and is not an associated entity of SLHD.

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 26).

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

The majority 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

2023	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2022	1,911,177	26,845	1,938,022
Additions*	15,144	1,025	16,169
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 26)	104,220	1,624	105,844
Transfers from Level 2	-	-	-
Disposals	-	-	-
Depreciation expense	(61,298)	(978)	(62,276)
Fair value as at 30 June 2023	1,969,243	28,516	1,997,759

* 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.

2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2021	1,477,808	9,055	1,486,863
Additions*	328,793	17,698	346,491
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 26)	154,859	861	155,720
Transfers from Level 2	1,734	-	1,734
Disposals	(169)	-	(169)
Depreciation expense	(51,848)	(769)	(52,617)
Fair value as at 30 June 2022	1,911,177	26,845	1,938,022

(i) Prior year land and buildings additions have been restated higher by \$282.37 million, revaluation increments / decrements recognised in other comprehensive income higher by \$24.1 million and depreciation higher by \$5.29 million as a result of an error in the previous year.

(ii) Prior year infrastructure systems have been restated higher by \$16.43 million, revaluation increments / decrements recognised in other comprehensive income higher by \$1.40 million and depreciation higher by \$0.31 million as a result of an error in the previous year.

* 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

30. Restricted assets

PARENT AND CONSOLIDATION

SLHD's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2023.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	1,042	593	456	1,179
Facility improvements	103,769	11,960	31,848	83,881
Holds funds in perpetuity	459	-	2	457
Patient welfare	3,523	681	316	3,888
Private practice disbursements (No.2 Accounts)	48,278	8,028	6,934	49,372
Public contributions	8,795	6,894	1,965	13,724
Research	70,844	25,613	19,715	76,742
Staff welfare	123	25	11	137
Training and education including conferences	12,601	1,777	1,404	12,974
	249,434	55,571	62,651	242,354

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

31. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Accrued salaries, wages and on-costs	26,386	22,323	-	-
Salaries and wages deductions	207	398	-	-
Payroll and fringe benefits tax	(78)	39	-	-
Accrued liability - purchase of personnel services	-	-	26,515	22,759
Creditors ^{1*}	51,723	95,258	51,723	95,192
Other creditors				
- Payables to entities controlled by the immediate parent	23,277	22,300	23,277	22,300
- Other ¹	674	1,085	674	1,085
	102,189	141,403	102,189	141,336

¹ Manual creditors has been reclassified from 'Other creditors - other' to 'Creditors' in the current year. The prior period 'Other creditors - other' has been restated lower by \$50.881 million and 'Creditors' has been restated higher by \$50.881 million to reflect this change.

* Creditors in 2022 included a one-off payment to affiliated health organisations of \$1.20 million for the recognition of service during the COVID-19 pandemic.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 43.

Recognition and Measurement

Payables represent liabilities for goods and services provided to SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Contract liabilities	1,045	643	1,045	555
	1,045	643	1,045	555

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.

The contract liability balance has increased during the year because of the timing of payments received.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	643	1,229	555	680
Transaction price allocated to the remaining performance obligations from contracts with customers	-	167	-	78

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

Specific revenue class	2024 \$'000	2025 \$'000	2026 \$'000	≥ 2027 \$'000
Grants and other contributions	-	-	-	-
	-	-	-	-

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Other loans and deposits	897	919	897	919
Lease liabilities (see Note 27)	10,583	5,715	10,583	5,715
	11,480	6,634	11,480	6,634
Non-current				
Other loans and deposits	2,941	3,838	2,941	3,838
Lease liabilities (see Note 27)	43,530	18,228	43,530	18,228
	46,471	22,066	46,471	22,066

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

Final repayment of the Energy Efficient Government Program (EEGP) loans is scheduled for 31 December 2029.

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.

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 43.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities 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 SLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 43 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss (FVPL)

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading such as derivative financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term or on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are economic hedges classified as at fair value through profit or loss unless they are designated as effective hedging instruments.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the liabilities are part of a group of financial liabilities, that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

SLHD has not designated any financial liability as at fair value through profit or loss.

The changes in fair value of liabilities designated at fair value through profit or loss are recorded in profit or loss with the exception that movements in fair value due to changes in the entity's own credit risk are recorded in other comprehensive income and do not get recycled to net result.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Borrowings (continued)

Recognition and Measurement (continued)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, SLHD's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

SLHD has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2023 and as at 30 June 2022.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2021	5,651	17,328	22,979
Cash flows	(894)	(5,588)	(6,482)
New leases	-	5,789	5,789
Lease terminations	-	(4)	(4)
Lease reassessments	-	6,418	6,418
30 June 2022	4,757	23,943	28,700
1 July 2022	4,757	23,943	28,700
Cash flows	(919)	(10,409)	(11,328)
New leases	-	39,798	39,798
Lease terminations	-	(40)	(40)
Lease reassessments	-	821	821
30 June 2023	3,838	54,113	57,951

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. 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	128,611	113,833	-	-
Annual leave - obligations expected to be settled after 12 months	134,868	142,005	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,849	2,580	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	37,471	37,231	-	-
Provision for other employee benefits*	10,206	43,403	-	-
Provision for personnel services liability	-	-	314,005	339,052
	314,005	339,052	314,005	339,052
Other Provisions				
Restoration costs	680	1,430	680	1,430
Other	-	2,616	-	2,616
	680	4,046	680	4,046
Total current provisions	314,685	343,098	314,685	343,098
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,977	3,927	-	-
Provision for personnel services liability	-	-	3,977	3,927
Total non-current provisions	3,977	3,927	3,977	3,927
Aggregate employee benefits and related on-costs				
Provisions - current	314,005	339,052	-	-
Provisions - non-current	3,977	3,927	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 31)	26,593	22,721	-	-
Liability - purchase of personnel services	-	-	344,575	365,700
	344,575	365,700	344,575	365,700

¹ Long service leave consequential on-costs has been restated to be higher by \$1.28 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$1.28 million in the prior year for the parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

* Provision for other employee benefits in 2022 included a one-off payment to employees of \$33.52 million for the recognition of service during the COVID-19 pandemic.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. 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
Restoration costs				
Carrying amount at beginning of period	1,430	1,890	1,430	1,890
- Amounts used	(750)	(460)	(750)	(460)
Carrying amount at end of period	680	1,430	680	1,430

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across SLHD's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other				
Carrying amount at beginning of period	2,616	-	2,616	-
- Additional provisions recognised*	-	2,616	-	2,616
- Amounts used	(2,616)	-	(2,616)	-
Carrying amount at end of period	-	2,616	-	2,616

* Additional provisions recognised in 2022 included a one-off payment of \$1.90 million to visiting medical officers and \$0.72 million to affiliated health organisations for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. SLHD has recognised the provision amount by taking into consideration all available information at the reporting date and making best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. Provisions (continued)

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 20.88% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 20.28%). SLHD has assessed the actuarial advice based on the SLHD'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 SLHD does not expect to settle the liability within 12 months as SLHD does not have an unconditional right to defer settlement.

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

SLHD'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. SLHD 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 SLHD.

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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

34. Provisions (continued)

Recognition and Measurement (continued)

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: SLHD 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 SLHD 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 SLHD has a detailed formal plan, and SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

35. Other liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Unearned revenue	13	-	13	-
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	133	233	133	233
	146	233	146	233

PARENT AND CONSOLIDATION

Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by SLHD.

	2023 \$'000	2022 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	233	218
<i>Add:</i> receipt of cash during the financial year	(100)	15
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	133	233

Refer to Note 15 for a description of SLHD's obligations under transfers received to acquire or construct non-financial assets to be controlled by SLHD.

SLHD expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

36. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with SLHD's policy on the revaluation of property, plant and equipment as discussed in Note 26.

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).

Increase / (decrease) in net assets from equity transfers

Equity transfers effected in the 2022/23 year were:

(a) Nil

Equity transfers effected in the 2021/22 year were:

(b) Nil

Equity transfers

Recognition and Measurement

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

37. 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	57,283	58,688	57,283	58,688
Later than one year and not later than five years	14,921	12,411	14,921	12,411
Later than five years	420	-	420	-
Total (including GST)	72,624	71,099	72,624	71,099

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$72.624 million as at 30 June 2023 includes input tax credits of \$6.602 million that are expected to be recoverable from the Australian Taxation Office (2022: \$6.464 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$7.840 million as at 30 June 2023 includes taxable sales of \$0.713 million that are expected to be payable to the Australian Taxation Office (2022: \$0.761 million).

38. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

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

(a) Contingent liabilities

SLHD does not have any known contingent liabilities in FY2023 (2022: Nil).

(b) Contingent assets

Except as detailed in Note 37(b), SLHD does not have any known contingent assets in FY2023 (2022: Nil).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

39. 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). SLHD'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, SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD 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

The actual Net Result was higher than the adjusted budget by \$53M, primarily due to unfavourable variances in Total Expenses excluding losses (\$19.052M), Doubtful Debts (\$12.938M), and Losses on Disposal of Asset (\$0.286M), offset by favourable variances in Total Revenue (\$85.757M).

There were increases in major expense lines, including Employee Related Expenses, Visiting Medical Officer Payments, Depreciation (Right of Use of Assets) and related Financing Costs amounting to \$21.535M. However, this was offset by decreases in Grants and Subsidies, other expenses and Third Party Schedule payments amounting to \$2.483M. This overall increase in expense was primarily due to the management of the July to December COVID-19 response and transition to post COVID-19 business as usual activities (including the continuation of Collaborative Care agreements to meet reduction of surgical waitlists).

The favourability of \$85.757M in Total Revenue was primarily due to recurrent and capital allocations amounting to \$91.854M and \$2.947M respectively. This was offset predominantly by unfavourabilities in Patient fees, Facility fees and other revenue streams impacted by COVID-19 (\$9.044M).

Assets and liabilities

Total Assets were higher by \$114.446M compared to Budget. This comprised increases in current assets and non current assets amounting to \$17.227M and \$97.219M respectively. The increase in current assets related to cash and cash equivalents (\$26.247M) and inventories (\$0.511M) offset by a decrease in receivables (\$9.531M). The major reason for the decrease in receivables was due to collection of Quarantine Passengers Hotel fees. The increase of \$97.219M in non current assets was mainly due to increase in Property, Plant and Equipment of \$100.176M as a result of the adoption of current revaluation for land and buildings.

Total Liabilities were lower by \$43.569M compared to Budget. This was due to decreases in current payables amounting to \$42.952M, offset by increases in provisions amounting to \$2.971M. The increase in provisions was due to the impact of actuarial valuations of annual leave and long service leave.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

39. Adjusted budget review (continued)

Cash flows

The net increase in cash and cash equivalents was \$26.247M compared to Budget. This was due to net cash flow increases in cash operating (\$27.781M) and investing (\$2.330M) offset by decreases in financing activities (\$3.864M). Total payments in cash operating activities increased by \$58.805M primarily in Goods and Services was due to the District winding down the COVID-19 response and the transition to post COVID-19 business as usual. This includes increase in elective surgery and the continuation of Collaborative Care agreements to meet reduction of surgical waitlists. Total receipts in cash operating activities net of MoH allocations decreased by \$8.215M. This was primarily due to lower patient fees, facility fees, prosthesis income, rent income and conference receipts due to the impact of COVID-19. There was a net cash flow increase from investing activities due to increased expenditure in capital programs (purchases of plant, property, and equipment). There was a net cash flow decrease from financing activities due to increases in payments of principal portions of lease liabilities (\$3.864M).

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	1,610,876
Award increases	35,497
Budget Relief - COVID-19 Response	56,027
Budget Relief - Post COVID-19 Response	12,282
Deferred Care Elective Surgery - Post COVID-19	21,709
Highly Specialised Services	3,236
Highly Specialised Services - one off	20,246
COVID-19 Workforce Bonus	37,326
Own Source Revenue Budget reduction	13,154
Recovery and Resilience	12,929
New Build & New Capacity	18,409
RPA Virtual Hospital budget	11,400
Cell and Gene Therapies	13,661
Medihotel Model of Care	5,200
New Gas Contract	3,852
Infrastructure as a Service - ICT costs	2,799
Service Demand and Volume Growth	2,716
TMF adjustment	2,448
High Cost Patient Pool	2,092
Concord Hospital - Superannuation	2,010
Sydney Olympic Park rent extension	1,734
Statewide Eating Disorders Service Coordination	1,666
Intra Health Technology Expense: Microsoft Licence Uplift	1,482
Queen's Memorial Public Holiday	1,377
Enhancing End of Life Care	1,210
Translational Research Grants	1,143
Towards Zero Suicides	1,107
Full Stop Australia	1,103
Year 4 Nursing Hours Election Commitment	1,097
Drug and Alcohol Services Ice Inquiry implementation support	1,000
Monkey Pox clinic operating costs	863
Other	14,281
Balance as per Statement of Comprehensive Income	1,915,932

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

40. 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	117,372	93,430	140,542	94,478
Depreciation and amortisation expense	(91,683)	(77,244)	(91,683)	(76,359)
Allowance for impairment	(13,670)	(27,026)	(13,670)	(27,026)
(Increase) / decrease in other liabilities	88	34	88	(199)
Decrease / (increase) in provisions	28,364	(60,081)	28,363	(60,759)
Increase / (decrease) in inventory	(196)	12,546	(196)	12,546
Increase / (decrease) in prepayments and other assets	7,116	(71,894)	7,455	(71,594)
Decrease / (increase) in payables	38,631	(9,908)	38,489	(10,121)
Decrease / (increase) in contract liabilities	(402)	585	(490)	125
Net gain / (loss) on sale of property, plant and equipment	(280)	(898)	(280)	(898)
Net gain / (loss) on disposal of right-of-use assets	1	-	1	-
Assets donated or brought to account (Note 41)	474	1,825	18,355	1,825
Net result	85,815	(138,631)	126,974	(137,982)

¹ 'Decrease / (increase) in provisions' has been restated to be lower by \$0.16 million in the prior year for the consolidated and parent entity. Refer to Note 21 for further details regarding restatement as a result of an error.

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.

41. Non-cash financing and investing activities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Assets donated or brought to account	474	1,825	18,355	1,825
Property, plant and equipment acquired by a lease	39,799	5,789	39,799	5,789
	40,273	7,614	58,154	7,614

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

42. Trust funds

PARENT AND CONSOLIDATION

SLHD holds trust funds of \$12.4 million (2022: \$10.2 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Patient Trusts.

These funds are excluded from the financial statements as SLHD 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	Revenue	Expense	30 June 2023
	Opening balance			Closing balance
	\$'000	\$000	\$000	\$'000
Patient Trust	149	7	(7)	149
Refundable Deposits	215	26	(8)	233
Private Patient Trust Funds	-	35,868	(35,868)	-
Third Party Funds	9,787	8,670	(6,471)	11,986
Total trust funds	10,151	44,571	(42,354)	12,368

Category	1 July 2021	Revenue	Expense	30 June 2022
	Opening balance			Closing balance
	\$'000	\$000	\$000	\$'000
Patient Trust	148	3	(2)	149
Refundable Deposits	208	12	(5)	215
Private Patient Trust Funds	5,622	31,271	(36,893)	-
Third Party Funds	4,147	5,972	(332)	9,787
Total trust funds	10,125	37,258	(37,232)	10,151

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.
Private Patient Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 44.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments

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

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

(a) Financial instrument categories

CONSOLIDATION

Class	Category	Carrying	Carrying
		Amount	Amount
		2023	2022
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 22)	Amortised cost	243,115	227,141
Receivables (Note 23) ¹	Amortised cost	65,562	77,032
Other financial assets (Note 25)	Amortised cost	77,872	76,012
Total financial assets		386,549	380,185
Financial liabilities			
Borrowings (Note 33)	Financial liabilities measured at amortised cost	57,951	28,700
Payables (Note 31) ²	Financial liabilities measured at amortised cost	102,267	141,364
Total financial liabilities		160,218	170,064

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).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(a) Financial instrument categories

PARENT

Class	Category	Carrying Amount	Carrying Amount
		2023	2022
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 22)	Amortised cost	243,115	203,971
Receivables (Note 23) ¹	Amortised cost	65,562	76,878
Other financial assets (Note 25)	Amortised cost	77,872	76,012
Total financial assets		386,549	356,861
Financial liabilities			
Borrowings (Note 33)	Financial liabilities measured at amortised cost	57,951	28,700
Payables (Note 31) ²	Financial liabilities measured at amortised cost	102,189	141,336
Total financial liabilities		160,140	170,036

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).

SLHD 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:

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

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

When SLHD 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 SLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of SLHD's continuing involvement in the asset. In that case, SLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that SLHD has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that SLHD could be required to repay.

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

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

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

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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 lease receivables

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

SLHD 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 lease receivables.

To measure the expected credit losses, trade receivables, other receivables and lease receivables 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. SLHD has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and lease receivables 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 lease receivables as at 30 June 2023 and 30 June 2022 was determined as follows:

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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	0.93%	6.47%	15.55%	31.97%	72.10%	27.21%
Estimated total gross carrying amount ¹	110,973	7,034	2,804	1,717	68,765	191,293
Expected credit loss	1,028	455	436	549	49,579	52,047
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	1.28%	12.33%	18.10%	22.93%	57.87%	24.05%
Estimated total gross carrying amount ¹	105,482	3,178	1,680	1,714	72,471	184,525
Expected credit loss	1,355	392	304	393	41,939	44,383

PARENT

	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	0.93%	6.47%	15.55%	31.97%	72.10%	27.21%
Estimated total gross carrying amount ¹	110,973	7,034	2,804	1,717	68,765	191,293
Expected credit loss	1,028	455	436	549	49,579	52,047
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	1.28%	12.98%	18.48%	22.93%	57.87%	24.07%
Estimated total gross carrying amount ¹	105,521	3,020	1,645	1,714	72,471	184,371
Expected credit loss	1,355	392	304	393	41,939	44,383

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 23 and the contract assets total in Note n/a.

SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that SLHD will be unable to meet its payment obligations when they fall due. SLHD 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.

SLHD 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. SLHD's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

SLHD 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 SLHD 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.

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

The table below summarises the maturity profile of SLHD'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		102,267	-	-	102,267	102,267	-	-
Borrowings:								
- Other loans and deposits	2.77%	4,086	4,086	-	-	994	2,928	164
- Lease liabilities	3.28%	61,469	61,469	-	-	13,191	34,965	13,313
		167,822	65,555	-	102,267	116,452	37,893	13,477
2022								
Payables:								
- Creditors ²		141,364	-	-	141,364	141,364	-	-
Borrowings:								
- Other loans and deposits	2.77%	5,127	5,127	-	-	1,041	3,779	307
- Lease liabilities	1.97%	25,076	25,076	-	-	6,157	17,179	1,740
		171,567	30,203	-	141,364	148,562	20,958	2,047

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which SLHD 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).

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

43. 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. SLHD's exposures to market risk are primarily through interest rate risk on SLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. SLHD 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 SLHD 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 SLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SLHD 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, SLHD 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	(2,630)	2,630	(2,745)	2,745
Equity	(2,630)	2,630	(2,745)	2,745

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. 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	772	626
Post-employment benefits	114	110
	886	736

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.510 million (2022: \$0.497 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

SLHD'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 SLHD had with government related entities during the financial year

During the financial year and comparative year, SLHD entered into the various transactions with other entities consolidated as part of the Ministry of Health (the [immediate/senior] 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/senior] 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.
- Various grants and subsidies towards research and other projects

Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

44. Related party disclosures (continued)

(d) Transactions SLHD 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
- Various grants and subsidies towards research and other projects

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
- Rental income from NSW Health Pathology

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force and Transport for NSW
- 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
- Energy Efficient Government Program loans are held with the Crown
- Intra-health loans and advances
- 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.

45. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS