



**Wairarapa District
Health Board**

**Annual Report
January - June 2001**

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Board Profile

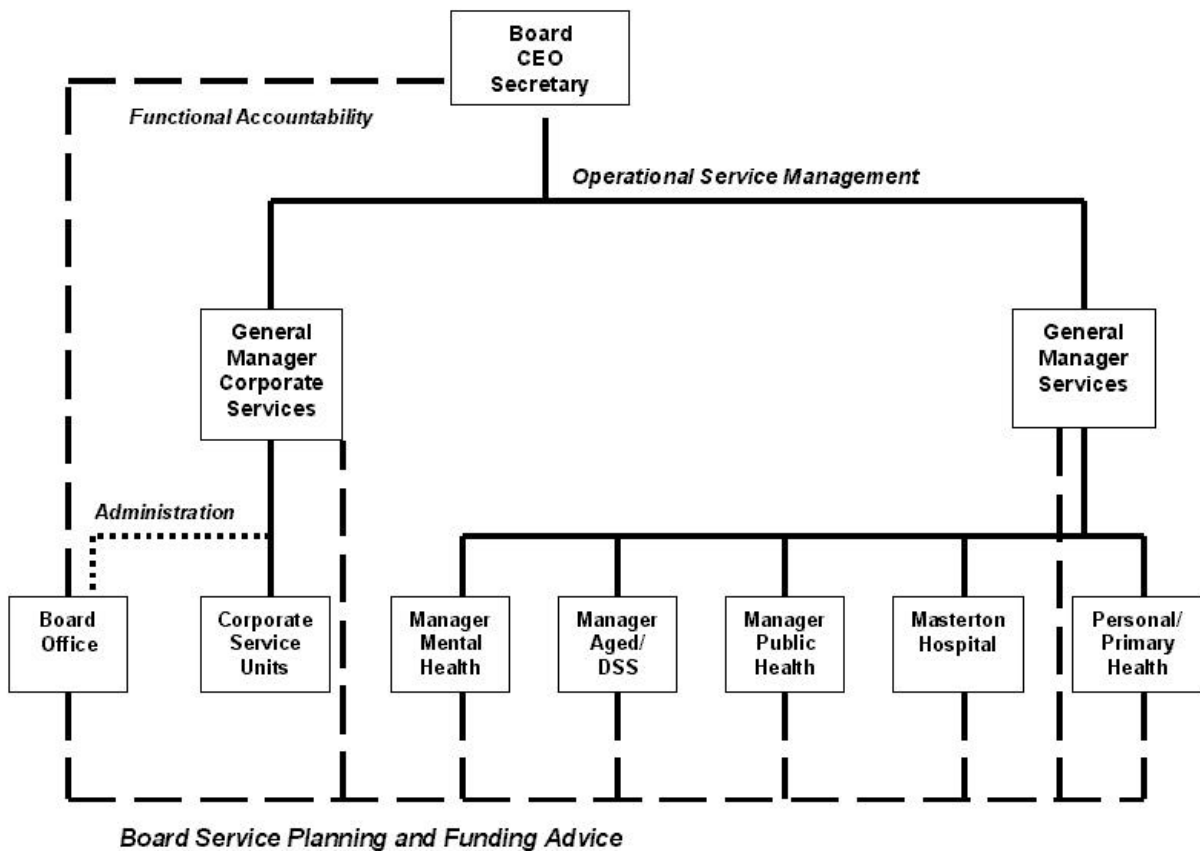
The Wairarapa District Health Board was established under the New Zealand Public Health and Disability Act 2000. The Wairarapa District Health Board has the role of planning and funding or providing all health services, primary, secondary and tertiary, from both government and non-government sectors.

The Wairarapa district encompasses a large geographic area characterised by relative isolation and a mainly low-density population of around 38,000. The Wairarapa District Health Board provider arm provides services at and from Masterton Hospital, and from Choice Health in downtown Masterton. Services provided include medical, surgical, women’s health, child health, elderly, disability support, mental health, intellectual disability, public health and related support services. The Wairarapa District Health Board also provides biomedical equipment servicing through its wholly owned subsidiary Biomedical Services NZ Ltd, and has a one-sixth ownership of an associated entity called the Central Region Technical Advisory Service.

Mission Statement

Our mission is to improve, promote and protect the health status of the people of the Wairarapa district, and the independent living of those with disabilities, by supporting and encouraging healthy choices.

Group Organisational Structure





Chairman's Message

It is my pleasure to present the first report of the Wairarapa District Health Board. I am particularly pleased to report that we have made significant progress in establishing and building the capacity of the District Health Board, while continuing to provide the same range and volume of services as in previous years. This report outlines the Board's performance in meeting its objectives under the New Zealand Public Health and Disability Act 2000.

In the past six months the Board has continued to provide the required range of hospital and associated health and disability services and made substantial progress in establishing the governance and administrative structures for the Wairarapa District Health Board, preparing to gradually assume its role as the funder of all health and disability services for the population of the Wairarapa district.

During the reporting period, demands for our hospital and associated health and disability services were close to our contract commitments with the Ministry of Health and we managed these demands effectively within our resources. In the first six months of 2001, the Board has been able to match costs to funding. To achieve this management has continued to refine staffing, structure and service configuration, as well as continually improving processes.

While the Ministry of Health is contracting a sufficient range and volume of services to support clinical viability, the overall funding for those resources is less than the real costs of providing the services from a small hospital in a rural environment. In particular, the current funding mechanism does not cover fully the costs of providing emergency and surgical services. A major part of our challenge will continue to be that because of our small size, the essential hospital overhead costs are relatively high and we are unable to generate the scale economies available to larger hospitals.

The first six months of 2001 have seen the development of the Board's systems for managing the funding of all health and disability services. This and the continued provision of hospital and health services are a result of the commitment and dedication of our management and staff. It is a credit to management and staff that they have been able to maintain standards and levels of care while coping with these ongoing changes, new roles and associated pressures. All staff can be justifiably proud of this achievement. I should like to thank them and my fellow Board Members for their support during what was a challenging but successful establishment period for the Wairarapa District Health Board.

Doug Matheson
Chairman



CEO'S Message

The Wairarapa District Health Board's first six months has been characterised by a large amount of work to establish the governance and administration systems for the Board's new funding function, while continuing to provide all existing services, and pursuing improvement in service delivery. All service areas made notable developments, reported in the service areas of this report.

In the past six months, much effort has gone into establishing the Board's governance and administrative arrangements for the future funding of health and disability services for the Wairarapa district. The Ministry of Health will commence the phased devolution of non-Crown provider contracts and agreements to the Wairarapa District Health Board from July 2001.

The Board's agreement with the Ministry of Health required the provision of a specified range and volume of services. We provided these services at close to the planned levels, although the January to July period usually has the lowest demand for acute services. The Ministry of Health funded a sufficient range and volume of services to support clinical viability, however the price does not cover the costs of providing these services. This, together with substantial cost efficiencies, has placed the Wairarapa District Health Board in a financially balanced position for the reporting period, however there are huge challenges in maintaining this position in light of the tight future funding.

The reporting period saw further changes to ensure that the Wairarapa District Health Board's provider arm is clinically and financially viable, while ensuring the quality and standards of service. Capital expenditure during the year was slightly lower than previous years, however this will rise in future years with further rebuilding of the hospital planned. This is expected to include the emergency department, the outpatient area, the day surgery area, the pharmacy, the radiology department, the ambulance service area, and the patient information and reception area.

Support from the community has again been valuable. We have received, and gratefully acknowledge, the contributions and donations made this year. In particular, I must mention the Wairarapa Community Health Trust, which has continued to purchase and lease ambulances to the Board, and helped obtain the bequest from the estate of the late Zona Ryan that helped to establish the CT service at Masterton Hospital.

In closing, I would like to commend and thank staff for their commitment to the delivery of hospital, health and disability services. The future offers both challenges and opportunities. I am certain that with the continued commitment and dedication of staff we will be able to meet those challenges while continuing to improve health and disability services in the Wairarapa

Joel M George
Chief Executive



Board Members

Doug Matheson (Chair)

Doug Matheson is currently National Chairman (and Life Member) of the New Zealand Institute of Management Inc. National Board, and Foundation; NZ Business Excellence Foundation; Biomedical Services New Zealand Limited; Wairarapa Tertiary Education Trust; and President of the Asian Association of Management Organisations. Doug is also a Fellow of the Institute of Directors, and of the World Academy of Productivity Science.

Doug is chair of the Wairarapa District Health Board, Chair of the Community and Public Health Advisory Committee and a member of the Hospital Advisory Committee.

Dave Morgan

Dave Morgan has been National President of the New Zealand Seafarers Union for 27 years. Within the international sphere, Dave is presently the Deputy Chairperson of the Asia-Pacific Seafarers Regional Committee of the International Transport Workers Federation (ITF), and a member of the ITF Fair Practices Committee, which meets annually and which governs the ITF international campaign against flag of convenience shipping. More locally, Dave is currently on the Advisory Committee for the Arts and Crafts Section of the Whitireia Polytechnic.

Dave is a member of the Community and Public Health Advisory Committee.

Robyn O'Carroll

Robyn O'Carroll is an associate solicitor with Gawith Burrige, a local law firm, and was appointed to the Board in November 1999. Robyn's involvement with the Health sector has included being a member of the Wairarapa Community Health Council prior to her appointment to the Board.

Robyn is a member of the Disability Support Advisory Committee and the Community and Public Health Advisory Committee.

Colleen Pringle

Colleen Pringle's whanau is Te Tau / Jury, her hapu is Tumapuhia / Ngati Hamua and her iwi is Ngati Kahungunu / Rangitane.

During her 38 years of community involvement, Colleen has held positions on many local committees, including the Wairarapa Community Law Centre (current), Chairperson of Whaiora Whanui (Māori Health Committee), Ngati Kahungunu Ki Wairarapa Māori Executive Taiwhenua, Co-ordinator of the Womens Resource Centre, Member of the Māori Women's Welfare League, Member of the Kaumatua Council and a Tutor for the DARE programme. Colleen is a Justice of the Peace and a Community Law Representative, and has served on the Wairarapa District Legal Services Committee, the Dental Council of New Zealand, and as a Consumer Advocate for the Ministry of Consumer Affairs.

Colleen is a member of the Community and Public Health Advisory Committee.



Des Ratima

Des Ratima is an ex-serviceman. He is a proud descendant of Kahungunu, Rongowhakaata and Porourangi. He qualified as an electrician before joining military service.

Des is currently employed as the Team Leader of Alcohol and Drugs - Community Development, at Te Runanganui o Taranaki Whanui ki to Upoko o Te Ika a Maui, located in the Hutt Valley.

Des is a member of the Hospital Advisory Committee and Disability Support Advisory Committee.

Alan Stewart (Deputy Chair)

Alan Stewart began his career in a local accounting practice, and commenced his own accounting practice in 1966. That practice still operates in Masterton. Alan was Managing Director of Hansells in Masterton from 1987 – 1998, when he sold his interest in Hansells. Since then, Alan has pursued his business interests in the manufacture of confectionary and other foodstuffs, and in publishing, in Auckland, dividing his time between Masterton and Auckland on a weekly basis.

Alan is Deputy Chair of the Board and Chair of the Hospital Advisory Committee and Chair of the Audit Committee.

Dr Rob Tuckett

Rob Tuckett came to New Zealand in 1974, as a general practitioner in Greytown. In the last 25 years he has been closely involved with Greytown Hospital, until its closure two years ago. He has been a strong advocate of general practitioner involvement in hospital practice, and in particular, general practitioner obstetrics.

Rob is Chair of the Disability Support Advisory Committee and a member of the Community and Public Health Advisory Committee.

Janice Wenn

Janice Wenn is of Ngati Kahungunu ki Wairarapa descent, her whakapapa is to Ngati Hinewaka and she has close ties to Ngati Moe.

Janice has worked in a variety of clinical and management positions in Taranaki, the Wairarapa, in Northland and in Auckland. In her view the most rewarding work has been in developing initiatives for Māori health, in particular the establishment of Māori health providers in Taranaki and in other parts of Aotearoa.

Janice is a member of the Hospital Advisory Committee and the Disability Support Advisory Committee



Financial Review

The financial result for the first six months of the Wairarapa District Health Board Group's operations was a small surplus of \$159,000. This was a pleasing result that met the group budgeted target.

During the reporting period, total revenue exceeded budget by one percent. A significant donation from the Wairarapa Community Health Trust toward the provision of CT scanning services was recognised as revenue in this period. Operating expenditure was held to within one percent of budget, which was a major achievement given an environment of rising costs and other financial pressures. Short-term cost containment measures such as restrictions on capital and lease expenditure eased the cashflow situation.

Pursuant to the New Zealand Public Health and Disability Act 2000, Wairarapa Health limited was dissolved as at 31 December 2000, and the equity was vested in the Wairarapa District Health Board. Retained deficits were offset against the share capital to become the opening general funds. A further change this period was the capital charge became an operating expense rather than a distribution to owners. Also, as the Wairarapa District Health Board is now a public authority, it is exempt from income tax. This does not apply to the wholly owned subsidiary Biomedical Services New Zealand Limited, which still retains company status.

As at 30 June 2001, the loan of \$5.9 million with the ANZ Banking Group was classified as current. The loan is due for repayment as at 31 December 2001 and we expect that it will be refinanced with the Crown Funding Agency (Residual Health Management Unit) in accordance with government policies. During the reporting period, loan repayments of \$350,000 were made, reducing ongoing interest costs.

Payables and accruals remained \$2.1 million higher than budget. This was due to a provision of \$750,000 for contract revenue refunds, \$212,000 capital charge owing for the period ended 31 December 2000, \$350,000 owing to other District Health Boards and \$560,000 of capital accruals.

Capital expenditure for the six-month period was \$800,000. This included expenditure of \$200,000 on the fire project, instrument decontaminator \$67,000, operating theatre camera system \$64,000, equipment for cataract operations \$74,000, defibrillators \$80,000, first stage of the DHB accommodation project \$115,000, syringe pumps \$18,000, generator project \$117,000, medical beds \$15,000, building fitout work \$15,000, replacement furniture and fittings \$25,000 and wheelchair replacements \$10,000.



Service Review

January to June 2001

Medical and Elderly Services

The Wairarapa District Health Board provides secondary services on an inpatient, daycase and outpatient basis. Visiting specialists also provide regionally contracted services for endocrinology/diabetes, neurology, oncology/radiotherapy, rheumatology and clinical haematology.

Key achievements during the period included:

- Planning and advertising for the recruitment of another physician, which will have a positive effect on service delivery.
- The cardiac outreach programme continued to expand during the past six months and now includes regular visits to Papawai Marae with the asthma educator and dietician. The cardiac rehabilitation nurse presented two papers at the Australasian Cardiac Rehabilitation Conference.
- The Assessment, Treatment and Rehabilitation Service continues to evolve to a community-oriented continuum of care. Closer ties have been developing with Hutt Hospital's service to provide clinical alignment.
- Development of processes to comply with regulations for Accident Compensation Corporation has been a focus of attention during this period.
- The average length of stay in the medical ward is 4.4 days and in the Assessment, Treatment and Rehabilitation Service is 19.6 days.

Surgical Services

The surgical services consist of:

- Emergency.
- Outpatients, including medical, surgical and regional clinics.
- Surgical inpatients and daypatients.
- Theatre services.
- Central sterilising services.

The surgical service is managed as a team with the clinical nurse leaders and senior medical staff undertaking roles in the operation of the service.

Key achievements during the period included:

- Inpatient booking systems are compliant with waiting times project guidelines. The service works continually to maintain control of booking lists to ensure equity and transparency of access to elective surgery. Long waits for any surgery are usually due to recruitment issues with specialists.
- During this period, access criteria have been developed and trialled for general surgery. Staff regularly check and cull waiting lists for first specialist assessments for all surgery.
- The Accident Compensation Corporation elective contract is fully utilised. Patients accessing this service are treated within set timeframes.
- Ninety percent of the surgical contract was completed, despite staff sickness and recruitment issues.



- Average length of stay targets were achieved.
- Average occupancy targets were achieved.
- Theatre key performance indicators for start times, finish times and the provision of booked surgery was achieved.

Women's and Child Health Services

The Women's Health Service provides a service that offers choice for women. The services include:

- antenatal care and education.
- care during labour and birth.
- postnatal care and education.

Clinics and inpatient care give emphasis to assisting and promoting independent maternal health and safe family based infant care. Midwifery home visits support early discharge to a safe family home environment. Safe birthing options were provided, with specialist 24-hour cover for recommendations, assessment, and intervention as necessary.

The Child Health Service promotes health, treats and rehabilitates children who are sick. Education and support for parents and caregivers are a significant part of this care, as well as networking with community child health promoters and services. The service includes:

- specialist outpatient paediatric clinics.
- inpatient sick child services.
- inpatient neonatal special care.

Key achievements during the period included:

- Further enhancement of the continuity midwife team, general practitioner obstetricians and allow patient choice for midwife only care.
- Ongoing education and training for staff including a special care neonate course to improve neonatal skills, a paediatric course, a student completing a Midwifery course plus regular induction and organisational training days.
- Stabilisation of staffing between the Women's and the Child Health Services.
- Establishment of Te Roopu Tautako Māori Advisory Group for the Service.
- Audited against:
 - the Baby Friendly Hospital Initiative, and
 - compliance with Section 88 for primary maternity service.

Public Health Services

The Wairarapa District Health Board provides health protection, health promotion, disease prevention and well child services from 'shop front' premises in Masterton. The school dental and sexual health services are also managed from this Public Health Unit, named "Choice Health".

Key achievements during the period included:

- The School Dental Service achieved 96 percent of client group accessing dental examination within the Ministry of Health waiting time criteria.



- The School Dental Service achieved full staffing levels for this period after several years of staff shortages.
- The Public Health Service began a new Immunisation Co-ordination Service aimed at working with general practitioners to improve immunisation coverage rates, reduce vaccine wastage and improve access for 'hard to reach' groups.
- The health protection team has made an increased number of submissions on land use consents focusing on the public health risks on land development.
- A key report on Food Security Issues in the Wairarapa was presented at the Public Health Association Conference, which this year focused on the socio-economic differences in health.
- The health promotion staff achieved a number of successful programmes this period. Many were intersectorial with shared operational and human resource costs among the agencies involved. Health promotion activities included:
 - A continued and growing interest in adolescent health fairs. The fairs encourage student participation in health promotion activities in a fun way. The aim was to increase understanding of health issues. A range of providers participated with promotions around nutrition, physical exercise, sexual health, mental health, alcohol and tobacco. Sponsors provided goods for spot prizes and competitions.
 - A Mental Health promotion on World Health Day in April focusing on anti-discrimination issues.
 - A Hearing Voices Workshop for Māori providers.

Māori Health

The framework developed for the Wairarapa District Health Board clearly aims to meet the commitment to ensuring the health and cultural needs of Wairarapa Māori.

Key achievements during the period included:

- Developing a Memorandum of Partnership between Ngati Kahungunu ki Wairarapa and Rangitane o Wairarapa, and the Wairarapa District Health Board.
- Treaty of Waitangi training for staff at both beginner and advanced levels.
- Translating service pamphlets into the Māori language.
- Māori Health Co-ordinator has worked to reduce barriers of access. This has been achieved by accompanying health professionals to outreach programmes on local marae. Also involvement with school dental clinics and immunisation programmes.
- Ensuring that Māori patients at Masterton Hospital are culturally comfortable and safe through regular ward visits by the Māori Health Co-ordinator.
- Strengthening linkages and networks between community based Māori health providers, Māori community and Masterton Hospital Services. This includes sending out a monthly newsletter, visiting and consulting with local kaumatua councils.

Establishment of advisory groups for services. For example, Te Roopu Tautoko Whanau has been set up to assist management and staff in the Women's and Child Service with cultural issues.



Community Health Services

Community Health Services include:

- Assessment, treatment and rehabilitation.
- Audiology.
- Podiatry.
- Meals on wheels.
- Home help.
- Needs assessment and service coordination.
- Speech language therapy.
- Social work.
- Occupational therapy.
- District nursing.
- Oncology nursing.
- Stomal, continence and specialist nursing.
- Wound management.
- Ambulance.
- Asthma/diabetes education and management.
- Neurodevelopmental therapy.

Key achievements during the period included:

- Social Work is now actively participating in the cardiac rehabilitation group programme, presenting the final session around adjustment, coping, support, and grief and loss issues.
- Staffing levels in the Asthma/Diabetes Service were increased to cope with the rise in diabetes referrals to the service.
- Community Health Services completed self-assessment for accreditation to the Quality Health New Zealand standards and commenced the action plan.
- District Nursing completed a patient satisfaction survey with 93 percent responses rating the service in the 'very good' category.
- Marae-based clinics for diabetes sufferers were extended to include a multidisciplinary team of diabetes nurse educators, dietician, cardiac outreach nurse and physician.
- Ten new recruits to supplement volunteer crews were trained to resuscitation and assessment qualification and four new permanent officers have successfully integrated into the Wairarapa Ambulance Service.
- The Wairarapa Ambulance Service was one of the first services to set up a local 111 Audit Review Committee as required by the Accident Compensation Corporation contract, which has been suggested as a model for other services.
- The Wairarapa Ambulance Service's on-going commitment to training was recognised when key staff were co-opted to the New Zealand Education Council Focus Group to establish National Training Strategies, and when the Service was re-confirmed as an Associate of the Victoria University, Melbourne as a Paramedical Clinical School for ambulance personnel.



Human Resource Development

The Wairarapa District Health Board has human resource policies and practices that enable the Board to operate as a good employer. Policies and procedures cover recruitment, selection and placement, employee relations, performance management, training and development, compensation and benefits, health safety and welfare and leave. Practice during the period under review has followed the policy guidelines.

As a good employer our key achievements during the period under review were:

- Various training programs to assist the devolvement of human resource knowledge and skills to first line managers.
- Further development of our Equal Employment Opportunity programme working with our Māori Health Co-ordinator to encourage more Māori and Pacific Island people to our workforce.
- Ongoing review of our employment agreements to ensure they meet the requirements of both our changing circumstances and the changing legislation.
- Continuing commitment to good and safe working conditions by the achievement of tertiary level in the Accident Compensation Corporation Safety Management Practices Audit.

Capability Building

During the period under review, the Wairarapa District Health Board has been building its capacity to take on the full role of a District Health Board. This has included establishing processes for communication with the relevant sectors of the community including local health providers and interest groups, staff, public and agencies.

The Board will actively investigate, facilitate, sponsor and develop co-operative and collaborative arrangements with individuals and agencies in all sectors to improve, promote and protect health. This includes promoting the social inclusion and independence of people with disabilities by the following:

- Completing a health needs assessment report for the Wairarapa that describes the health and disability status, needs and concerns of Wairarapa residents.
- Ensuring that a wide range of individuals and agencies have input to the report.
- Consulting widely to identify the Wairarapa's strategic priorities for progressing implementation of the New Zealand Health Strategy and the New Zealand Disability Strategy.
- Promoting intersectoral population-based public health approaches to health and disability issues, and the development of a shared vision.
- Ensuring planning and funding activities facilitates increasing co-operation and collaboration between agencies.

Relevant information will be available to the resident population, persons in the health and disability sector, and persons in any other sector working to improve, promote and protect the health of people. This will be done by making the Health Needs Assessment Report and other material including our Annual Plan, available widely, and by meeting with community groups to discuss these documents.



The Wairarapa Māori Health Committee is able to contribute directly to strategies for Māori health improvement and advises on consultation with Māori, to ensure full Māori participation.

A prioritisation policy has been developed that requires that we give priority to improving the health status of Māori and to the development of Māori providers.

Governance and Accountability Statement

Role of the Board

The Minister has appointed a governing Board for the Wairarapa District Health Board. The Board concentrates on setting policy, approving strategy, and monitoring progress toward meeting objectives.

The Board's governance responsibilities include:

- Setting policy.
- Approving strategy.
- Planning.
- Communicating with the Minister and other stakeholders to ensure their views are reflected in the Board's planning.
- Delegating responsibility for achievement of specific objectives to the Chief Executive.
- Reporting to stakeholders on plans and progress against them.
- Maintaining effective systems of internal control.
- Monitoring organisational performance towards achieving objectives.



Structure of the Wairarapa District Health Board

District Health Board Operations

The Board has appointed a Chief Executive to manage all its operations. All other employees of the Wairarapa District Health Board have been appointed by the Chief Executive. The Board directs the Chief Executive by delegating responsibility and authority for the achievement of objectives through setting policy, strategic goals, performance objectives and plans.

Board Committees

The Board has set up four standing committees to provide a more detailed level of focus on particular issues. Each committee has been delegated responsibility for governance; that is advising the Board on policies and monitoring the organisation's progress towards meeting the District Health Board's objectives. Committees do not involve themselves in operational matters. The Board's standing committees (including the statutory advisory committees) are:

Committee	Meets
Community and Public Health Advisory Committee	Monthly
Disability Support Advisory Committee	Monthly
Hospital Advisory Committee	Monthly
Audit Committee	Quarterly

Quality Assurance

The Wairarapa District Health Board has quality, audit and risk management systems to ensure that the people of the Wairarapa can access services of a high quality.

All aspects of our quality, health and safety programmes are directed to the improvement of patient outcomes. Ensuring that we have internal and external quality systems and processes in place that encourage continuous quality improvement and allows external and public scrutiny of quality and safety standards has been and will continue to be a focus. The identification, analysis, assessment and treatment of risk ensures that the Wairarapa District Health Board monitors all aspects of its services, including patient care and safety issues and legislative compliance. A risk management process exists for financial, operational and clinical systems with results reported to the Board. The use of risk assessment process in audit planning allows major and emerging risks to be identified and drive the internal audit programme.

The Wairarapa District Health Board develops frameworks for clinical quality reporting that facilitates benchmarking across the sector with other District Health Boards. This includes key performance indicators and customer satisfaction surveys. We are working towards achievement of the Health and Disability Sector Standards, accreditation to the New Zealand Council on Healthcare Standards (Quality Health New Zealand) and complying with contractual standards. We promote a culture of continuous improvement.

Health and Safety

Providing a safe environment for patients, employees, contractors and visitors is paramount. Occupational health care for staff is also a part of the Wairarapa District Health Board's Health and Safety Policy.

The event reporting system enables constant evaluation and critical review of reported events, both clinical and non-clinical, and will ensure that the Wairarapa District Health Board meets its responsibilities for quality improvement and risk management.



The Wairarapa District Health Board has continued to work with Accident Compensation Corporation and the workplace insurer on injury prevention strategies and rehabilitation plans. This work aims to reduce the number and costs of workplace accidents and provide a durable return to work for staff. Relevant health protection programmes are available for employees.

Subsidiaries and Associates

Biomedical Services New Zealand Limited is a wholly owned subsidiary of the Wairarapa District Health Board. Biomedical Services New Zealand Limited's principal activities during the year were testing, calibration and maintenance of biomedical equipment throughout New Zealand.

The Wairarapa District Health Board has one-sixth ownership of an associated entity called the Central Regional Technical Advisory Service. This company was established to provide the six central region District Health Boards with applied analysis, service planning and external quality audit services in order to inform local funding and planning decisions.

Governance Philosophy

Board Membership

The initial Board members were appointed by the Minister. The Board members have diverse skills and experience in order to bring a wide range of thought to bear on policy issues. All members are required to act in the best interests of the Wairarapa District Health Board. Members acknowledge that the Board must stand unified behind its decisions; individual members have no separate governing role outside the boardroom.

Connection with Stakeholders

The Board acknowledges its responsibility to keep in touch with stakeholders and in particular remain cognisant of the Minister's expectations.

Division of Responsibility Between the Board and Management

Key to the efficient running of the Wairarapa District Health Board is that there is a clear division between the roles of the Board and management. The Board concentrates on setting policy, approving strategy and plans, and monitoring progress towards meeting objectives. Management is concerned with implementing policy and strategy. The Board has clearly distinguished these roles by ensuring that the delegation of responsibility and authority to the Chief Executive is concise and complete.

Accountability

The Board holds monthly meetings to ensure that the affairs of the District Health Board and its subsidiaries are being conducted in accordance with the Wairarapa District Health Board's policies, strategies and performance goals to ensure compliance with statutory and other requirements.

Conflicts of Interest

The Board maintains an interests register and ensures Board members are aware of their obligations to declare any potential conflicts of interests.



Internal Audit

While many of the Board's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Board. Internal controls include the policies, systems and procedures established to provide assurance that specific objectives of the Board will be achieved. The Board and management have acknowledged their responsibility by signing the Statement of Responsibility on page 17 of this report.

The Wairarapa District Health Board has an internal audit function that is responsible for monitoring its systems of internal control and the quality and reliability of financial and non-financial reported to the Board. Internal Audit reports directly to the Chief Executive and reports its findings to the Audit Committee. Internal Audit liaises closely with the external auditors, who review the systems of internal control to the extent necessary to support their audit opinion.

The audit system is built into the overall organisation through committees and management objectives to ensure that there is a continuing commitment to evaluation of, and improvement of, standards and performance, and audit provider service quality. In this way, it contributes to the continuous quality improvement model.

Risk Management

The Board is committed to sound risk management practices through an established risk management programme in accordance with the "Guidelines for Managing Risk in the Australian and New Zealand Public Sector SAA/NZSHB 143:1999".

Risk management processes involve identification, analysis and evaluation of risks before deciding to accept or treat. Risks are identified, monitored and reported to the Audit Committee and the Board.

Legislative Compliance

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. The Board has delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues, and to ensure that all staff are aware of legislative requirements that are particularly relevant to them.

Ethics

The Board acknowledges a variety of codes of professional ethics, and monitors whether staff maintain high standards of ethical behaviour and practice the principles of "good corporate citizenship".

Monitoring compliance with ethical standards is done through such means as monitoring trends in complaints and disciplinary actions; internal audit reports; or any reports or indications that show non-conformance with the principles espoused in the code of ethics.

Good corporate citizenship involves this entity, including its employees, acknowledging that it is a member of one or more communities outside of itself, and making a commitment to act in a manner consistent with the social mores and accepted rights and responsibilities of all citizens of those communities.



Statement of Responsibility

1. The Board and management of the Wairarapa District Health Board accept responsibility for the preparation of the financial statements and the judgements used in them.
2. The Board and management of the Wairarapa District Health Board accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Board and management of the Wairarapa District Health Board, the financial statements for the six months ended 30 June 2001 fairly reflect the financial position and operations of the Wairarapa District Health Board.

Doug Matheson
Chairman

Joel George
Chief Executive

Maureen Breukers
Chief Finance Officer

Date:

Date:

Date:



**REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF
WAIRARAPA DISTRICT HEALTH BOARD AND GROUP
FOR THE SIX MONTHS ENDED 30 JUNE 2001**

We have audited the financial statements on pages 20 to 53. The financial statements provide information about the past financial and service performance of Wairarapa District Health Board and group and their financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 20 to 24.

Responsibilities of the District Health Board

The New Zealand Public Health and Disability Act 2000 and the Public Finance Act 1989 require the District Health Board to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of Wairarapa District Health Board and group as at 30 June 2001, the results of their operations and cash flows and the service performance achievements for the six months ended 30 June 2001.

Auditor's responsibilities

Section 43 (1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the District Health Board. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed L H Desborough, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▲ the significant estimates and judgements made by the District Health Board in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to Wairarapa District Health Board and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Wairarapa District Health Board and group.

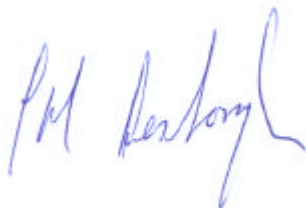
Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of Wairarapa District Health Board and group on pages 20 to 53:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2001;
 - the results of operations and cash flows for the period ended on that date; and
 - the service performance achievements in relation to the performance targets and other measures adopted for the period ended on that date.

Our audit was completed on 26 October 2001 and our unqualified opinion is expressed as at that date.



L H Desborough
Audit New Zealand
On behalf of the Controller and Auditor-General
Palmerston North, New Zealand





Consolidated Statement of Accounting Policies for the six months ended 30 June 2001

Reporting Entity

The Wairarapa District Health Board is a Crown entity in terms of the Public Finance Act 1989.

The group consists of the Wairarapa District Health Board and its subsidiary, Biomedical Services New Zealand Limited (100 percent owned) and associated entity Central Regional Technical Advisory Service, which is one-sixth owned.

The Financial Statements and Group Financial Statements of the Wairarapa District Health Board have been prepared in accordance with the requirements of the Public Health and Disability Act 2000 and the Public Finance Act 1989.

In addition, there are funds administered on behalf of patients as a note to the financial statements.

On the dissolution of Wairarapa Health Limited, all assets and liabilities were vested in the Wairarapa District Health Board at net book value on 1 January 2001. No change in the measurement base of assets and liabilities was necessary.

Measurement Base

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been followed.

Accounting Policies

The following particular accounting policies, which materially affect the measurement of results and financial position, have been applied:

1. Basis of Consolidation - Purchase Method

The consolidated financial statements include the holding company and its subsidiary. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

All significant inter-company transactions are eliminated on consolidation.

2. Budget Figures

The budget figures are those approved by the Board at the beginning of the year and reflect the six months ended 30 June 2001. The budget figures have been prepared in accordance with generally accepted account practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

3. Comparative Figures

The Board was formed on 1 January 2001 and this is its first annual report. The Wairarapa District Health Board's operations combine the functions of Wairarapa Health Limited and some of those functions previously performed by the Health Funding Authority. The comparative figures used in these financial statements are taken from Wairarapa Health Limited's 31 December 2000 disestablishment financial statements.



4. Goods and Services Tax

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables, which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

5. Taxation

The Wairarapa District Health Board is a public authority under the New Zealand Public Health and Disability Act 2000 and is exempt from income tax under Section CB3 of the Income Tax Act 1994.

The wholly owned subsidiary company, Biomedical Services New Zealand Limited, is subject to income tax. Income tax expense is charged in the group statement of financial performance in respect of its current year's earnings after allowing for permanent differences. Deferred taxation is determined on a comprehensive basis using the liability method. Deferred tax assets attributable to timing differences or tax bases are only recognized where there is virtual certainty of realisation.

6. Trust and Bequest Funds

Donations and bequests to the Wairarapa District Health Board are recognised as revenue when control over assets is obtained. A liability, rather than revenue, is recognised where fulfilment of any restrictions attached to those assets is not probable. Those donations and bequests with restrictive conditions are appropriated from Retained Earnings to the Trust Funds component of Equity. When expenditure is subsequently incurred in respect of these funds it is recognised in the Statement of Financial Performance and an equivalent amount is transferred from the Trust Funds component of Equity to Retained Earnings.

7. Accounts Receivable

Accounts receivable are stated at expected realisable value after providing for doubtful and uncollectable debts.

8. Inventories

Inventories are valued at the lower of cost, determined on a weighted average basis, and net realisable value. This valuation includes allowances for slow moving items. Obsolete inventories are written off.

9. Investments

Investments, including those in the subsidiary, are stated at the lower of cost and net realisable value. Any decreases are recognised in the statement of financial performance.

10 Fixed Assets

Fixed Assets Vested from the Hospital and Health Service

Under section 95(3) of the New Zealand Public Health and Disability Act 2000, the assets of Wairarapa Health Limited (a Hospital and Health Service) vested in the Wairarapa District Health Board on 1 January 2001. Accordingly, assets were transferred to the Wairarapa District Health Board at their net book values as recorded in the books of the Hospital and Health Service. In effecting this transfer, the Board has recognised the cost and accumulated depreciation amounts from the records of the Hospital and Health Service. The vested assets will continue to be depreciated over their remaining useful lives.

Fixed Assets Acquired Since the Establishment of the District Health Board

Assets acquired by the Board since its establishment, other than those vested from the Hospital and Health Service, are recorded at cost. This includes all appropriate costs of acquisition and installation, including materials, labour, direct overheads, financing and transport costs.



Revaluation of Land and Buildings

Land and buildings will be revalued in the year ending 30 June 2002 and every three years following to their fair value, as determined by an independent registered valuer, with additions between revaluation's recorded at cost. The results of revaluing land and buildings are credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the asset revaluation reserve, the debit balance will be expensed in the statement of financial performance.

Disposal of Fixed Assets

When a fixed asset is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the fixed asset.

11. Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets other than freehold land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- | | | |
|-------------------------|-----------------|------------|
| • Buildings and fit out | 4 to 50 years | (2% - 24%) |
| • Plant and equipment | 2.5 to 15 years | (6.5%-40%) |
| • Motor vehicles | 5 to 12.5 years | (8%- 20%) |
| • Leased assets | 2.5 to 15 years | (6.5%-40%) |

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings/building fitout and/or plant and equipment on its completion and then depreciated.

12. Employee Entitlements

Provision is made in respect of the Board's liability for annual leave, long service leave, retirement gratuities, parental leave and conference leave. Annual leave, parental leave and conference leave have been calculated on an actual entitlement basis at current rates of pay whilst the other provisions have been calculated on an actuarial basis.

13. Leases

Finance Leases

Leases which effectively transfer to the Board substantially all the risks and benefits incidental to the ownership of the leased items are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Wairarapa District Health Board is expected to benefit from their use.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.



14. Financial Instruments

The Wairarapa District Health Board seeks to minimise exposure arising from its treasury activity. The District Health Board is not authorised by its treasury policy to enter any transactions that are speculative in nature.

The Wairarapa District Health Board and group is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, investments, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenue and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Except for loans that are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

15. Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Board invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Wairarapa District Health Board and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Board.

16. Foreign Currency Translations

Transactions denominated in foreign currencies (other than forward exchange contracts) are translated at the rate of exchange ruling at the transaction date. Short term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in the contracts.

At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange differences arising from the transactions are recognised in the Statement of Financial Performance.

17. Cost of Service Statements

The cost of service statements, as reported in the statement of objectives and service performance, reports the net cost of services for the outputs of the Wairarapa District Health Board and are represented by the cost of providing the output less all the revenue that can be allocated to these activities.

18. Cost Allocation

The Wairarapa District Health Board has arrived at the net cost of service for each significant activity using the cost allocation system outlined below.

Cost Allocation Policy

Direct costs are charged directly to major board activities. Indirect costs are charged to major board activities based on cost drivers and related activity/usage information.



Criteria for Direct and Indirect Costs

“Direct costs” are those costs directly attributable to a board activity.

“Indirect costs” are those costs which cannot be identified in an economically feasible manner with a specific board activity.

Cost Drivers for Allocation of Indirect Costs

The cost of internal services not directly charged to outputs is allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

19. Changes in Accounting Policies

This is the first period of operation. The accounting policies stated above have been consistently applied throughout the period and correspond to the accounting policies specified in the Statement of Intent at the beginning of the period.



Consolidated Statement of Financial Performance for the six months ended 30 June 2001

	Note	Group Budget	Group Actual		Parent Actual	
		Jun 2001 \$000	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Revenue		16,632	16,784	15,314	16,507	15,034
Expenses		16,069	16,200	15,926	15,953	15,675
Capital charge	19	415	423	0	423	0
Operating surplus/(deficit) before taxation	1	148	161	(612)	131	(641)
Tax expense	2	0	2	0	0	0
Operating surplus/(deficit) after taxation		148	159	(612)	131	(641)
NET SURPLUS/(DEFICIT)		148	159	(612)	131	(641)

Consolidated Statement of Movements in Equity for the six months ended 30 June 2001

	Group Budget	Group Actual		Parent Actual	
	Jun 2001 \$000	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Equity at beginning of the period	33	64	7,714	0	7,678
Net surplus/(deficit) for the period	148	159	(612)	131	(641)
Revaluation of fixed assets	0	0	0	0	0
Total recognised revenues and expenses for the period	148	159	(612)	131	(641)
Other movements					
Contribution from owners *	7,682	7,108	0	7,108	0
Capital charge			(428)		(428)
EQUITY AT THE END OF THE PERIOD	7,863	7,331	6,674	7,239	6,609

* \$6,609,000 of this represents the net assets of the Health and Hospital Service that were vested in the Wairarapa District Health Board effective 1 January 2001 (refer note 23).



Consolidated Statement of Financial Position as at 30 June 2001

	Note	Group Budget Jun 2001 \$000	Group Actual Jun 2001 \$000	Group Actual Dec 2000 \$000	Parent Actual Jun 2001 \$000	Parent Actual Dec 2000 \$000
EQUITY						
General funds	3a	7,443	6,875	19,646	6,875	19,646
Retained earnings/(accumulated deficit)	3b	181	248	(13,206)	156	(13,271)
Trust funds	4	239	208	234	208	234
TOTAL EQUITY		7,863	7,331	6,674	7,239	6,609
REPRESENTED BY:						
ASSETS VESTED IN THE WAIRARAPA DHB ¹						
1 JANUARY 2001						
Current assets						
Cash		126	910	273	773	193
Receivables and prepayments	5	3,552	3,503	3,498	3,461	3,444
Inventories	6	400	419	458	419	458
Total current assets		4,078	4,832	4,229	4,653	4,095
Non current assets						
Trust funds	7	239	208	234	208	234
Fixed assets	8	13,981	15,130	15,068	15,046	14,977
Investments	9	0	0	0	103	103
Total non current assets		14,220	15,338	15,302	15,357	15,314
Total assets		18,298	20,170	19,531	20,010	19,409
LIABILITIES VESTED IN THE WAIRARAPA DHB ¹						
1 JANUARY 2001						
Current liabilities						
Bank overdraft (secured)	11	0	0	0	0	0
Payables and accruals	12	2,484	4,382	4,354	4,339	4,332
Employee entitlements	13	1,471	2,262	1,890	2,239	1,857
Current portion of term loans (secured)	14	799	5,669	6,028	5,669	6,028
Total current liabilities		4,754	12,313	12,272	12,247	12,217
Non current liabilities						
Employee entitlements	13	678	400	400	398	398
Term loans (secured)	14	5,003	126	185	126	185
Total non current liabilities		5,681	526	585	524	583
Total liabilities		10,435	12,839	12,857	12,771	12,800
NET ASSETS		7,863	7,331	6,674	7,239	6,609

For and on behalf of the Board:

_____ Board Member

_____ Board Member

Date:

Date:

1 The assets and liabilities were vested to the Wairarapa District Health Board pursuant to section 95(3) of the New Zealand Public Health and Disability Act 2000 (refer Statement of Accounting Policies).



Consolidated Statement of Cash Flows for the six months ended 30 June 2001

	Group Budget	Group	Actual	Parent	Actual
Note	Jun 2001	Jun 2001	Dec 2000	Jun 2001	Dec 2000
	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Ministry of Health and patients	16,679	16,678	15,506	16,387	15,144
Interest received	12	36	42	35	41
Dividends from subsidiaries	0	0	0	0	15
	<u>16,691</u>	<u>16,714</u>	<u>15,548</u>	<u>16,422</u>	<u>15,200</u>
Cash was disbursed to:					
Payments to suppliers	5,134	5,463	4,530	5,389	4,439
Payments to employees	9,540	9,398	9,283	9,254	9,111
Capital charge	440	206	0	206	0
Interest paid	298	224	239	224	239
Goods and Services Tax (net)	6	303	(173)	304	(170)
	<u>15,418</u>	<u>15,594</u>	<u>13,879</u>	<u>15,377</u>	<u>13,619</u>
Net cash inflow/(outflow) from operating activities	15	1,273	1,120	1,045	1,581
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of fixed asset	250	15	(2)	15	(5)
	<u>250</u>	<u>15</u>	<u>(2)</u>	<u>15</u>	<u>(5)</u>
Cash was applied to:					
Purchase of fixed assets	762	606	854	588	800
Purchase of investments	0	0	0	0	0
	<u>762</u>	<u>606</u>	<u>854</u>	<u>588</u>	<u>800</u>
Net cash inflow/(outflow) from investment activities		(512)	(591)	(573)	(805)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Capital Introduced	0	500	0	500	0
	<u>0</u>	<u>500</u>	<u>0</u>	<u>500</u>	<u>0</u>
Cash was applied to:					
Repayment of loans	413	418	415	418	415
Restricted fund movement	0	(26)	0	(26)	0
Capital charge	0	0	428	0	428
	<u>(413)</u>	<u>108</u>	<u>(843)</u>	<u>108</u>	<u>(843)</u>
Net cash inflow/(outflow) from financing activities		108	(843)	108	(843)
Net increase in cash held		348	(30)	580	(67)
Add opening cash		(222)	303	193	260
Closing cash balance		126	273	773	193
Made up of:					
Cash	126	379	242	273	193
Bank overdraft	0	0	0	0	0
Short term deposits	0	531	31	500	0
CLOSING CASH BALANCE		126	273	773	193

The accompanying accounting policies and notes form part of these financial statements



Consolidated Statement of Contingent Liabilities as at 30 June 2001

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Legal proceedings and disputes by third parties	613	150	613	150

Consolidated Statement of Commitments as at 30 June 2001

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Capital commitments	0	210	0	210
Non-cancellable: Operating lease commitments				
Less than one year	838	905	819	889
One to two years	546	749	538	747
Two to five years	889	1,016	887	1,016
Over five years	0	61	0	61
Other non-cancellable contracts				
The Wairarapa District Health Board has entered into non-cancellable contracts for the provision of services. Details of the commitments under these contracts are as follows:				
Not later than one year	1,147	1,313	1,147	1,304
Later than one year and not later than two years	963	650	963	642
Later than two years and not later than five years	1,353	1,095	1,353	1,088
Over five years	6		6	
Total commitments	5,742	5,999	5,713	5,957

The commitments and contingencies of Wairarapa Health Limited as at 31 December 2000 became the responsibility of the Wairarapa District Health Board effective 1 January 2001 (refer Statement of Accounting Policies).



Notes to and Forming Part of the Consolidated Financial Statements for the six months ended 30 June 2001

1. Net Operating Surplus/(Deficit) Before Taxation

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
After charging:				
Remuneration of auditor				
- Audit fees	39	34	35	34
Depreciation	745	745	727	733
Net loss/(gain) on sale of fixed assets	(7)	(8)	(7)	(8)
Board members' fees	84	59	81	57
Interest expense	209	239	209	239
Finance charge on leased assets	9	12	9	12
Rental and operating lease costs	397	311	385	292
Bad debts written off	6	6	6	6
Changes in provision for bad debts	9	(93)	9	(93)
DHB establishment costs	308	87	308	87
After crediting:				
Donations	248	78	248	78
Interest income	34	43	33	41

2. Tax Expense

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Profit/(loss) before taxation	161	(612)	131	(641)
Prima facie taxation at 33% on subsidiary	53	(202)	0	(212)
Plus /(less) taxation effect on:				
Permanent differences	(45)	116	0	126
Timing differences not recognised	(6)	51	0	51
Capital charge	0	(141)	0	(141)
Tax loss not recognised	0	161	0	161
Group loss offset	0	12	0	12
Prior year adjustment	0	3	0	3
Taxation charge	2	0	0	0



The subsidiary, Biomedical Service New Zealand Limited, is not exempt from income tax. A deferred tax asset of \$39,977 (December 2000: \$890,240) has not been recognised.

Pursuant to the New Zealand Public Health and Disability Act 2000, Wairarapa Health Limited was dissolved as at 31 December 2000. The tax losses and deferred tax asset of Wairarapa Health Limited are not able to be utilised by Wairarapa District Health Board, as in accordance with the New Zealand Public Health and Disability Act 2000, the Wairarapa District Health Board is a public authority and is exempt from income tax.

A District Health Board is not permitted to establish and maintain an imputation credit account.

3. Equity (a) General Funds

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Opening balance	0	19,646	0	19,646
Equity vested from Wairarapa Health Limited	6,375	0	6,375	0
Issued during the year	500	0	500	0
Balance at 30 June	6,875	19,646	6,875	19,646

An equity issue of \$500,000 was made during the six months for Board office accommodation.

(b) Retained Earnings

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Retained earnings at 1 Jan 2001	64	(12,171)	0	(12,207)
Operating surplus/(deficit)	159	(1,040)	131	(1,069)
Transfer from restricted funds	33	5	33	5
Transfer to restricted funds	(8)	0	(8)	0
Retained earnings at 30 June	248	(13,206)	156	(13,271)



4. Trust Funds

Trust assets are funds donated or bequested for a specific purpose. The use of these assets must comply with the specific terms of the sources from which the funds were derived.

The revenue and expenditure in respect of these trusts is included in the Statement of Financial Performance. An amount equal to the expenditure is transferred from the Trust Fund component of Equity to Retained Earnings. An amount equivalent to the revenue is transferred from Retained Earnings to the Trust Fund.

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Balance transferred from Wairarapa Health Limited	234	239	234	239
Transfer from retained earnings in respect of:				
Funds received	1	2	1	2
Interest received	6	6	6	6
Total Receipts	7	8	7	8
Transfer to retained earnings in respect of funds spent	33	13	33	13
Balance 30 June 2001	208	234	208	234

These funds are held as investments of Wairarapa District Health Board.

	Jun 2001 \$000	Dec 2000 \$000
Brownette Bequest	17	17
Cameron Bequest	1	1
Greytown Hospital Patient Comfort Fund	86	84
Macintosh Bequest	3	3
Mason Bequest	5	5
Masterton Hospital Patient Comfort Fund	29	28
Ross Bequest	16	33
Toogood Bequest	5	6
Tyacke Bequest	19	31
Wyeth Bequest	0	1
Funds donated to specific departments	27	25
Total	208	234



5. Receivables and Prepayments

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Trade debtors	3,223	3,093	3,156	3,039
Provision for doubtful debts	(43)	(34)	(43)	(34)
Accrued income	120	172	120	172
Prepayments	140	205	133	205
Sundry	63	62	61	62
Receivables and prepayments excluding owing by subsidiary	3,503	3,498	3,427	3,444
Amount owing by subsidiary	0	0	34	0
Receivables and prepayments including owing by subsidiary	3,503	3,498	3,461	3,444

6. Inventories

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Pharmaceuticals	71	85	71	85
Surgical and medical supplies	102	114	102	114
Theatre supplies	178	179	178	179
Other supplies	68	80	68	80
Total Inventory	419	458	419	458

No inventories are pledged as security for liabilities, nor are any inventories subject to retention of title clauses.

7. Investments

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Money market and other trading banks	208	234	208	234

These investments are all held as trust funds.



8. Fixed Assets

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Land				
At cost	838	838	838	838
Land - net book value	838	838	838	838
Buildings				
At cost	14,274	14,250	14,274	14,250
Accumulated depreciation	4,192	3,829	4,192	3,829
Buildings - net book value	10,082	10,421	10,082	10,421
Plant and equipment				
At cost	8,677	8,447	8,316	8,097
Accumulated depreciation	6,306	5,974	6,017	5,701
Plant and equipment - net book value	2,371	2,473	2,299	2,396
Motor vehicles				
At cost	232	128	218	114
Accumulated depreciation	130	32	128	32
Motor vehicles - net book value	102	96	90	82
Capital work in progress				
At cost	1,384	840	1,384	840
Capitalised finance leases				
Motor vehicles				
At cost	570	674	570	674
Accumulated depreciation	217	274	217	274
Motor vehicle - net book value	353	400	353	400
Total fixed assets				
At cost and valuation	25,975	25,177	25,600	24,813
Accumulated depreciation	10,845	10,109	10,554	9,836
Total carrying amount of fixed assets	15,130	15,068	15,046	14,977

Land and Buildings

Land and buildings are disclosed at the valuations, and accumulated depreciation, transferred from Wairarapa Health Limited. They have not yet been revalued by the Wairarapa District Health Board in accordance with its fixed asset policy. The first revaluation will be undertaken in 2001/02.

Restrictions



The Wairarapa District Health Board does not have full title to Crown land it occupies but transfer is arranged if and when land is sold. Some of the Board's land is subject to Waitangi Tribunal claims. The disposal of certain properties may be subject to the provisions of Section 40 of the Public Works Act 1981.

Titles to land transferred from the Crown to the Wairarapa District Health Board are subject to a memorial in terms of the Treaty of Waitangi Act 1975 (as amended by Treaty of Waitangi (State Enterprises) Act 1988). The effect on the value of assets resulting from potential claims under the Treaty of Waitangi Act 1975 cannot be quantified.

9. Investment in Subsidiaries

	Parent	
	Jun 2000 \$000	Dec 2001 \$000
Share in subsidiaries (non current)	103	103
Advances to subsidiaries (current)	0	0
Total Investments	103	103

Name of Entity: Biomedical Services New Zealand Limited
Principal Activity: Testing and maintenance of biomedical equipment
Ownership: 100 percent (Dec 2000 100 percent)
Balance Date: 30 June

The latest audited financial statements were used as the basis for consolidation.

The principal activity of the subsidiary is testing and maintenance of biomedical equipment.

10. Investment in Associate

The Wairarapa District Health Board has a one sixth ownership of an associated entity Central Regional Technical Advisory Service. The principal activity of the Technical Advisory Service is the provision of applied analysis, service planning and external quality audit services. The value of the investment as at 30 June is immaterial and is not included in the financial statements.

11. Bank Overdraft

The bank overdraft is secured by a negative pledge. The facility available totals \$800,000.

The current interest rate on the Group's bank overdraft is 12.75 percent per annum (December 2000: 13.25 percent).



12. Payables and Accruals

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Trade creditors and accruals	3,718	3,583	3,676	3,565
Capital charge due to the Crown	429	212	429	212
GST / FBT payable	235	559	216	545
Amount owing to subsidiaries	0	0	18	10
Total payables and accruals	4,382	4,354	4,339	4,332

13. Employee Entitlements

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Accrued pay	606	278	600	264
Annual leave	1,276	1,202	1,259	1,183
Retirement leave	326	340	324	338
Long service leave	208	222	208	222
Maternity grant	16	17	16	17
Course and conference leave	230	231	230	231
Total employee entitlements	2,662	2,290	2,637	2,255
Made up of:				
Current	2,262	1,890	2,239	1,857
Non-current	400	400	398	398
Total employee entitlements	2,662	2,290	2,637	2,255



14. Term Loans

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
ANZ Bank	5,553	5,903	5,553	5,903
Finance leases	242	310	242	310
Other loans	0	0	0	0
Total	5,795	6,213	5,795	6,213
Less current portion	5,669	6,028	5,669	6,028
Non current portion	126	185	126	185
Interest rates summary:				
ANZ Bank	6.68%	7.48%	6.68%	7.48%
Finance leases	Minimum 7.49%	7.49%	7.49%	7.49%
	Maximum 12.26%	12.26%	12.26%	12.26%
Repayable as follows:				
Less than one year	5,669	6,028	5,669	6,028
One to two years	94	105	94	105
Two to five years	32	80	32	80

The ANZ Bank term liabilities are secured by a negative pledge. The interest rate is reviewed quarterly. Without the ANZ Bank's prior written consent, the Wairarapa District Health Board cannot perform the following:

- Security Interest: Create any security interest over its assets except in certain defined circumstances.

An amount of \$5,552,749 was repayable to the ANZ Bank on 30 June 2001. This loan was rolled over for a further six months. The Wairarapa District Health Board is required to refinance this loan with the Crown Funding Agency (Residual Health Management Unit) in accordance with Government policies. This loan has been disclosed as a current liability in the Statement of Financial Position.

The term liabilities owed to the Wairarapa Community Health Trust and UDC Finance Limited are secured by the assets purchased.

Analysis of Finance Lease Liabilities

	Group		Parent	
	Jun 2001 \$000	Dec 2000 \$000	Jun 2001 \$000	Dec 2000 \$000
Payable no later than one year	116	125	116	125
Later than one, not later than two years	92	105	92	105
Later than two, not later than five years	34	80	34	80
Later than five years	0	0	0	0
Representing lease liabilities				
Current	116	125	116	125
Non-current	126	185	126	185



15. Reconciliation of Net Deficit After Taxation with Cash Outflow from Operating Activities

	Group		Parent	
	Jun 2001	Dec 2000	Jun 2001	Dec 2000
	\$000	\$000	\$000	\$000
Net surplus/(deficit) after tax	159	(612)	131	(641)
Depreciation	746	745	727	733
Increase/(decrease) employee entitlements	370	(316)	376	(315)
Net loss/gain on sale of fixed assets	(7)	10	(7)	8
Total non-cash items	1,109	439	1,096	426
Movements in working capital Items				
(Increase)/decrease in receivables and prepayments	8	102	(5)	34
(Increase)/decrease in inventories	39	18	39	18
Increase/(decrease) in payables and accruals	109	1,722	88	1,744
Increase/(decrease) in taxation	(304)	0	(304)	0
Working capital movement net	(148)	1,842	(182)	1,796
Net cash (outflow)/inflow from operating activities	1,120	1,669	1,045	1,581

16. Related Party Disclosure

The Wairarapa District Health Board is a wholly owned entity of the Crown. The Government significantly influences the role of the Board.

The Group enters into numerous transactions with government departments and other Crown agencies on an arm's length basis and where those parties are only acting in the course of their normal dealings with the Group. These transactions are not considered to be related party transactions.

Related Party Transactions and Balances

(a) Funding

The Wairarapa District Health Board Limited received \$15 million from the Ministry of Health to provide health services to the Wairarapa district in the six months ended 30 June 2001.

The amount outstanding at year end was \$1.7 million.

(b) Inter-group Transactions and Balances

Biomedical Services New Zealand Limited

The Wairarapa District Health Board purchased from Biomedical Services New Zealand Limited biomedical servicing of patient related equipment. The purchases account for less than one percent of total purchases by the company. These are on normal trading terms.



	Jun 2001	Dec 2000
	\$	\$
Purchases from Biomedical Services	42,921	26,905
Loan interest receivable from Biomedical Services	0	0
Management fee receivable from Biomedical Services	30,008	0
Insurance cover received from Biomedical Services	0	3,000
Accounting services receivable from Biomedical Services	0	3,000
Other payments from Biomedical Services	116	32

The following balances as at 30 June resulted from the above transactions:

	Jun 2001	Dec 2000
	\$	\$
Accounts payable	18,357	10,184
Accounts receivable	33,759	5

These transactions were carried out under the terms of the Letter of Agreement between the Wairarapa District Health Board and Biomedical Services New Zealand Limited dated 24 June 1996, effective from 1 February 1996.

(c) Key Management and Directors

There were no transactions between the directors and senior management with the Wairarapa District Health Board in any capacity other than that for which they are employed.

(d) Other Related Parties

There were no other transactions between other related parties and the Wairarapa District Health Board.

17. Financial Instruments

The Wairarapa District Health Board is a party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors and loans.

The Group has a series of policies providing risk management for interest rates, operating and capital expenditures denominated in a foreign currency, and the concentration of credit. The Group is risk averse and seeks to minimise exposure from treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return from investments. The Board Members do not consider there is any significant exposure to interest rate risk on its investments.

The interest rates on the Group's borrowings are disclosed in Note 11 and 14. There was an interest rate swap agreement in place as at 30 June 2001. (There was an interest rate swap in place in December 2000). Interest rates on investments and credit funds range from 1.75 percent to 5.75 percent.



Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency forward exchange contracts (and option agreements) can be used to manage foreign currency exposure. There were no foreign currency forward exchange contracts in place as at 30 June 2001 (December 2000 nil).

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Wairarapa District Health Board or the Group, causing the Board or Group to incur a loss.

Financial instruments that potentially subject the Wairarapa District Health Board to risk consist principally of cash and short-term investments, trade receivables and various off-balance sheet instruments.

The Wairarapa District Health Board invests in short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution. Accordingly the Board does not require any collateral or security to support financial instruments with organisations it deals with.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance on the Ministry of Health for 90.3 percent (December 2000: 92.5 percent) of the Wairarapa District Health Board's revenue. However, the Ministry of Health is a high credit quality entity, being the Government funded purchaser of health and disability support services for the Wairarapa district.

Any change associated with the dissolution of the Health Funding Authority and the merger of its functions with the Ministry of Health has not impacted on the level of reliance upon the revenue from the source nor the credit risk attached to the outstanding receivable.

Fair Value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

18. Patient Funds

The Wairarapa District Health Board administers some funds on behalf of patients. These funds are held in a separate bank account and any interest earned is allocated to the individual patient balances. Therefore, the transactions during the year and the balance at 30 June are not recognised in the Statements of Financial Performance, Financial Position or Cash Flows of the Wairarapa District Health Board.

	Jun 2001	Dec 2000
Opening Balance	649	649
Moneys Received	0	0
Interest Earned	0	0
Payments Made	0	0
Closing Balance	649	649

19. Capital Charge



The Wairarapa District Health Board pays a capital charge quarterly to the Crown based on the greater of its actual or budgeted closing equity balance for the month. The capital charge rate for the period ended 30 June 2001 was 11 percent

20. Board Members' Remuneration

Board members' remuneration, including reimbursements, received or receivable for the six months ended 30 June 2001:

	\$
Doug Matheson - Chairman	17,571
Alan Stewart	11,187
David Morgan	8,500
Robyn O'Carroll	8,750
Colleen Pringle	8,750
Des Ratima	7,637
Rob Tuckett	9,937
Janice Wenn	9,250
Total	81,582

21. Employee remuneration

The number of employees and former employees who received remuneration and other benefits of \$100,000 or more per annum during the six month period.

Total annual remuneration and other benefits \$(000)	Number of employees
100,000-110,000	0
110,001-120,000	1
120,001-130,000	2
130,001-140,000	2
140,001-150,000	4
150,001-160,000	3
160,001-170,000	1
170,001-180,000	3
180,001-190,000	1

The Chief Executive's total annual remuneration and other benefits falls in the \$180,001 to \$190,000 band shown above.

Of the 17 employees shown above, 16 are medical employees.

If the remuneration of part-time employees were grossed-up to a full-time equivalent basis, the total number of employees with full-time equivalent salaries of \$100,000 or more would be 22, compared with the actual total number of employees of 17.



23. Vesting of Assets

The Wairarapa District Health Board was established on 1 January 2001 under the New Zealand Public Health and Disability Act 2000. On that date the assets and liabilities of Wairarapa Health Limited vested in the Wairarapa District Health Board at their carrying values as recorded in the books of the Hospital and Health Service. The net value of the assets vested is recognised as a capital contribution by the Crown, the owner of both the Hospital and Health Service and the Board.

The assets and liabilities vested in the board were as follows:

	Group	Parent
	\$000	\$000
Assets		
<i>Current assets</i>		
Cash	273	193
Short-term deposits	0	0
Receivables and prepayments	3,498	3,444
Inventories	458	458
Loan advances to subsidiary	0	0
Total current assets	4,229	4,095
<i>Non current assets</i>		
Restricted assets	234	234
Investments	0	0
Fixed assets	15,068	14,977
Investments in subsidiary	0	103
Investments in associate	0	0
Total non current assets	15,302	15,314
Total assets	19,531	19,409
Liabilities		
<i>Current liabilities</i>		
Bank overdraft	0	0
Payables and accruals	4,354	4,332
Employee entitlements	1,890	1,857
Provisions	0	0
Current portion of term loans	6,028	6,028
Total current liabilities	12,272	12,217
<i>Non current liabilities</i>		
Employee entitlements	400	398
Term loans	185	185
Total non current liabilities	585	583
Total liabilities	12,857	12,800
NET ASSETS transferred to the Wairarapa District Health Board	6,674	6,609
(Refer Statement of Movement in Equity)		
Comprising:		
General Funds	6,440	6,375
Trust Funds	234	234
	6,674	6,609

24. Post Balance Date Events

There were no significant events between the year end and the signing of the financial statements.



Statement of Objectives and Service Performance For the period ended 30 June 2001

This section of the report contains details relating to the Wairarapa District Health Board's main areas of activity.

The significant board activities were aggregated into three output areas to reflect the outcomes the Board planned to achieve as follows:

- Class 1 - Funding and Delivery of Health and Disability Support Services
- Class 2 - Governance and Administration
- Class 3 - Provision of Hospital and Health Services

Performance measures were set for Class 2 and Class 3 of the output areas as specified in the Wairarapa District Health Board's Statement of Intent for the six months ended 30 June 2001.

The Wairarapa District Health Board was established in December 2000. The organisation is still in transition. The Board is continuing to build its capability to operate the full service planning, prioritisation and funding role within the district, formerly undertaken by the Health Funding Authority. Responsibility for funding activities is being devolved progressively to District Health Boards from 1 July 2001. As at 1 January 2001 the Wairarapa District Health Board assumed responsibility for the hospital and health services previously operated and managed by Wairarapa Health Limited.



Summary of Revenues and Expenses by Output Class For the six months ended 30 June 2001

A key aspect of performance that needs to be reported for each output class is the related revenue and expenditure. This is shown below as well as a reconciliation of the retained earnings to show the cumulative impact of the net surplus/(deficit) for each output class over time.

	Governance and Funding Administration	Hospital Provider	Elimination	Total
	\$000	\$000	\$000	\$000
Revenue				
Crown	308	14,992	0	15,300
Other	1	1,206	0	1,207
Total revenue	309	16,198	0	16,507
Expenditure				
Personnel	136	9,500	0	9,636
Depreciation	0	727	0	727
Capital charge	4	419	0	423
Other	145	5,445	0	5,590
Total expenditure	285	16,091	0	16,376
Net surplus/(deficit)	24	107	0	131

Reconciliation to retained earnings

Opening retained earnings	0	0	0	0
Plus/(less) surplus/(loss) for period	24	107	0	131
Other movements	0	25	0	25
Closing retained earnings	24	132	0	156



Statement of Service Performance For the six months ended 30 June 2001

CLASS 1 Funding and Delivery of Health and Disability Support Services

The Wairarapa District Health Board did not have funding responsibilities during the period under review. Performance measures will be developed for the year ending 30 June 2002.

CLASS 2 Governance and Administration

The Wairarapa District Health Board was tasked with demonstrating its capacity to assume its responsibilities under the New Zealand Public Health and Disability Act from 1 July 2001, in accordance with the requirements of that Act, by:

Governance Capability

Performance dimension	Deliverable	Target date	Achievement	Commentary
Governance (Ref PT01)	Establish the Board's committee structure, terms of reference, committee membership and standing orders.	31 March 2001	Achieved 27 Feb 2001	The Terms of Reference, Standing Orders, and Membership of the Board and the Board Committees were established by the Board at its meeting on 27 February 2001.
Financial Management (Ref PT02)	Establish financial reporting systems, processes and resources to meet the Ministry reporting requirements.	31 May 2001	Achieved 30 June 2001	Financial systems and mapping tables were developed to comply with the Ministry of Health requirements and the new national Chart of Accounts. Delays arose waiting for final confirmation from the Ministry and the Chart of Accounts group of the coding requirements and the funds flow mechanisms, before implementation. The financial arrangements are handled within the existing Financial Services. The existing financial systems are being used and their use modified to suit the new financial and reporting requirements.
Partnership with Māori (Ref PT03)	Plan and establish relationships with Māori and agree a timetable for formalising those relationships.	31 May 2001	Achieved 31 May 2001	The Wairarapa Māori Health Committee developed the Māori Health plan in December 2000. The Māori Health Committee was established in February 2001, consisting of six members representing Rangitane and Ngati Kahungunu, the two Iwi of the Wairarapa. The Committee is currently developing a Memorandum of Partnership with the Wairarapa District Health Board. The first hui was held on Tuesday 26 June 2001. The main objective of this hui was to build positive working relationships.



Performance dimension	Deliverable	Target date	Achievement	Commentary
Communications (Ref PT04)	Establish processes for communicating the Wairarapa District Health Board establishment with the relevant sectors of the community including local health providers and interest groups, staff, public and civic political leaders and agencies.	28 Feb 2001	Achieved 28 Feb 2001	The function is managed within the Communications Department where an extra support person has been recruited to cater for the expected increase in workload. A newsletter "In the Wind" was developed and distributed to interested parties. A newspaper article "On the Pulse" is a regular feature in the local newspapers. Maintenance of the mailing list is managed in conjunction with the Chief Executive's Office. A feature article was published in February about the Board personnel and functions. Response to print and radio enquiries are made as appropriate. Public meetings were held in a variety of locations to give information and seek feedback on concerns.
Risk management (Ref PT05)	Establish risk management processes in compliance with public sector risk management standards.	31 May 2001	Achieved 31 May 2001	The Wairarapa District Health Board has developed a structured framework for incorporating risk management into the broader clinical and management processes of the organisation. The risk management processes involve identifying the risks, analysing, evaluation of the risks and then either accepting or treating the risks. A continual cycle of monitoring and review takes place. The framework in place includes the following elements: <ul style="list-style-type: none"> • Audit and Risk Manager • Risk Management Focus Group • Risk plan with performance indicators • Audit plan • Hazard register • Incident and accident reporting, recording and investigation system • Identification, monitoring and reporting of clinical risk • Emergency preparedness and business continuity planning • Organisational policies and procedures including a human resource manual and health and safety manual • Regular reporting of quality, risk, and health and safety at service and management meetings • Health and Safety Committee with representatives from each service • Audit Committee that is a sub committee of the Board • Legislative compliance programme • Business case guidelines • Project management guidelines • Guidelines for negotiating contracts • Guidelines for managing medico-legal issues • Guidelines for managing serious patient events



Performance dimension	Deliverable	Target date	Achievement	Commentary
Information management (Ref PT06)	Establish policies and procedures for information management by the Wairarapa District Health Board to enable the Wairarapa District Health Board to fulfil its roles of planning and funding the provision of health services for the community.	20 June 2001	Partial achievement 20 June 2001	The function is managed by Service Planning and Funding staff, building on the skills and systems within Financial Services with technical support from Information Technology staff. The systems build on the existing systems that monitor hospital and community activity and use the Contract Management Systems to develop the extra information required. Information Technology staff are in contact with regional and national Information Technology and Information Management groups to ensure that the appropriate processes are established. Formal policies and procedures will follow in due course.
Collaborative arrangements (Ref PT07)	Establish collaborative arrangements have been established with other District Health Boards at Board level.	28 Feb 2001	Achieved 28 Feb 2001	The Board has many formal and informal networking arrangements with other District Health Boards.
Collaborative arrangements (Ref PT08)	Confirm the appointment of appropriate people to the Wairarapa District Health Board and shared services and that system capabilities have been established.	31 May 2001	Achieved 31 May 2001	The Technical Advisory Service has been established and three staff are in place. Recruitment of three extra positions to the Board was achieved in June. Regular contacts are maintained by the Board Chair and senior management. A draft service level agreement between the Technical Advisory Service and the District Health Boards it serves, is currently under consideration. The Technical Advisory Service has the capability of accessing Pharmac, Health Benefits and New Zealand Health Information systems.
Collaborative arrangements (Ref PT09)	Engage with the Ministry to develop an agreed agenda of collaborative initiatives.	30 April 2001	Partially Achieved 30 April 2001	The Ministry and the Wairarapa District Health Board did not engage to discuss an agenda of collaborative initiatives but the Ministry has been kept informed of developments. The frameworks for many collaborative initiatives are in place, eg a Mental Health network, shared services opportunities working groups, and the Health Needs Analysis project.
Collaborative arrangements (Ref PT10)	Confirm the development of human resource policies to facilitate the development of a collaborative culture.	20 June 2001	Partially Achieved 20 June 2001	Human resource policies that will facilitate the development of a collaborative culture within the Wairarapa District Health Board, between stakeholders and with other District Health Boards are in progress. As new job descriptions are prepared they include, where appropriate, collaboration with other District Health Boards, Shared Services Support Group, Health Benefits, Pharmac, Technical Advisory Service and stakeholders within the Wairarapa. The framework for many initiatives further enhances the development of a collaborative culture.



Performance dimension	Deliverable	Target date	Achievement	Commentary
Accountability and preparation for service development (Ref PT11)	Present an Annual Plan and Statement of Intent for 2001/2002, that reflects the Government's expectations, to the Minister of Health.	20 June 2001	Not Achieved (First draft of the Annual Plan submitted to the Ministry of Health on 3 August 2001)	<p>The requirement for this document to be submitted to the Ministry was delayed to 31 July.</p> <p>The Board considered the first draft plan of the Annual Plan on 31 July. The Board considered the Plan again at a special meeting in August in conjunction with the Crown Funding Agreement. The first draft of the Annual Plan was forwarded to the Ministry of Health in the second week in August.</p> <p>A draft Statement of Intent was submitted to the Ministry in the first week in June. The Statement of Intent will be finalised in conjunction with the Annual Plan.</p>
Information management (Ref PT12)	Establish information policy and procedures for the Wairarapa District Health Board and shared services.	20 June 2001	Achieved 20 June 2001	<p>Electronic links have been established with the Shared Service Support Group and Health Benefits so that information on contracts and payments can be accessed directly through the health intranet. Pharmac is providing information by email. The filing of contract records complies with the former Health Funding Authority records management system. The current Information Systems Policy defines the policies for managing the security of all information contained in Wairarapa District Health Board's systems as well as acceptable use of that information. This policy will be reviewed and updated on an ongoing basis.</p>
Legal obligations (Ref PT13)	Establish appropriate resourcing strategies and system capabilities.	31 May 2001	Achieved 31 May 2001	<p>The Wairarapa District Health Board uses two external law firms – Impact Legal and Broadmore Barnett - for its legal advice. All managers within the Wairarapa District Health Board have access to these legal services. In addition all copies of legislation are held in the library and several of the Wairarapa District Health Board policies cover legal obligations. A legal buying group meets regularly and a legislative exposure matrix is kept up to date.</p> <p>A legislative compliance programme currently under development by Aon Risk Services will be subscribed to in the future.</p>



Funder Capability

Performance dimension	Deliverable	Target date	Achievement	Commentary
Needs analysis Ref PT14	Establish the capability to arrange or carry out needs analysis and arrange or begin to undertake an initial needs assessment for the Wairarapa.	31 May 2001	Achieved 31 May 2001	The Wairarapa District Health Board has joined with other District Health Boards to contract the Wellington School of Medicine to prepare a Health Needs Analysis report for the district. The Wellington School of Medicine provides analysis for national data collections and expert commentary. The Board provides local information. The first cut of the report was provided in May and a draft report was provided for discussion in August. The work will be finalised by November 2001. The Wairarapa District Health Board intends to further develop the Health Needs Analysis on an ongoing basis.
Prioritisation and decision-making Ref PT15	Establish processes to prioritise the needs of the community within the constraints of service funding and the principles and priorities of the New Zealand Health Strategy and New Zealand Disability Strategy.	31 May 2001	Partially Achieved 31 May 2001	Achievement was delayed pending appointment of the Director of Service Planning. The Health Funding Authority framework has been used as the basis of the interim prioritisation policy and procedure, and adapted as required to suit the Wairarapa District Health Board. The interim policy was considered by the Community and Public Health Advisory Committee on 21 August and will be consulted on publicly in the period October to December 2001 before finalisation.
Contract management Ref PT16	Ensure that viable use of the national contract management and payment system has been secured.	31 May 2001	Achieved 30 June 2001	The function is being managed by our Planning and Funding staff, using the resources of Financial Services. The services of the Shared Service Support Group and Health Benefits are being utilised for contract management and cash flow forecasts.
Monitoring Ref PT17	Establish systems, processes and procedures to ensure the national availability of monitoring information, service delivery meets service coverage requirements and that providers have appropriate quality improvement processes in place.	31 May 2001	Partially Achieved 31 May 2001	The function, initially managed within Financial Services, will transfer to the Audit and Risk Manager, in conjunction with Service Planning and Funding and Financial Services staff. Arrangements have been made with Shared Service Support Group to forward all the relevant contract monitoring reports from the providers to ourselves. Access to the Ministry's contract reporting information is yet to be made available. Former Health Funding Authority staff have given their assessment of any risks for each service provider. An Audit and Risk Manager has been appointed, and the Quality Manager's role now includes Board issues. The Technical Advisory Service will provide support in the area of audit and audit co-ordination. The quality improvement processes contained in the contract will be monitored by Service Planning and Funding staff. Support for improvement will be provided by the appropriate service manager, Quality Manager and Audit and Risk Manager as appropriate.



Performance dimension	Deliverable	Target date	Achievement	Commentary
Consultation Ref PT18	Establish the structure and processes for consultation consistent with the legislation and guidelines from the Ministry of Health.	31 May 2001	Not Achieved	The function is managed within the Communications Department, in conjunction with Service Planning and Funding staff. A support person has been recruited to cater for the expected increase in workload. A formal consultation policy was developed and considered by the Community and Public Health Advisory Committee in July 2001.
Provider selection Ref PT19	Establish protocols for provider selection consistent with the protocols agreed by Cabinet and reflecting the Government's objectives of supporting Māori and Pacific provider development needs.	31 May 2001	Not Achieved (Cabinet protocols acknowledged in the interim)	The draft Annual Plan states that processes will be developed in conformity with the principles laid down by cabinet. A detailed policy will go to the Board in September 2001.
Strategic planning Ref PT20	Establish the framework for strategic planning through the future years.	20 June 2001	Partially Achieved 20 June 2001	The Director of Service Planning and Funding is co-ordinating the development of the framework for strategic planning amongst the Service Managers, Financial Services, and the Technical Advisory Service. Strategic planning will occur from October 2001 to April 2002 and will include consultation with the community during that period.
Civil Defence Emergency Management (CDEM) Ref PT21	Develop an integrated Civil Defence Emergency Management plan spanning the full range of Board activities.	31 May 2001	Not Achieved	The appointment of the Director of Service Planning and Funding has enabled a project group to co-ordinate the development of a Civil Defence Emergency Management plan. The plan itself will take several months to develop, as it is an inter-sectorial plan.



CLASS 3 Provision of Hospital and Health Services

The key measures of organisational performance provide a view on performance that balances the main perspectives of organisational activity.

Balanced Scorecard Performance Indicators

Performance dimension	Deliverable	Target	Achievement	Commentary
Organisational Health and Learning				
Staff turnover (voluntary)	Employees voluntarily resigning over total headcount per quarter.	4 %	5.3 %	Staff turnover is slightly higher than target and efforts to reduce it have been made by providing leadership training for exit interviews and performance appraisals. Staff satisfaction surveys have been developed and will be distributed in August 2001. An analysis of staff turnover in the nursing areas (eg Mental Health) has been completed. The Wairarapa District Health Board is looking at a regional approach to solving the problems of recruitment and retention.
Staff stability rate	Headcount of leaving employees with less than two years service over total headcount per quarter.	95 %	95.6 %	
Sick leave rate	Total hours taken sick over total contracted employee hours.	5 %	3.5 %	To ensure sick leave rates remain under target we have a requirement for the provision of medical certificates for people with high sickness rates, free influenza vaccinations, and review of roster patterns. A stress management policy has been developed along with a return to work policy to enable/encourage staff to return to work quicker. There is regular monitoring and reporting to managers to provide information on which to take appropriate actions such as following up on reasons for leave and considering alternative work where appropriate.
Workplace injuries	All occurrences resulting in work time lost over total hours worked per million hours.	16	17.1	Work related injury rates are higher than target, due to one staff member on long term sick leave as a result of an injury. Occurrences of this type are very rare but distort the numbers on a small statistical base.
Costs related to meeting the Organisational Health and Learning performance indicators for the six months to 30 June 2001.				
Recruitment			\$21,950	
Conference/courses			\$32,754	
Advertising			\$73,971	
Total direct costs on staff recruitment and retention			\$128,675	



Performance dimension	Definition	Target	Achievement	Commentary	
Process and Efficiency					
Resource utilisation ratio	Dollar value of actual outputs at contract price over actual net operating costs.	1.01	0.80	The value of the contracted outputs are less than actual net operating costs due to diseconomies of scale, i.e. costs of production are almost static irrespective of the volumes achieved, e.g. a two-bed reduction in Assessment, Treatment and Rehabilitation might result in at best one full-time equivalent nurse being saved plus some supplies saving approximately \$50,000 – the dollar value of contract output would however reduce by \$180,000.	
Performance to contract	Dollar value of actual outputs at contract price over value of contracted outputs.	1.00	0.93	Performance to contract is slightly below target due to the constraints of staffing availability, in particular orthopaedics and ophthalmology surgeon availability.	
Inpatient average length of stay x patient admission rate	Casemix average length of stay x patient admission rate.	4.0	Not available	The national measure for casemix weighted inpatient average length of stay x patient admissions is calculated by the Ministry of Health and results are not available as yet.	
Percentage eligible elective daycase	Day case elective surgery procedures over total elective surgery procedures.	61%	Not available	The national measure for elective day stay surgery is calculated by the Ministry of Health and results are not available as yet.	
Costs related to the Process and Efficiency performance indicators for the six months to 30 June 2001.					
	Daycase Ward	Surgical Ward	Medical Ward	Theatre	Total
Direct staffing	\$149,777	\$630,494	\$515,869	\$874,287	\$2,170,427
Direct supplies	\$4,341	\$81,552	\$62,521	\$486,316	\$634,730
Direct support	\$29,444	-\$294,151	\$281,122	\$415,721	\$432,136
Charged support	<u>\$128,854</u>	<u>\$870,344</u>	<u>\$1,365,817</u>	<u>\$463,092</u>	<u>\$2,828,107</u>
Total wards and theatre costs	\$312,416	\$1,288,239	\$2,225,329	\$2,239,416	\$6,065,400
"Charged Support" costs include: Laboratory, Pharmacy, Radiology, Physiotherapy, Occupational Therapy, Diagnostic Tests, Facilities, Power and Corporate Services.					



Performance dimension	Definition	Target	Achievement	Commentary
Patient and Quality				
Hospital acquired blood stream infection	Episodes of hospital acquired blood stream infection.	0.1%	0.4%	
Emergency Triage 1	Triage 1 attendances attended to immediately.	98%	85%	Triage 1 and 2 targets are not being met due to the small size of the Emergency Department. There is only one team available to manage the workload, so the team cannot be fully effective if there is more than one Triage 1 or 2 incident occurring at the same time. Increased staffing would be inefficient and no spare staff are available for transfer from elsewhere. Monitoring and reporting of triage levels and timeliness of care will continue to ensure provision of service within agreed timeframes in the Emergency Department. Recruitment continues for an experienced clinician for after hours emergency service to ensure quality of care. Emergency Department attendances by triage level for six months ending 30 June 2001 are: Triage 1 26 Triage 4 2026 Triage 2 433 Triage 5 898 Triage 3 2312
Emergency Triage 2	Triage 2 attendances attended to within 10 minutes.	85%	71%	
Emergency Triage 3	Triage 3 attendances attended to within 30 minutes.	80%	85%	
Percentage complaints resolved or closed	Formal complaints resolved within 30 days over total formal complaints.	90%	41%	The target is not being met due to the current workload of those dedicated staff within the organisation that can appropriately investigate complaints. The complaints resolution percentage is misleading. The Hospital Monitoring Directorate within the Ministry of Health has established that other District Health Boards are reporting their percentage of complaints resolved within the 30-day period on differing bases. This is now being discussed with District Health Board Quality Managers to ensure consistency of reporting. Total complaints received for the six months were 73.
Patient satisfaction	Inpatient Outpatient	75% 70%	89% 86%	Total patient satisfaction surveys sent to patients for the six months were 1926.
Costs related to the Patient and Quality performance indicators for the six months to 30 June 2001.				
			Patient Emergency Department	Quality Quality Department
Direct staffing			\$ 389,705	\$43,544
Direct supplies			\$ 44,503	\$ 1,063
Direct support			\$ 36,055	\$11,405
Charged support			<u>\$ 551,414</u>	<u>\$15,229</u>
Total Department costs			\$1,021,677	\$71,241
"Charged Support" costs include: Laboratory, Pharmacy, Radiology, Physiotherapy, Occupational Therapy, Diagnostic Tests, Facilities, Power and Corporate Services.				



Performance dimension	Definition	Six month target *	Six month actual	Annualised target *	Annualised actual	Commentary
Financials						
Return on net funds employed	Net surplus before interest, donations and capital charge over total debt and total Crown equity	5.9 %	3.8 %	11.8 %	7.5 %	The actual was lower than target for the six months ended 30 June 2001. The net surplus met budget for this period however the revenue included donations of \$248,000 compared to budgeted donations of \$25,000. For this measure donations are excluded from the revenue therefore reducing the net surplus and lowering the return on net funds employed.
Operating margin to revenue	Net surplus before interest and capital charge over total revenue exclusive of interest and donations.	4.9 %	3.0 %	4.9 %	3.0 %	The actual was lower than target for the six month period ended 30 June 2001. In this measure donations are excluded from both the net surplus and revenue. The target revenue excluding donations was \$100,000 more than the actual revenue excluding donations.
Revenue to net funds	Total revenue exclusive of interest and donations over total debt and Crown equity	1.2	1.2	2.4	2.5	This target was achieved.
Debt: debt and equity ratio	Total debt inclusive of overdraft over total debt inclusive of overdraft and Crown equity	42.6 %	44.5 %	42.6 %	44.5 %	The debt to debt plus equity ratio for the six month period was slightly better (lower) than target and slightly worse (higher) than target on an annualised basis. The difference relates to movements in equity.
Costs related to the Financial performance indicators for the six months to 30 June 2001.						
						Financial Services
Direct staff						\$176,521
Direct supplies						\$ 334
Direct support						\$ 22,838
Charged support						<u>\$ 69,443</u>
Total dept costs						\$269,136
"Charged Support" costs include: Laboratory, Pharmacy, Radiology, Physiotherapy, Occupational Therapy, Diagnostic Tests, Facilities, Power and Corporate Services.						
* The Statement of Intent financial targets have been restated to reflect the intended target definitions.						



Directory

Postal Address	□	PO Box 96 Telephone: (06) 946-9800 Fax: (06) 946-9801	Masterton
Website	□	www.wairarapa.dhb.org.nz	
Board Members	□	Doug Matheson Dave Morgan Robyn O'Carroll Colleen Pringle Des Ratima Alan Stewart Rob Tuckett Janice Wenn	Chairman
Chief Executive		Joel George	
Executive Managers		Maureen Breukers Joy Cooper Vivienne Johnson	General Manager Corporate Director Planning and Funding General Manager Services
Service Managers		Sue Etuale Lesley Marsh Beryl McCormick Sharon Reilly Maggie Morgan	Mental Health Service Medical Service Women's and Children's Service Surgical Services Public Health Service
Advisors		Tom Babe Gail Hickey Rhondda Knox Mihi Namana Helen Pocknall Alan Shirley Jill Stringer	Audit and Risk Manager Human Resource Advisor Nurse Advisor Māori Health Co-ordinator Quality Co-ordinator Medical Advisor Communications Advisor
Department Heads		David Baird Autumn Bell-Cooke Catharina Breukers Ngarita Brookes Avon Carter Julie Caverhill David Fisher Donald French Gary Ireland Annette King Anthea Lister Marie Long Paul McCartney Linda Tatton Martin Withers	Pharmacy Social Work Radiology Home Support Services Textile Services Financial Services Laboratory Supplies Information Technology Occupational Therapy Patient Information Services Wairarapa Ambulance Service Maintenance Services Physiotherapy Focus
Auditor	□	Audit New Zealand Palmerston North on behalf of the Office of the Controller and Auditor-General	
Banker	□	ANZ Banking Group New Zealand Ltd	
Solicitors	□	Impact Legal	



Broadmore Barnett