Hutt Valley District Health Board

Report for the year ended 30 June 2004

HUTT VALLEY DHB

Highlights at a Glance

- Launch of new initiatives such as an ear van for Hutt Valley's young people and a cardiac continuum of care for heart patients
- An additional $2 million investment in new initiatives
- Increased hospital service delivery
- Operating surplus of $230,000
- Launch of secondary school clinics – the first DHB-wide approach in the country
- Formation of three new Primary Health Organisations
- Securing of an extra $3 million in primary care funding for Hutt Valley
- Finalisation of a Pacific Health Plan
- Finalisation of an Older Persons Service Plan
- Repayment of $13 million of equity


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Directory

Head Office
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Bank of New Zealand

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Website Address
www.huttvalleydhb.org.nz

Auditor
Audit New Zealand, Wellington
On behalf of the Controller and Auditor-General

Hutt Valley DHB People

Board Members
The Board consists of 11 members, seven elected and four appointed by the Minister of Health including a chair and a deputy chair.

Peter Glensor, *Chair*
Sharron Cole, *Deputy Chair*
Katy Austin
Pat Brosnan
Vera Ellen
Keith Hindle (from November 2003)
Dr Catherine Love
Hon Peter McCardle
Grant Moffat (Resigned, April 2004)
Fuimaono Karl Pulotu-Endemann
Brenda Tahi

Chief Executive
Chai Chuah

Committee Members
The membership of the committees is as follows.

Hospital Advisory Committee
Sharron Cole (*Chair*)
Brenda Tahi
Peter McCardle
Pat Brosnan
Peter Glensor
* Chris Cunningham

Community and Public Health Advisory Committee
Fuimaono Karl Pulotu-Endemann (*Chair*)
Peter Glensor
Dr Catherine Love
Katy Austin
Vera Ellen
Keith Hindle
* Wayne Mulligan
* Marian Redwood
* Maree Tukukino
* Lise Kljakovic
* Hugh Norriss

Disability Support Advisory Committee
Katy Austin (*Chair*)
Dr Catherine Love
Peter Glensor
Keith Hindle
* Beryl Harris
* Joan Taylor
* Teresa Hobman
* Keriata Stuart
* Piki Carroll

Finance, Property and Audit Committee
Keith Hindle (*Chair)*
Peter Glensor
Peter McCardle
Sharron Cole
* Chris Cunningham

* Co-opted members

Executive Management Team
Chai Chuah
Chief Executive

Sam Bartrum (to January 2004)
General Manager Public, Community and Mental Health

Bridget Allan (from May 2004)
General Manager, Public, Community and Mental Health

Trevor Coad
Chief Financial Officer

Warrick Frater
General Manager Hospital and Secondary Services

David Graham
General Manager Communications

Suafole Gush
Pacific Peoples' Health Advisor

Martin Hefford (to 15 August 2003)
General Manager Planning and Funding

Helene Carbonatto (from 1 August 2003)
Acting General Manager Planning and Funding

Rhondda Knox
Director of Nursing

Dr Robert Logan
Director of Medicine

Kuini Puketapu
Maori Health Advisor

Justin Te Rangiita (to 24 October 2003)
Human Resources Manager

Fiona McCarthy (from February 2004)
Human Resources Manager

Vince Glen (from February 2004)
Employee Relations Manager

David Williment (to 5 September 2003)
Board Secretary

Michael Hundleby
Legal Advisor

Statement of **Purpose**

Vision, Mission and Values

The Board has established the following vision, mission and values for Hutt Valley DHB.

Vision

To be New Zealand's foremost District Health Board in optimising the health and well-being of our community.

Mission

To excel in the way we consult, communicate, plan and provide health services to our community.

Values

Working together: with our providers, community groups and other agencies;

Leadership: within our community and through setting a positive example;

Respect: for each other and the rights of individuals;

Communicating effectively: with our community, with our staff and our clients;

Caring: for our community and for each other; and

Excellence: in all that we do.

Hutt Valley **DHB Profile**

The Hutt Valley DHB is responsible for planning, prioritising, funding and providing government-funded health care and disability support services for the 135,000 people who live in the Hutt Valley. The Hutt Valley DHB as an organisation employs 1,800 people, most of whom work for Hutt Hospital and our community and regional health services. This is the part of the Hutt Valley DHB that we refer to as the 'provider arm'.

A Board comprising 11 people, of whom seven are elected by the community and four appointed by the Minister of Health, has strategic oversight or governance of the Hutt Valley DHB. The Board has responsibility for delivering on local and national health objectives within a current annual budget of approximately $258 million.

The Hutt Valley DHB has been in existence since 1 January 2001. Over the past year it has provided a wide range of services and implemented a number of initiatives detailed in this report to meet its commitment to:

- Improve, promote and protect the health of communities within the Hutt Valley
- Reduce health disparities by improving health outcomes for Maori and other population groups
- Encourage community participation in health improvement, and in planning for the provision of health services and any significant changes to the provision of health services
- Ensure effective care or support of those in need of personal health services or disability support
- Promote the inclusion and participation in society of people with disabilities
- Better coordinate health services in the Hutt Valley; for example, GP and hospital-based services.

This has involved buying services from a wide range of health and disability service providers, including GPs, Maori and Pacific Island health providers, mental health providers, rest homes, pharmacies, private laboratories and hospitals.


Peter Glensor
Chair


Sharron Cole
Deputy Chair


Katy Austin


Pat Brosnan


Vera Ellen


Keith Hindle

Board Members' **Report**

This is the Hutt Valley DHB's statutory report which covers the 12-month period from 1 July 2003 to 30 June 2004.

Principal Activities

Hutt Valley DHB is responsible for funding all local personal health, mental health, Maori health and Pacific Peoples' health services (Disability Support Services funding was devolved from the Ministry of Health on 1 October 2003). To meet this responsibility the Board places considerable emphasis on broad-based consultation with the community and key stakeholders.

Hutt Valley DHB's public health services operate from sites in Porirua, Wellington and the Hutt Valley. The community mental health services have sites situated in the Hutt Valley and certain physiotherapy services are provided from an Upper Hutt base. In addition, it contracts local providers to deliver a wide range of primary and community health services to the people of the Hutt Valley.

At the secondary level, Hutt Hospital provides the specialities of medicine, surgery, mental health, child health, maternity and public health. Within that general description are specialist services in burns, plastic and maxillo-facial surgery, rheumatology, coronary care, intensive care, radiology and rehabilitation, a hospital dental service and an associated child oral health service.

Committees of the Board

The Board has three statutory committees to provide advice in key areas. They are the Community and Public Health Advisory Committee, the Disability Support Advisory Committee and the Hospital Advisory Committee. The Board has also established a Finance, Property and Audit Committee.

Board Members' Interests

There have been no financial transactions during the period which require Board Members to declare an interest. Hutt Valley DHB has arranged policies for Board Members' liability insurance to ensure that, generally, Board Members will incur no monetary loss as a result of actions they undertake in their capacity as Board Members. Certain actions are specifically excluded, for example, penalties and fines imposed in respect of breaches of law.

Board Members' Remuneration

During the period the following remuneration was paid to the Board Members of the Hutt Valley DHB.

Board Members	Year to 30 June 2004 Board Fees $000	Year to 30 June 2004 Committee Fees $000	Year to 30 June 2004 Total Fees $000	Year to 30 June 2003 Total Fees $000
P Glensor (Chair)	38.3	10.4	48.7	29.6
S Cole (Deputy Chair)	19.1	4.8	23.9	21.4
K Austin	18.0	5.6	23.6	23.0
P Brosnan	18.0	1.7	19.7	20.0
V Ellen	18.0	2.5	20.5	20.8
K Hindle (appointed 20/11/03)	4.5	2.5	7.0	0.0
C Love	18.0	4.5	22.5	21.5
P McCardle	18.0	4.5	22.5	23.3
G Moffat	18.0	1.2	19.2	20.0
B Tahi	18.0	1.7	19.7	20.5
K Pulotu-Endemann	18.0	3.4	21.4	19.8
W Young (resigned 9/6/03)	0.0	0.0	0.0	40.5
Total	**205.9**	**42.8**	**248.7**	**260.4**

Co-opted Committee Members	Year to 30 June 2004 Total Fees $000	Year to 30 June 2003 Total Fees $000
N Baker	0.0	0.3
P Carroll	1.0	0.0
M Cooper	1.2	1.5
C Cunningham	1.2	0.0
B Harris	2.5	1.5
T Hobman	2.0	0.0
L Kljakovic	1.0	0.0
W Mulligan	2.0	1.0
M Redwood	2.5	2.5
S Stansfield	0.2	1.3
G Stenton	0.0	1.8
K Stuart	1.0	0.0
J Taylor	1.7	1.5
M Tukukino	2.2	1.8
Total	**18.5**	**13.2**


Catherine Love


Peter McCardle


Grant Moffat


Brenda Tahi


Fuimaono Karl Pulotu-Endemann


Chai Chuah
Chief Executive

Remuneration of Employees

The number of employees (excluding Board Members) whose annual income was within the specified bands is as follows:

Chief Executive's remuneration was in the $240,000-$249,000 bracket (2003: $200,000-$209,000 – for 10 months).

Of the 75 employees shown below, 62 are medical or dental employees (2003: 55).

If the remuneration of part-time employees were grossed up to Full-time Equivalent (FTE) basis, the total number with salaries of $100,000 or more would be 116, compared to the actual number of 75.

Group	Year to 30 June 2004	Year to 30 June 2003	Med/ Dental Year to 30 June 2004
100,000-109,999	6	17	5
110,000-119,999	20	9	13
120,000-129,999	10	4	9
130,000-139,999	5	4	4
140,000-149,999	10	11	9
150,000-159,999	3	6	3
160,000-169,999	6	1	5
170,000-179,999	3	4	3
180,000-189,999	3	4	3
190,000-199,999	3	3	3
200,000-209,999	2	4	2
210,000-219,999	0	2	0
220,000-229,999	1	1	1
230,000-239,999	1	0	1
240,000-249,999	1	0	0
250,000-259,999	1	0	1
Grand Total	**75**	**70**	**62**

Termination Payments

This information is presented in accordance with section 42(3)(f) of the New Zealand Public Health and Disability Act 2000. Termination payments include payments that the person is entitled to under contract on termination such as retirement payment, redundancy and gratuities. During the year Hutt Valley DHB made the following payments to former employees in respect of termination of employment with the Board.

No. of employees	Total
1	604
1	1,020
1	1,500
1	1,583
1	2,500
1	2,569
1	3,205
1	3,421
1	4,431
1	6,403
1	7,145
2	8,000
1	8,492
1	8,503
1	9,573
1	9,960
1	10,000
1	13,100
1	16,500
1	24,000
1	24,500
1	56,446
1	61,001
1	61,520

Auditor

The Auditor-General is appointed auditor under section 43 of the New Zealand Public Health and Disability Act 2000. Audit New Zealand has been contracted to provide these services.

For and on behalf of the Board.

Peter Glensor
Chair

Chair's Report

It is with great pleasure that I present Hutt Valley District Health Board's third annual report, for the year ended 30 June 2004.

I can again report that the DHB has had a very successful year. This Board is focused on developing community-based services that improve the health of Hutt Valley residents and which address issues of disparity. At the same time we are committed to maintaining and improving hospital-based services, and to being financially responsible.

I am delighted to be able to report that the DHB has made progress in all three areas.

Financial Performance

The financial statements show a surplus of $230,000 for the year – the second year in a row that the DHB has posted a surplus. This is a performance of which Board members, staff and the Hutt Valley community can be very proud.

Remaining within our budget has meant constant discipline by staff, and vigilance by senior management and Board Members. Our year's result is not an accident, but comes from a consistent focus on our financial performance throughout the year.

During the year the Board took the decision to repay equity to the tune of $13 million, in order to further strengthen its balance sheet.

Of course, financial performance is not an end in itself. A sound financial result gives us a greater ability to strengthen existing services and take new initiatives.

The advantage of our sound finances can be seen, for example, in primary health. In the financial year under review (2003/2004), the Hutt Valley DHB Board committed around $2.0 million for new initiatives in support of primary health. This is new money, on top of the more than $3.5 million we spent on new initiatives last year. Both those figures are in addition to the more than $40 million we are already spending on pharmaceuticals, laboratory tests, GP subsidies and non-government organisation (NGO) primary health services.

During the year, we commissioned an independent report, which showed that the Hutt Hospital emergency department required significantly more space, as well as increased staffing. Because of our financial position, we were able to commit to a three-year development plan for the emergency department, having received from management the appropriate capital and expenditure forecasts. This ability to act, without making time-consuming funding applications to central government agencies, gives the Board significant strength and greatly advantages our Hutt Valley community.

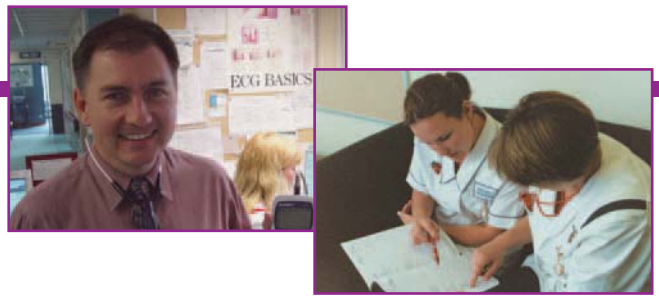
I note also that the surplus represents less than 0.01% of our total budget. There is little financial leeway, and the Board must continue its stringent financial oversight into the forthcoming years.

Community-Based Services

In November 2003 Board Members approved $1.4 million worth of one-off and ongoing programmes. These included:

- A joint venture with the Wellington Medical School and other agencies to implement a housing project aimed at reducing hospital admission rates for respiratory conditions
- A low-income oral health project
- The development of a workforce plan for the Hutt Valley, including NGO and our own services
- A continuation of the DHB's graduate nursing programme
- Funding of two nurse visits per year for all people with hypertension and one free GP annual review for people with cardiac disease
- Additional school clinics and an expanded youth health service for Upper Hutt
- Implementing the findings of the DHB's diabetes review and expanding the Tu Kotahi asthma programme
- Implementing Maori and Pacific health plan priorities
- Development of a primary mental health programme.

These programmes were in addition to the launch of the Hutt Valley ear van, an outreach immunisation service, the purchase of dedicated refugee services, and establishment of a number of older persons' services including a disability support services equipment catch-up programme and a falls prevention programme.



New Ear Van

The launch of the long-awaited ear van was a major achievement for the year. The van, staffed by a trained ear nurse, brings access to hearing care out into the community and it targets children who probably would not access ear care any other way.

Diagnosis and treatment of hearing problems at an early age is critical to ensure permanent damage is minimised and pre-school and school-age children are able to learn.

The van, operated by Regional Public Health, has regular visits to sites at Upper Hutt, Naenae, Taita, Pomare, Petone and Wainuiomata.

Hutt Valley DHB is committed to improving primary health services and making them more accessible. It is vital that we address current health disparities so that every person can benefit from good health outcomes, regardless of their background or where they live. The programmes outlined above represent examples of our DHB's commitment to this goal.

The Government's primary health strategy is a key priority for our DHB. At the beginning of the financial year there was one Primary Health Organisation (PHO) established in Hutt Valley. In April two new PHOs were established and another began in July 2004. A fifth PHO was scheduled to begin operating in October 2004, bringing coverage to all residents registered with a GP in the Hutt Valley.

This is an outstanding achievement and brings something in the order of $3 million in increased benefits to the Hutt Valley community.

We are particularly proud of the way the rollout of PHOs has been achieved. Community involvement in PHOs is absolutely fundamental and in Hutt Valley there was a tremendous level of community consultation and participation in the establishment of PHOs. We are delighted that there is active community involvement in the governance of all our PHOs. The DHB will continue to support these organisations as they find their feet and become key partners with us in the delivery of primary health care services.

Chair's Report

Hospital-based Services

This report shows that this year Hutt Hospital was busier than ever before, in all categories. Emergency attendances were up 5%, operations 7%, inpatient discharges 4.6% and total outpatients 5%.

This is an outstanding result for the organisation and there were some significant achievements. In particular, Ear, Nose and Throat benefited from the appointment of a second specialist and there was subsequently a huge effort on the part of the department and its staff to reduce the backlog of people waiting for first specialist assessments.

All departments have made tremendous efforts to reduce waiting lists, with particular focus on cutting the numbers waiting more than six months. Good progress has been made on that goal.

This type of commitment has been a feature of all departments across the organisation and, on behalf of the Board, I wish to record our thanks for the work our dedicated staff have undertaken in the year under review.

It was a particular delight that two of our hospital programmes were chosen as finalists in the national Health Innovations Awards, with our respiratory outpatients team winning a highly commended award. It was notable that five of the 25 national finalists are based in our DHB area – a further sign of the spirit of innovation and skill being shown in the Hutt Valley area.

Hutt Hospital is rightly renowned for the level of care our staff provide. We were pleased to be chosen to be the pilot site for the Magnet programme, which seeks to establish work practices and standards that attract and retain nursing staff.

Hutt Valley DHB Board and staff have taken up this international programme enthusiastically and are working to have Hutt Hospital accredited as a Magnet hospital. Our aim is to achieve that accreditation in the 2004/2005 year.

The Board

This is my second annual report, and I wish to acknowledge the contribution of my colleagues on the Board. There have been some changes during the year. Grant Moffat proffered his resignation during the year, due to ill health. The Board accepted his resignation reluctantly because of the contribution Grant had made.

Keith Hindle was appointed to the Board by the Minister in December 2003. Keith comes from a business and accounting background, and he is making a strong contribution to all of the Board's work.

During the year we confirmed a number of working relationships. We signed a Memorandum of Understanding with the Wairarapa DHB – ensuring an ongoing dialogue and a growing number of joint projects with our northern neighbour. We continue to work on many issues with Capital & Coast DHB, not least in preparation for the new regional

Magnet

As New Zealand's pilot site for the Magnet programme, Hutt Valley DHB is working hard towards accreditation during 2005.

Magnet is a nurse-based quality programme, originating in the United States, which is designed to improve the quality of care for patients and the recruitment and retention of nurses.

Hutt Valley DHB has formally applied for accreditation with the programme and is expecting to be audited in mid-2005.

During the year preparation for Magnet involved amalgamating the organisation's Magnet Champions and quality representatives into one group to further the necessary initiatives for Magnet certification.

hospital, which will have a large impact on our population. We now have a regular pattern of dialogue with Te Awakairangi Hauora – a hard-working board of six people who help us ensure the full participation of Hutt Valley Maori in the DHB's planning, funding and health delivery work.

We have also initiated a fruitful relationship with the University of Otago – to strengthen our own research capacity, and to provide them with a partner for some of their vocational training programmes.

The whole Board works well as a team. There is an excellent tradition of hard and thorough work, and cooperation, which makes my task as Chair a real pleasure. I thank each Board Member for their contribution to our shared goals.

In conclusion, I want to thank Chief Executive Chai Chuah, the Executive Management Team and all of the DHB staff for the tremendous work they have done in the last 12 months and for their contribution to what is an excellent result for our community. Our Hutt Valley District Health Board can justly believe we are enhancing the health outcomes of our whole population. We look to the future of our DHB with great confidence.

Peter Glensor
Chair

Chief Executive's Report

Hutt Valley District Health Board's strong performance in its third year was gratifying for Board Members, staff and the community alike.

This Board has established a very strong relationship with its community and this was no more obvious than when the Minister of Health, Annette King, launched the Pacific Health Plan. This was an occasion totally embraced by the Pacific community, which had already had a strong input into its development.

The Pacific Health Plan, the introduction of Primary Health Organisations (PHOs) and the consultation process underway around the Maori Health Plan are all examples of the high level of inclusiveness being developed in the Hutt Valley. Each month when I welcome new staff, I talk to them about the special relationship between the DHB and the community and how we work together with the community.

During the year under review, Hutt Valley DHB met or exceeded nearly all significant service performance, planning and funding requirements outlined in the Board's Statement of Intent. However, the Maori Health Plan has not yet been completed. The development of that plan has been slower than originally expected, but against that, the consultation that began before the close of the financial year has been an excellent process. The plan will now be in place early in 2005 and the contribution and buy-in of the community has enhanced its ability to be effective.

The organisation achieved a strong financial position, returning a surplus of $230,000 on an operating income of $258,177,000. This is the second surplus in a row, on top of $565,000 in 2002/2003, which followed a deficit of $2.10 million in the 2001/2002 year. Management continues to maintain a strong focus on financial performance in order to ensure that the DHB continues to be in a position to support the rapid development of health services in the Hutt Valley.

The figures show a 5.7% growth in the number of people discharged from Hutt Hospital (last year 4%). Inpatient discharges grew 4.6% and day case discharges grew 7.8%, after having grown 11% last year.

Total operations grew significantly from 6,771 to 7,256 – a 7.2% increase – but while acute operations increased by 20.8%, elective operations dropped by 5.0% to 3,405. That is the opposite of the previous year, when acute operations dropped by 1.5% and elective operations grew by 3.4%.

While there was a drop in total elective operations, our surgical specialities put in a great deal of work at the end of the financial year in order to meet contract volumes, and earlier in the year the Board committed extra funding to ensure that elective volumes were met.

This does, however, point to elective operations being displaced by increased acute demand and it leads to the question of the adequacy of our current operating theatre capacity. I'll address this in a moment.

Outpatient attendances again grew significantly across the surgical and medical specialities, but dropped in paediatrics. What was significant, however, was a sharp increase in first specialist assessments across a number of categories, including ear, nose and throat. This means that more people are receiving specialist care at Hutt Hospital but it also puts pressure on surgical waiting lists – the more people being seen for their first specialist assessment, the more who will be referred for surgery.

This is reflected in an increase in the inpatient waiting list, from 1,047 to 1,263. There is, therefore, ongoing pressure to perform as many elective operations as possible.

There is also pressure on the Emergency Department where attendances increased by 5.0% to 31,741, after having fallen by 2.0% to 30,234 the previous year.

The pressure on both surgical capacity and on the Emergency Department is significant. The DHB obtained some extra surgical capacity this year through utilising the mobile surgical unit on a monthly basis, but this is not a long-term solution. There is a need for extra theatre capacity on a permanent basis.

This is particularly the case with the announcement from the Government of funding for extra major joint replacements over the next three years. This will mean an extra 50 operations in 2004/2005, building to a total of 330 in 2006/2007, from a base of 170 operations.

Hutt Hospital can cope with the extra operations in the first year, but will need extra capacity from year two onwards.

As well, the Government announced an increase in the age range for eligibility to enter the national breast screening programme. That will mean extra screening capacity is required at Hutt Hospital.

A review of the Emergency Department during the year showed that, as well as requiring increased staffing, the department needs to be physically expanded.

All of these factors together mean there is a need for significant capital investment in expansion of facilities at Hutt Hospital in the coming two years. It is important that we take a co-ordinated approach to this development and the DHB management has begun campus planning, which will see detailed plans go to the Board for approval.

This DHB has a strong focus on community-based services and on promoting good health in the community.

There have been many highlights this year, most of them dealt with in detail elsewhere in this report. These include the launch of the ear van in April, the launch of four school health clinics in February, the formation of Mid-Valley and Valley PHOs in April and of Tamaiti Whangai PHO as of 1 July, the securing of $3 million in primary care funding for Hutt Valley, and the finalisation of the Pacific Health Plan and the Older Persons Plan.

In the coming year it will be important to ensure we continue with the advances. We need to consolidate and support the PHOs, finalise and implement the Maori Health Plan, implement the Pacific Health plan and the Older Persons Plan, encourage workforce planning and development (not just of DHB staff, but of health sector staff as a whole), ensure there is ongoing additional investment in new initiatives and ensure greater emphasis on intersectoral collaboration.

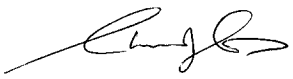
We will also be heavily involved in rolling out the National Immunisation Register (NIR) and the Meningococcal B vaccination programme in our area.

At the end of the third year of the DHB's strategic plan we have now to look at reviewing its effectiveness and using that information to create a new strategic plan. This process will be undertaken in late 2004 and early 2005. It is particularly important to ensure that the DHB is going in the right direction and that it is continuing to reflect the community's wishes and aspirations.

We continue to focus on staff recruitment and retention. The Magnet programme, for which Hutt Valley DHB was chosen to be a pilot, will reach its peak in the coming year with the formal process of accreditation being undertaken. This is a particularly important project for the DHB and one which staff and management are keen to make successful.

I want to again place on record my great appreciation for the commitment and dedication of Hutt Valley DHB staff. There continues to be a real commitment to the Hutt Valley community amongst our staff and this is particularly noticeable to someone coming into the organisation for the first time.

Finally, I wish to acknowledge the great support given by the Executive Management Team and to thank the Chair and Members of the Board, who have, again, given strong leadership and direction.



Chai Chuah
Chief Executive

Healthcare Planning and Funding

The 2003/2004 year saw Hutt Valley DHB in the third year of its five-year District Strategic Plan.

By the end of the year the DHB had implemented over 70% of the Strategic Plan's Funding Priorities, a good achievement given that the plan covers the DHB through to 30 June 2007. There are only 10 remaining initiatives from the original list of 40 yet to be implemented. The DHB envisages that the majority of those outstanding initiatives will be implemented in 2004/05.

In looking at the achievements of 2003/2004 it is important to remember the framework which has been developed for directing the DHB's strategic activities.

Almost 70% of deaths in those aged under 75 years in the Hutt Valley have been assessed as being avoidable. About half, or 180 deaths, could be prevented through individual lifestyle changes and population health measures. For this reason the Board's priorities are the Primary Care and Healthy Communities service plans, which focus on population health promotion and lifestyle advice, rather than more hospital services.

Males have a 50% higher rate of avoidable mortality than females, while Maori and Pacific Peoples' rates are 2.5 and 2 times as high as the rest of the population, respectively. The leading causes of avoidable death in the Hutt Valley are similar to the national causes.

This assessment led to 13 service plans being produced by the planning groups and a prioritisation methodology being developed and used to rank the 40 proposals for new initiatives that came out of the service plans. The strategic plan has 10 key goals:

- **Primary Care**: Implementing the New Zealand Primary Care strategy, including developing a robust, accessible primary care sector that focuses on improving the health of the population, and effectively manages people with chronic conditions.
- **Healthy Communities:** Encouraging people to exercise more, eat more healthily, stop smoking and improve parenting skills through a range of health promotion strategies including intersectoral initiatives, community development, healthy public policies and supportive environments.
- **Reduce Inequalities:** Reducing the inequalities in health status among certain disadvantaged populations, including Maori and Pacific Peoples, so that they can enjoy the same length and quality of life as other Hutt Valley residents.
- **Disease Management:** Improving the treatment of people with chronic diseases, particularly cardiovascular disease, diabetes or respiratory disease to improve their quality and length of life.
- **Elective Services:** Ensuring people have access to elective medical and surgical services before they reach an unreasonable state of ill health.
- **Child Health:** Giving children the opportunity to grow up in a healthy, supportive environment by implementing the new 'Well Child' framework and providing co-ordinated maternity services.
- **Youth Health:** Developing youth-friendly services that reduce teenage road traffic accidents, pregnancies, drug and alcohol misuse and suicides.
- **Maori Health Development:** Working to achieve equity of outcome for Maori, including through the development of services provided by Maori, for Maori.
- **Mental Health:** Improving service quality and developing primary mental health services to complement the specialist secondary services.
- **Integration:** Providing seamless care across health providers and across different services, so that people receive the right service from the right person at the right time.

Primary Care Service Plan

Over and above maintaining access to core services, the Board considers that the single highest priority for the current five-year plan is implementing the primary care strategy. The reasons are:

1. Development of excellent primary care services will make the single largest difference to people's health in the short to medium term;
2. The primary care strategy is pivotal to achieving most of the other goals.

During the year under review, Hutt Valley DHB established comprehensive Primary Health Organisation (PHO) coverage of the Valley. This included three new PHOs coming into existence during the year, bringing the total in the Valley to four, with a fifth scheduled to come into operation on 1 October 2004.

A feature of the process was the high level of community engagement and involvement in establishing the PHOs – something the Hutt Valley DHB was committed to. For instance, a monthly PHO forum for PHO providers and trustees has been started.

Purchase of additional primary health services during the year included Information Technology capability and a referred services position to roll out the Valley-wide referred services work plan.

The DHB also evaluated a number of initiatives including the Acute Care Options Service and the Quality Payments programme.

Disability Support Services

The strategic plan includes a particular focus on disability issues. A working group including nominees from the disability community prepared the disability section of the plan.

Achievements

In general the DHB successfully implemented the majority of its Annual Plan objectives for 2003/04. In a number of cases where objectives were not met, the issue was timing of the achievement being later than originally envisaged, or because of factors outside the DHB's control.

The Planning and Funding division committed over $2.7 million in 2003/04 to new initiatives, as well as ensuring a number of non-government organisation (NGO) providers received sustainable price increases to their core contracts. The DHB also remained within its forecast pharmaceutical and laboratory budgets – a pleasing result given the pressure on these areas nationally.

Pacific Health Strategic Plan

The Pacific Health Strategic Plan was completed and launched. Formulation of the plan involved a high level of public consultation. The launch of the plan by the Minister of Health, Annette King, subsequent to the end of the financial year, was well supported by all of the Hutt Valley's Pacific communities and was a highlight of the DHB's year.

An outreach immunisation service was established to target Pacific children and quality payments were established to support immunisation.

The Lifestyle Pasifika programme, which includes lifestyle and diet advice as well as daily exercise classes in six Hutt Valley locations, has been a huge success. Originally promoted as a pilot by the Heart Foundation, it has now been picked up by Hutt Valley DHB. It is delivered by the Pacific Health Service with support from Regional Public Health and it is having significant results in reducing individuals' weight.

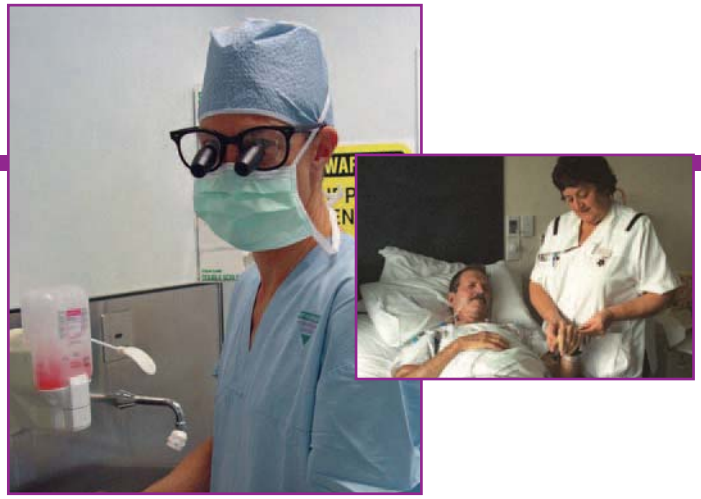
Pacific Health Action Plan

One of the highlights of the year was the completion and launch of the Pacific Health Action Plan. This plan was one which received great support from the Pacific community and was launched by the Minister of Health, Annette King.

The plan is based on need. Approximately 10,000 Pacific people live in the Hutt Valley with a projected 11% increase over the next five years.

The Pacific population is generally younger than the rest of the population and experiences higher levels of deprivation than both Maori and non-Maori in the Hutt Valley – 64% of Pacific residents in the Hutt Valley fall within the highest deprivation scores, compared with 47% of Maori and 25% of other ethnic groups.

Pacific Peoples experience significantly poorer health than non-Pacific. In particular, they experience high rates of chronic diseases such as diabetes and heart disease – diseases that are mainly avoidable through good preventative strategies such as exercise and diet.



Youth Health Clinics

The Hutt Valley DHB contracted the Hutt Valley Youth Health Service to provide school-based health clinics staffed by General Practitioners and Nurses in four Hutt Valley Schools from October 2003. The four schools are St Bernard's College, Naenae College, Wainuiomata High School and Taita College.

Students are able to access free visits to a GP and nurse on school grounds during school hours for a wide range of health issues. The key objective is to ensure that high-need adolescents access free medical and nursing services in a youth-friendly environment and that the activities of the health professionals are co-ordinated and effectively targeted.

Maori Health

There was additional investment in Maori Health, including Maori mental health, asthma/respiratory services and smoking cessation.

The Te Awakairangi Hauora Board was established to work in partnership with the DHB in order to better promote and deliver improved Maori health.

A second Maori PHO 'Tamaiti Whangai' was established as part of the PHO development within Lower Hutt.

The Maori health plan, which was planned to be completed in the 2004/2005 financial year, was delayed, but is now well underway with extensive engagement with the Maori community.

New initiatives included new services funded to improve Maori immunisation, asthma service development, a Maori mental health smoking cessation programme, a cardiovascular/diabetes risk assessment programme and a Rangatahi smoking cessation programme.

Older People

Responsibility for the funding of Aged Residential Care contracts was devolved by the Ministry of Health to DHBs on 1 October 2003. This is a significant responsibility for the DHB and one with many challenges.

The Hutt Valley Older Persons Service Plan was completed during the year. The key emphasis of the plan is to provide services which provide the support people require to be able to age in their communities for as long as possible.

In line with the recommendations contained in the Older Persons Plan, a number of older persons' services were put in place, including an equipment catch up programme to deal with a waiting list for people to be assessed to see what equipment they need to be able to live safely in their homes. As well, towards the end of the year, a pilot falls prevention programme began.

The Board approved a web-based service directory for older people, in response to feedback that one of the biggest problems for older people and their families was access to information on services available to them. The directory, www.agewell.co.nz, has now been launched.

Young People

Four school health clinics were opened by the Minister of Health, Annette King. The clinics, at Wainuiomata, Taita, Naenae and St Bernard's secondary schools, offer dedicated primary health services to the schools' students, including regular GP and nurse-led clinics. The contract to operate them lies with Youth Health Services, with input from Regional Public Health and local GPs. They provide a level of access to youth health services never seen before in the Valley and they have been strongly supported by the schools.

Access was also the key issue with the establishment of a Youth Health Service outreach centre in Upper Hutt. Extra funding was provided to the youth health service in order to open the regular outreach centre – something the Upper Hutt community had been looking for.

An outreach immunisation service aimed at improving immunisation rates of high-need groups was launched and has shown early success.

Other developments included establishing a youth health steering group and a maternity services steering group, as well as a service directory for youth services.

Mental Health

A number of innovative mental health programmes were established, including smoking cessation services for mental health consumers, adventure therapy for young people, a transitional employment programme and flexible packages of care for older persons with mental illness.

Diabetes

Diabetes is one of the key health issues in the Hutt Valley. The review of diabetes services was completed and the phased implementation of all the key findings in the report was completed. This included additional community-based diabetes nurses for Maori and Pacific Peoples, counselling services for young people and additional podiatry services.

Intersectoral Relationships

Intersectoral relationships are important in building co-ordinated services which benefit the health status of Hutt Valley people. A number of intersectoral relationships and joint projects were established during the year, including a Healthy Housing Index with Otago University's Wellington School of Medicine. There was also close association with both Hutt City Council and Upper Hutt City Council in establishing Primary Health Organisations.

Palliative Care

A palliative care pilot was established. The pilot co-ordinates and educates providers on palliative care services and best practice.

Oral Health

The Board committed to an oral health low-income pilot in Wainuiomata. The community-based clinic is intended to provide access to dental care for low-income adults. It will be operated in association with the local PHO and will be staffed by the DHB's community dental service. Construction of the clinic facilities is under way and it is expected that the clinic will be operating by the end of 2004.

Cardiac Care

Hutt Hospital's cardiology department, local GPs and community providers have been working together with planning and funding to establish improved access to preventative care. The group established a cardiac continuum of care that will see the purchase of nurse visits for people with hypertension, and GP visits for people repeatedly discharged from cardiology. The Minister of Health, Annette King, launched the programme.

Bug Parade

The Bug Parade is an event unique to Hutt Valley DHB. It is run each October during Infection Control Week and is used by the DHB's Infection Control team of Maureen Rawson and Wendy Wilkinson as a fun way to highlight and focus staff on the issues around controlling infection.

Staff respond – there is standing room only for the event, which features musical and acting performances from teams from throughout the DHB, depicting the threats posed by different 'bugs'.

Such has been the success of the parade, Maureen and Wendy were finalists for the 2004 New Zealand Health Innovation Awards.

Healthcare **Provision**

Surgical Services

Surgical services dealt with a 7.2% increase in total operations and a 4.7% increase in outpatient attendances during the year. Most important was the 20.8% increase in acute surgery which put pressure on surgical services to maintain elective surgery targets.

While there was a decrease in the number of elective operations performed, at 3,405 compared to 3584 in the previous year, our staff worked hard to ensure that contract volumes were met for the year. This involved a concerted effort on behalf of surgical teams towards the end of the financial year. There was also a considerable focus on reducing the numbers of people waiting longer than six months for their surgery after having been given certainty of treatment.

In addition, the mobile surgical unit was contracted from October 2003 to make monthly visits to Hutt Hospital, which provided extra facilities for the hospital. This proved very successful.

While waiting lists have increased they remain at manageable levels. Gynaecological surgery continues to be contracted out to the neighbouring private Boulcott Hospital. There continues to be a waiting list for gynaecological surgery but it is in line with other comparable surgical waiting lists.

A second surgeon was appointed to our ear, nose and throat (ENT) department during the year and that allowed the department to, with a lot of effort, address a backlog of people waiting for their first specialist assessment. The department also supported the introduction of a mobile Ear Van service in the Hutt Valley, which should improve access to services.

Hutt Valley's surgical services continue to develop close relations with Wairarapa DHB. During the year, plastics and burns surgeons began outpatient clinics at Masterton Hospital and general surgery helped provide out of hours emergency cover. Both these relationships are expected to grow.

In February the regional plastics unit hosted many of the world's leading specialists in birthmark treatment and research at the International Congress on Vascular Anomalies, the first time the congress had been held in the Southern Hemisphere. This was a sign of the international reputation the unit now has, both for its treatment and for its research work.

Medical

The service continues to manage increasing acute demand in volume and patient illness.

This year there have been significant changes to staffing.

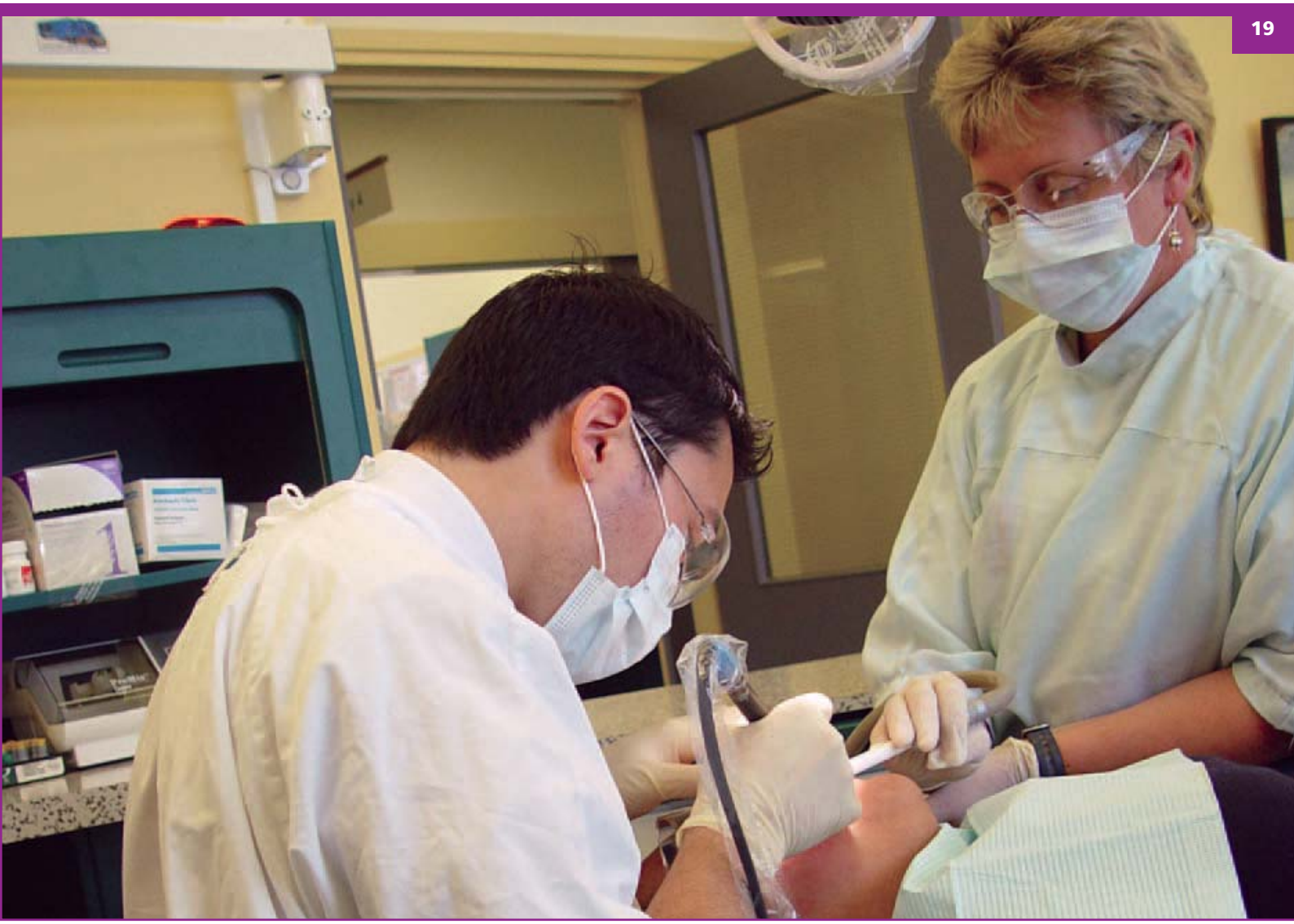
The service has a high new graduate ratio (30%) and service-specific clinical competencies have been developed by the service educator to ensure new staff at all levels are given a clinical framework to guide and support them in their roles. These clinical competencies link directly into the organisational clinical career pathway.

For the fourth year in a row the medical registrars sitting Royal Australasian College of Physicians Fellowship exams have been 100% successful. This is unprecedented in New Zealand.

The waiting list for gastroenterology patients continues to be maintained at manageable levels, despite continuing increases in demand.

Cardiology has continued to be affected by the absence of one cardiologist – the other three have worked unceasingly to provide a continued high level of service. In addition the cardiology department worked closely with GPs, the planning and funding division and community representatives in order to establish the cardiac continuum of care (for more detail see Healthcare Planning and Funding).

One of the most significant developments in medical services over the last two years has been the commencement of nurse-led respiratory clinics. These clinics have eliminated waiting lists for first specialist assessments which had previously meant patients waiting as long as two years. The throughput of patients has been increased four-fold and the innovation was honoured at the national Health Innovation Awards with a commendation.



Emergency Department

Presentations to the department continued to increase in number and complexity – 31,741 compared to 30,235 the previous year, a 5% increase.

The department, while coping well, underwent a major external review during the year, which showed that it was significantly undersized and required more nursing, medical and administrative staffing.

The DHB's Board accepted the review recommendations and work has already commenced on increasing staff numbers, changing the staff mix to provide more senior staff and on planning the required expansion and changes in relationships with other departments in the hospital.

Hutt Hospital's first specialist emergency physician had already been recruited prior to the review and his input has been invaluable in beginning to implement the recommendations. Recruitment of a second specialist is now under way. Planning is also under way to achieve Australasian College of Emergency Medicine accreditation as a training department, which will enable the service to attract junior medical staff on the emergency medicine training programme.

Nursing numbers have already been increased and further recruitment is under way.

Quality

During the year the DHB's provider arm underwent reaccreditation by Quality Health New Zealand and certification with the Ministry of Health. This was a successful process and highly encouraging for staff, who saw their hard work to improve quality being recognised. The accreditation team was very complimentary of the improvements made by Hutt Valley DHB since the previous accreditation survey.

Nursing

The year has been very productive for nurses across Hutt Valley District Health Board.

The Nursing Development Unit has focused on supporting practice and practitioners. This has included the development and support of innovative new nursing roles, such as the ear nurse specialist and lymphedema nurse specialist.

Hutt nurses have created a national reputation for excellence in clinical practice and are increasingly presenting papers at national and international conferences and are involved in research and providing consultancy to external organisations. A number of nurses have received national awards, research funding and have been successful in publishing papers and books.

During the year the DHB celebrated a decade of the Clinical Career Pathway framework and transition to the Professional Development Recognition Programme (PDRP), which is transferable across the DHB. The benefits of such a programme include minimising clinical risk through nurses' education, development and the monitoring of competence.

Quality and Magnet Champions merged to form one team. Documentation collection and preparation for submission to the American Nurses Credentialing Centre is well under way.

Nurses throughout the DHB are able to participate in decision-making in the key areas of practice, education, research and administration. Of significance are the Models of Care that have been developed both within the hospital and primary health settings. The emergence of PHOs has given new opportunities for nursing to contribute. Nursing now participates in Governance within the newly formed PHOs and will be involved in the Interim Clinical Board being set up by the DHB during the 2004/2005 financial year.

Hutt Valley DHB is leading the development of a national Clinical Indicator framework. To date national benchmarking of patient outcomes has not occurred in the context of nursing sensitive quality indicators. Clinical Indicators enable quantitative data collection for both clinicians and the organisation in order to measure the safety and quality outcomes of patient care. This information is vital for developing policy, advancing the nursing profession and evaluating health care quality.

Mental Health

Mental health services continued on a path of workforce development and quality improvement, and commenced a project to further develop inpatient facilities.

Recruitment began for a psychiatrist and other health professionals specialising in the care of older people as well as for a liaison nurse to better co-ordinate mental health services with Hutt Hospital's medical and surgical inpatient services. These positions were filled after the 30 June 2004 balance date.

Those positions are critical in the development of packages of care for consumers over the age of 65 years, signalled in last year's Annual Report.

During the year a project for working with children of parents with mental illness was developed.

Alterations to the acute inpatient unit improved client visibility, recreational space and security, and planning work began on an upgrade to the intensive care unit to provide better client and staff facilities.

Community Dental

The Community Dental Service (School Dental Service and Hospital Dental Department) had another challenging year.

Professional development of staff was a particular theme, in preparation for the first ever professional registration of dental therapists, under the Health Practitioners Competence Assurance Act, which was due to take effect on 18 September 2004.

Hutt Valley DHB instigated the re-establishment of the Wellington branch of the New Zealand Dental Therapists' Association and facilitated its launch at an annual conference and training day at Hutt Hospital in August 2003.

The professional recognition of dental therapists, along with a newly instigated career pathway for therapists at Hutt Valley DHB and credentialing of the dental department in May 2004, augurs well for the profession's future.

Nurse Led Respiratory Clinics

Hutt Hospital's Respiratory Services had a backlog in respiratory referrals of up to two years, no respiratory physician and were in desperate need of a solution. Thanks to a restructure and patient pre-assessment by a specialist nurse that enables efficient use of limited doctor-led clinics, the hospital now has no waiting list and is providing a greatly improved service.

Before 2000, Hutt Hospital had a physician-led respiratory service, providing four clinics a week. Its one-year to two-year waiting list consisted predominantly of Chronic Obstructive Airways Disease (COPD) patients awaiting assessment. Many of these patients could not afford to travel to Wellington Hospital. After the resignation of the respiratory physician, a suitable replacement could not be found.

An initial pilot was developed and launched by general physician Iwona Stolarek in which a respiratory project nurse pre-assessed and reviewed wait-listed patients.

Dr Stolarek supervised and reviewed all assessments and results, provided medical advice to GPs on their patients and ran two formal medical clinics a week for respiratory patients. Gradually the waiting list decreased and GPs began to refer more and more patients.

Three years on, there are three part-time nurses providing assessment and education clinics in hospital wards, outpatient clinics and patients' homes.

The assessment clinics provide immediate access to diagnostic tools such as blood tests, chest X-rays and scans, allowing for quicker diagnosis and more timely management.

This initiative was one of just seven from throughout New Zealand to receive an award at the 2004 Health Innovation Awards.

The School Dental Service provides a regional service improving the oral health of children in the Hutt Valley, Wellington, Porirua and Kapiti regions. While the developments outlined above are positive, long-standing national shortages of dental therapists have continued to make it difficult for the service to deliver care in a timely fashion.

As one step in addressing this issue long term, Hutt Valley DHB for the first time this year offered scholarships to young people wishing to train as dental therapists.

There was a strong response and the first three people to receive the scholarships are now at Otago University, completing their first year of study.

In the meantime, the DHB is undertaking further in-depth analysis of the issue, in order to commence remedial action to deal with the backlog of children during the 2004/2005 financial year.

As well, work began on the review of all school dental clinic facilities in the greater Wellington area. This is part of a national review being supervised by the Ministry of Health, with the intention of ensuring school-based facilities meet modern requirements.

Community Health Service

The Community Health Service provides acute and chronic nursing services, and home support services to people in the community. Referrals are received from both hospital and community settings.

The Service works closely with hospital multidisciplinary teams towards enhancing early hospital discharge, and also works in conjunction with GPs to provide an option of primary nursing care and support to assist in prevention of hospital admission.

Development of closer links within the primary sector is evident as Primary Health Organisations become more established. Consultative advice is regularly sought by rest homes and private providers, especially in the areas of wound care and continence management.

The establishment of a nurse-led ulcer clinic utilising the skills of the Wound Care Specialist Nurse has proved very successful. Wound care pathways have been developed to improve management of patients with chronic wounds to gain the best outcome.

Regional Public Health

Regional Public Health provides services in three District Health Board areas – Hutt Valley, Capital & Coast, and Wairarapa.

Health Promotion

The health promotion programme continues to be involved in a range of community and intersector projects but during the year there was also a significant strategic change through the establishment and enhancement of a social environments team. This team is focused on reducing inequalities by looking at the various environmental and social determinants that relate to health. The team is linking closely with local authorities, Primary Health Organisations and cross-sector groups.

Of particular focus in the last year has been the effect of housing standards on health status.

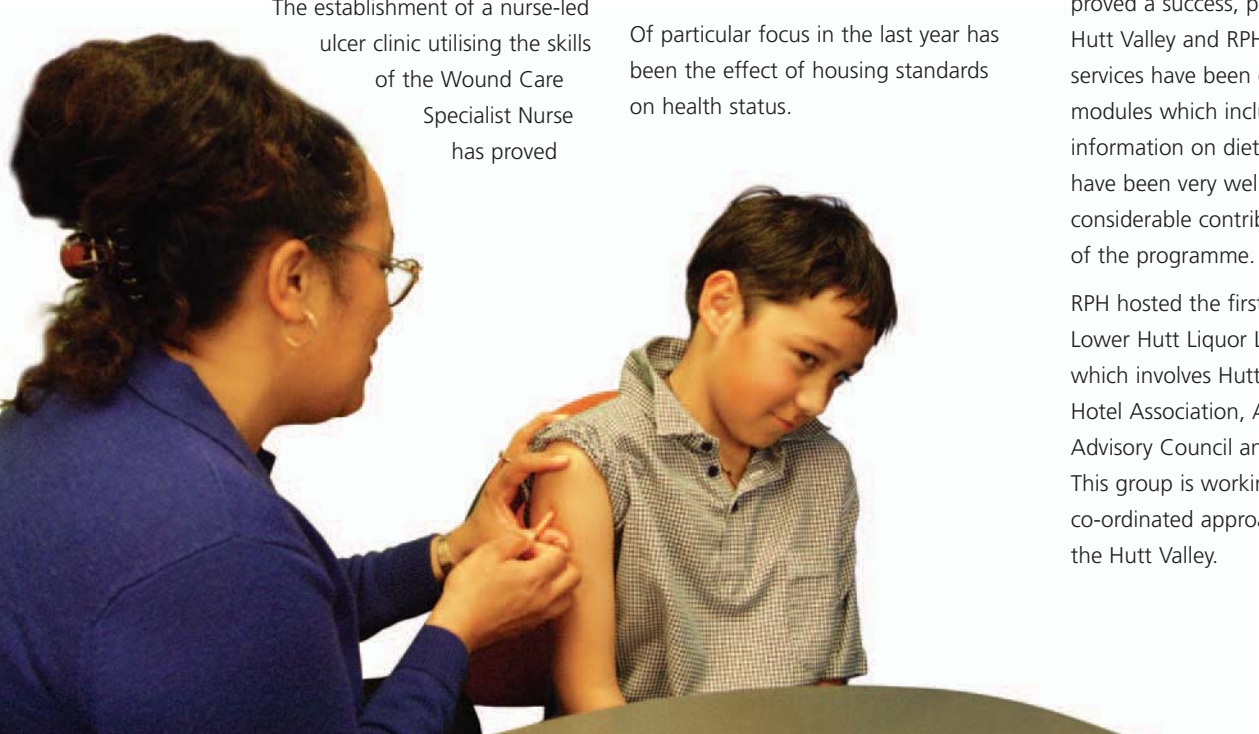
RPH in association with planning and funding has worked with Otago University, Wellington and other sectoral groups to progress a healthy housing index project, currently under way.

Primary Health Organisations have continued to develop in the region, with significant development in the Hutt Valley over the last year through the establishment of five new PHOs. RPH continues to build relationships with the 11 PHOs in the wider region and assist in the development of health promotion plans.

A mass hikoi and celebration hui were combined this year to form Auahi Kore Mass Hikoi celebrations. This was a significant event in the continued promotion of hikoi as a tool towards improved health and fitness in the Maori community.

The Lifestyle Pacifika programme has proved a success, particularly in the Hutt Valley and RPH's Pacific health services have been delivering 12-week modules which include advice and information on diet and foods. These have been very well received and a considerable contributor to the success of the programme.

RPH hosted the first meeting of the Lower Hutt Liquor Liaison Group, which involves Hutt City Council, police, Hotel Association, Alcohol and Liquor Advisory Council and fire service staff. This group is working to develop a co-ordinated approach to alcohol in the Hutt Valley.



School Health

Regional Public Health's (RPH) development of the school-based vaccination system continued this year. In association with private IT company Simpl, RPH was successful in gaining the Ministry of Health contract to introduce the database system nationally. This is a fundamental part of the programme to introduce the Meningococcal B vaccine throughout the country.

One of the biggest events of the year was the launch of the long-awaited ear van for the Hutt Valley. The van is operated by an ear nurse and has a regular circuit throughout the Valley. It is already proving successful in reaching children with hearing problems. The van was introduced through the co-operation of the Hutt Valley DHB's planning and funding and ear, nose and throat (ENT) departments with RPH and offers a significant step forward in hearing services for young people. With Hutt Hospital's ENT department having a significant waiting list for initial assessments by a specialist, the ear van offers much improved access to hearing services for pre-school and school-aged children.

RPH worked closely with planning and funding and the Hutt Valley Youth Health Service in providing school nurse clinics for the dedicated youth health services introduced to four high-needs secondary schools in the Hutt Valley. The youth health clinics, which provide both GP and nursing support to the schools, are a key component in the preventative health strategy for young people in the Valley.

Health Protection

Meningococcal disease continued to be an issue in the Wellington region. There was considerable public concern after four deaths close together in early spring 2003. There was also an unusual aspect in Wellington, in that there was a higher percentage of young adults affected, as opposed to younger children.

RPH has been preparing for the introduction of new drinking-water legislation and this has led to the service being recognised as a centre of excellence in this area. RPH is progressively taking a national leadership role with respect to the implementation of a new drinking-water regulatory framework.

Community Health Excellence Awards

Each year the Hutt Valley DHB holds awards for community-based health professionals in the Legislative Chambers, Parliament Buildings. The awards highlight the excellent work being done in the community by dedicated health professionals. They recognise both excellence and innovation and are hosted by the Minister of Health, Annette King.

In 2004 the awards were extended from 'Primary Health' awards, focusing mainly on General Practice, to 'Community Health' awards. They retained that focus on General Practice, but also brought in all the many other providers of community-based health services.

The Practitioner of the Year award went to two people individually – Mere Te Paki, a community health worker with Hutt Union and Community Health, and Dr David Young, a Naenae GP and Chair of Mid-Valley Access PHO.

The Team of the Year award went to Aukati Kai Paipa smoking cessation services who have achieved high quit rates by national and international standards.

Hutt Valley District Health Board	2001/02	2002/03	2003/04	2003/04 -2002/03 Var %
Inpatient discharges	16,724	16,797	17,571	4.6
Daycase discharges	7,771	8,689	9,364	7.8
Total discharges (incl newborns)	24,495	25,486	26,935	5.7
Discharges per Day	67.1	69.8	73.8	5.7
Available bed days (incl cots)	91,250	91,615	91,615	0.0
Occupied bed days	77,745	76,159	78,876	3.6
Average occupancy	85.2%	83.1%	86.1%	3.6
Inpatient operations	4,706	4,612	5,012	8.7
Daypatient operations	1,997	2,159	2,244	3.9
Total operations (theatre cases)	6,703	6,771	7,256	7.2
Elective operations	3,467	3,584	3,405	-5.0
Acute operations	3,236	3,187	3,851	20.8
Total operations (theatre cases)	6,703	6,771	7,256	7.2
Inpatient Waiting list total at 30 June	907	1,047	1,263	20.6
Outpatient Attendances				
– Surgical	43,262	44,165	46,255	4.7
– Medical	16,130	17,203	17,754	3.2
– Paediatric	4,366	4,463	4,249	-4.8
Emergency Department				
– First attendances	29,439	29,188	30,748	5.3
– Total attendances	30,851	30,234	31,741	5.0
Community Contacts				
Community contacts – district nursing	36,652	36,625	34,893	-4.7
Births – Hutt Hospital	2,061	1,866	1,979	6.1
Radiology examinations	46,853	46,462	48,461	4.3
Laboratory tests performed	643,678	638,458	621,398	-2.7

Financial Report

For the year ended 30 June 2004

Statement of **Accounting Policies**

For the year ended 30 June 2004

Reporting Entity

Hutt Valley District Health Board was established on 1 January 2001 following the enactment of the New Zealand Public Health and Disability Act 2000. Under the New Zealand Public Health and Disability Act 2000 the assets and liabilities of Hutt Valley Health Corporation Limited were vested in Hutt Valley District Health Board. The Board's operations combine the functions of the predecessor entity and some of the functions previously performed by the Health Funding Authority.

General Accounting Policies

Hutt Valley District Health Board is a crown entity in terms of the Public Finance Act 1989 and the New Zealand Public Health and Disability Act 2000. These financial statements have been prepared in accordance with the requirements of the New Zealand Public Health and Disability Act 2000 and the Public Finance Act 1989.

Particular Accounting Policies

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

Budgets

The budget figures are those presented in the Statement of Intent that was approved by the Minister of Health. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Hutt Valley District Health Board in the preparation of the financial statements.

Leases

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to Hutt Valley District Health Board, are classified as finance leases. Where assets are acquired by finance leases, the lower of the present value of the minimum lease payments and fair value is recognised as an asset at the beginning of the lease term and depreciated on the same basis as equivalent fixed assets. A corresponding liability is also established and each lease payment is allocated between the liability and interest expense.

The Hutt Valley District Health Board leases were reviewed during the year with the result that some have been determined to be finance leases. In accordance with SSAP-18 *Accounting For Leases And Hire Purchase Contracts*, the present value of future lease payments as at 30 June 2004 has been recognised as a liability and an equivalent amount, representing the future service potential arising from the use of the equipment, has been recognised as an asset. The Board's liability in respect of future lease payments was previously included in the Statement of Commitments. As the recognition was effected as at 30 June 2004, the total rental payments for the year have been recognised in the Statement of Financial Performance and have not been apportioned between the principle and finance charge elements.

Under the Public Finance Act, entering into financing lease arrangements is deemed to be raising a loan, which requires the approval of the Minister of Finance. The Board has received the Minister's approval for these leases.

The Board has recognised assets rented under finance lease arrangements for the first time as at 30 June 2004. Accordingly, there is no depreciation charge for this financial year. The Board's liability in respect of future lease payments is disclosed in Note 8.

Operating leases

Operating lease payments, where lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

Investments

Investments are stated at the lower of cost and net realisable value.

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, it is recognised as part of the related asset or expense.

Employee Entitlements

Provision is made for annual leave, long service leave, retirement gratuities, parental leave and senior medical officers' allowances for conference leave and reimbursement of expenses.

Annual leave and parental leave are calculated on an actual entitlement basis at current rates of pay. Conference leave and expenses reimbursement allowances are calculated on an actual entitlement basis per the senior medical officers' employment contract. Other provisions are calculated on an actuarial basis utilising current rates of pay.

Statement of **Accounting Policies**

For the year ended 30 June 2004

Accounts Receivable

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

Inventories

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

Obsolete inventories are written off.

Fixed Assets

Fixed assets were vested in Hutt Valley District Health Board from Hutt Valley Health Corporation Limited on 1 January 2001. These assets were recorded at the initial cost incurred by Hutt Valley Health Corporation Limited.

Fixed assets, other than land and buildings, acquired by the Board subsequent to its establishment, are recorded at cost less accumulated depreciation. Cost includes all appropriate costs of acquisition and installation including materials, labour, direct overheads and transport costs.

Land and buildings, including site improvements, are revalued every five years to their fair value as determined by an independent registered valuer to their highest and best use. Additions between valuations are 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.

Depreciation of Fixed Assets

Depreciation is provided on a straight-line basis on all tangible fixed assets other than freehold land and site improvements, at rates, which will write off the cost of the assets, less their estimated residual value, over their useful lives.

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

Asset Class	Useful Life	Associated Depreciation Rates
Building structure	15-65 years	1.5%-6.7%
Building fitout and services	3-40 years	2.5%-33.3%
Plant and equipment	1-15 years	6.7%-100%
Motor vehicles	5 years	20%
Computer equipment	1-5 years	20%-100%
Leased assets	6.5 - 8 years	12.5%-15.4%

Gains and losses on disposal of fixed assets are taken into account in determining the net operating surplus/(deficit) for the period.

Capital work in progress is not depreciated. The total cost of a project is transferred to a fixed asset category on its completion and is then depreciated.

Properties Intended for Sale

Properties intended for sale are valued at the lower of cost and net realisable value and are classified as a current asset where the intention is for the property to be sold within the next financial year.

Taxation

Hutt Valley DHB 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.

Trust and Bequest Funds

Donations and bequests received are treated as revenue on receipt in the statement of financial performance, except where the restrictive conditions are such that the Board has a liability to the donor.

Cost of Services Statements

The cost of services statements report the net cost of services provided by each significant activity. The net cost is the significant activity's cost of providing the service, less revenue collected by the activity.

Cost Allocation

The net cost of service for each significant activity has been arrived at using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to output classes. Indirect costs are charged to output classes based on cost drivers and related activity/usage information.

Criteria for direct and indirect costs

Direct costs are those costs directly attributable to an output class. Indirect costs are those costs which cannot be identified in an economically feasible manner with a specific output class.

Statement of **Accounting Policies**

For the year ended 30 June 2004

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 full time equivalent staff numbers, staff head count numbers and floor space used.

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, net of bank loan facilities.

Operating activities include all transactions and other events that are not investing or financing activities.

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.

Financial Instruments

Hutt Valley District Health Board is risk averse and seeks to minimise exposure arising from its treasury activity. The Board is not authorised by its treasury management policy to enter into any transaction that is speculative in nature.

Financial instruments reflected in the statement of financial position include cash and bank balances, receivables, trade creditors and borrowings. These instruments are, generally, carried at their estimated fair value. For example, receivables are carried net of the estimated doubtful receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Changes in Accounting Policies

There have been no changes in accounting policies adopted and all policies have been applied on a basis consistent with the previous period.

Statement of **Financial Performance**

For the year ended 30 June 2004

	Notes	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Operating income		258,177	237,274	179,063
Total Expenses		(243,398)	(218,402)	(166,001)
Operating Surplus before Depreciation, Capital Charge and Interest		**14,779**	**18,872**	**13,062**
Gain on sale of assets		743	0	392
Depreciation	1	(6,661)	(8,990)	(7,237)
Capital charge		(7,405)	(8,203)	(4,406)
Interest expense	1	(1,226)	(1,288)	(1,246)
Net Operating (Deficit)/Surplus		**230**	**391**	**565**

Supplementary Information

The following table shows the consolidation of the cost of service statements for each output class including the elimination of internal ttransactions.

	June 2004 Provider $000	June 2004 Governance $000	June 2004 Fund $000	June 2004 Elimination $000	June 2004 Consolidated $000
Operating income	124,391	2,413	228,215	(96,842)	258,177
Operating expenses	(110,954)	(2,157)	(227,129)	96,842	(243,398)
Operating Surplus before Depreciation, Capital Charge and Interest	**13,437**	**256**	**1,086**	**0**	**14,779**
Gain on sale of assets	743	0	0	0	743
Depreciation	(6,659)	(2)	0	0	(6,661)
Capital charge	(7,405)	0	0	0	(7,405)
Interest expense	(1,226)	0	0	0	(1,226)
Net Operating (Deficit)/Surplus	**(1,110)**	**254**	**1,086**	**0**	**230**
Reconciliation to Retained Earnings					
Opening balance	(1,505)	(96)	661	0	(940)
Net operating (deficit)/surplus for the year	(1,110)	254	1,086	0	230
Closing Balance	**(2,615)**	**158**	**1,747**	**0**	**(710)**

The accompanying notes and accounting policies on pages 34 to 54 and 26 to 28 form an integral part of these financial statements.

Statement of **Movements in Equity**

For the year ended 30 June 2004

	Notes	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Net Surplus For The Year		**230**	**391**	**565**
Other recognised revenues and expenses				
Repayment of Equity		(13,000)	0	0
Increase in revaluation reserves	2,9	0	0	34,041
Total recognised revenues and expenses for the year		**(12,770)**	**391**	**34,606**
Equity at beginning of the year		74,228	75,733	39,622
Total Equity At The End Of The Year		**61,458**	**76,124**	**74,228**

The accompanying notes and accounting policies on pages 34 to 54 and 26 to 28 form an integral part of these financial statements.

Statement of **Financial Position**

For the year ended 30 June 2004

	Notes	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Equity				
Crown equity	2	28,127	41,127	41,127
Revaluation reserves	2	34,041	35,161	34,041
Retained earnings	2	(710)	(164)	(940)
Total Equity		**61,458**	**76,124**	**74,228**
Represented by:				
Current Assets				
Bank in funds		9,413	16,438	15,740
Receivables and prepayments	3	10,003	12,106	5,280
Inventories	4	862	935	766
Properties intended for sale	9	0	0	1,109
Total Current Assets		**20,278**	**29,479**	**22,895**
Current Liabilities				
Payables and accruals	5	30,079	26,125	20,521
Employee entitlements and provisions	6	7,687	6,089	7,138
Borrowings	7	130	49	100
Total Current Liabilities		**37,896**	**32,263**	**27,759**
Net Working Capital Deficit		**(17,618)**	**(2,784)**	**(4,864)**
Non Current Assets				
Fixed assets	9	99,757	100,069	100,220
Trust and bequest funds	11	601	567	537
Total Non Current Assets		**100,358**	**100,636**	**100,757**
Non Current Liabilities				
Employee entitlements and provisions	6	1,548	2,161	2,128
Borrowings	7	19,133	19,000	19,000
Trust and bequest funds	11	601	567	537
Total Non Current Liabilities		**21,282**	**21,728**	**21,665**
NET ASSETS		**61,458**	**76,124**	**74,228**

For, and on behalf of, the Board

Board Member Board Member 28 October, 2004

The accompanying notes and accounting policies on pages 34 to 54 and 26 to 28 form an integral part of these financial statements.

Statement of **Cash Flows**

For the year ended 30 June 2004

	Notes	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Cashflows from Operating Activities				
Cash was provided from:				
Cash receipts		252,566	232,522	185,717
Interest received		888	614	745
		253,454	**233,136**	**186,462**
Cash was disbursed to:				
Payments to providers		117,712	109,582	57,686
Payments to suppliers & employees		116,124	104,057	104,563
Net goods and services tax paid		757	716	168
Interest paid		1,219	1,287	1,565
Capital charge paid		6,786	7,252	4,415
		242,598	**222,894**	**168,397**
Net Cash Inflow from Operating Activities		**10,856**	**10,242**	**18,065**
Cashflows from Investing Activities				
Cash was provided from:				
Proceeds from sale of assets		2,117	0	846
Realisation of trust funds		0	0	0
		2,117	**0**	**846**
Cash was applied to:				
Increase in investments and Trust Funds		0	0	0
Purchase of fixed assets		6,300	6,006	4,836
		6,300	**6,006**	**4,836**
Net Cash Outflow from Investing Activities		**(4,183)**	**(6,006)**	**(3,990)**
Cashflows from Financing Activities				
Cash was provided from:				
Loans raised		0	0	19,000
		0	**0**	**19,000**
Cash was applied to:				
Repayment of Equity		13,000	0	0
Repayment of loans		0	312	19,261
		13,000	**312**	**19,261**
Net Cash Outflow from Financing Activities		**(13,000)**	**(312)**	**(261)**
Net Increase/(Decrease) in Cash Held		**(6,327)**	**3,924**	**13,814**
Add opening cash		15,740	12,514	1,926
Ending Cash Carried Forward		**9,413**	**16,438**	**15,740**
Cash balances in the Statement of Financial Position:				
Bank in funds		9,413	16,438	15,740
Ending Cash Carried Forward		**9,413**	**16,438**	**15,740**

The accompanying notes and accounting policies on pages 34 to 54 and 26 to 28 form an integral part of these financial statements.

Statement of **Cash Flows**

For the year ended 30 June 2004

	Notes	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Reconciliation of Net Operating Surplus with Net Cash Inflow From Operating Activities				
Net operating surplus		230	391	565
Add back non-cash items:				
Depreciation		6,661	8,990	7,237
Increase/(decrease) in Employee entitlements		(31)	(1,016)	213
Total Non-cash Items		**6,630**	**7,974**	**7,450**
Add/(subtract) items classified as investment activity:				
Net gain on sale of assets		(743)	0	(392)
Total Investing Activity		**(743)**	**0**	**(392)**
Movements in working capital:				
Decrease/(increase) in receivables and prepayments		(4,723)	(6,826)	7,901
(Increase)/decrease in inventories		(96)	(169)	(62)
(Decrease)/increase in capital charge payable		609	776	(9)
Increase/(decrease) in payables and accruals		8,949	8,096	2,612
Total Net Working Capital Movement		**4,739**	**1,877**	**10,442**
Net Cash Inflow from Operating Activities		**10,856**	**10,242**	**18,065**

The accompanying notes and accounting policies on pages 34 to 54 and 26 to 28 form an integral part of these financial statements.

Notes to the **Financial Statements**

For the year ended 30 June 2004

1. Net Operating Surplus

	Year to June 2004 $000	Year to June 2003 $000
Operating Surplus After Crediting Revenue		
Interest income	888	745
Net gain on sale of fixed assets	743	392
After charging expenses:		
Fees paid to external auditors:		
Audit fees	68	68
Other services	0	0
Board and Committee member fees	269	275
Rental and operating lease costs	1,009	1,648
Bad debts – movement in provision	(128)	27
Bad debts written off	97	61
Depreciation		
Building Structure	1,172	689
Building Services & Fitout	1,513	2,671
Plant & Equipment	2,451	2,277
Motor Vehicles	53	37
Computer Equipment	1,342	1,347
Leased Plant & Equipment	130	216
Total Depreciation	**6,661**	**7,237**
Interest expense		
Crown Financing Agency	1,219	668
BNZ	2	555
Finance leases	5	23
Total Interest Expense	**1,226**	**1,246**

Notes to the **Financial Statements**

For the year ended 30 June 2004

	Year to June 2004 $000	Year to June 2003 $000
2. Equity		
a) Crown Equity		
Opening balance	41,127	41,127
Equity Repayment	13,000	0
Closing Balance	**28,127**	**41,127**
b) Revaluation Reserves		
Land		
Opening balance	5,239	0
Revaluation	0	5,239
Closing Balance	**5,239**	**5,239**
Buildings		
Opening balance	28,802	0
Revaluation	0	28,802
Closing Balance	**28,802**	**28,802**
Total Revaluation Reserves	**34,041**	**34,041**
c) Retained Earnings		
Opening balance	(940)	(1,505)
Net operating surplus/(deficit)	230	565
Closing Balance	**(710)**	**(940)**
Total Equity	**61,458**	**74,228**

Mental Health Ring Fence

For the year ended 30 June 2004

Hutt Valley District Health Board is required by its Crown Funding Agreement to ensure Mental Health funding is used to provide Mental Health Services. Included in the Fund accumulated funds of $1,747 million is $371,000 that is required to be used for future mental health service provision.

Notes to the **Financial Statements**

For the year ended 30 June 2004

	Year to June 2004 $000	Year to June 2003 $000
3. Receivables and Prepayments		
Trade debtors	9,540	4,968
Provision for doubtful debts	(190)	(319)
	9,350	**4,649**
Prepayments	653	631
	10,003	**5,280**
4. Inventories		
Pharmaceuticals	103	117
Surgical and medical supplies	769	669
	872	**786**
Provision for obsolescence	(10)	(20)
	862	**766**

Certain inventories are subject to retention of title (Romalpa clauses). The value of inventories subject to such clauses cannot be quantified due to inherent difficulties in identifying the specific inventories affected at year end.

5. Payables and Accruals		
Trade creditors	21,415	13,686
Accrued expenses	4,603	4,630
GST and other taxes payable	1,481	716
	27,499	**19,032**
Capital charge payable to shareholders	1,739	1,130
Fixed assets payable	841	359
	30,079	**20,521**
6. Employee Entitlements and Provisions		
Annual Leave	6,038	5,596
Long Service Leave	478	374
Retirement Gratuities	1,338	1,385
Other Employee Provisions	1,381	1,911
	9,235	**9,266**
Made up of:		
Current	7,687	7,138
Non-Current	1,548	2,128
	9,235	**9,266**

Notes to the **Financial Statements**

For the year ended 30 June 2004

	Year to June 2004 $000	Year to June 2003 $000
7. Borrowings		
Crown Financing Agency	19,000	19,000
Finance leases	263	100
	19,263	**19,100**
Loans are repayable as follows:		
Current *(payable to 30 June 2005)*	0	0
One to two years *(payable to 30 June 2006)*	0	0
Two to five years *(payable subsequent to 30 June 2006)*	19,000	19,000
	19,000	**19,000**
Finance leases are repayable as follows:		
Current *(payable to 30 June 2005)*	130	100
One to two years *(payable to 30 June 2006)*	102	0
Two to five years *(payable subsequent to 30 June 2006)*	31	0
	263	**100**
Total current portion of loans	130	100
Total non-current portion of loans	19,133	19,000
Total Loans	**19,263**	**19,100**
Interest rates per annum:	%	%
Crown Financing Agency Loan	6.4	6.4
Finance leases	8.5 to 11.0	8.5 to 11.0
Line of credit restricted access		
Bank loan facilities	4,000	4,000
Used at balance date:	0	0
Unused at Balance Date	**4,000**	**4,000**

Borrowings are net of finance charges.

The $19 million on loan from the Crown Financing Agency (CFA) was drawn down on 10 December 2002 and the $19 million on loan from the BNZ was repaid on the same day. The loan from the CFA is repayable on 31 December 2007.

A facility with the BNZ of $4 million was available at 30 June 2004 for working capital requirements of which no draw down has been made ($4 million: 30 June 2003).

Subject to the continuance of satisfactory credit ratings the bank loan facility may be drawn at any time. Bank facilities are unsecured. Interest rates on all facilities are fixed for the full term of the facility.

Notes to the **Financial Statements**

For the year ended 30 June 2004

	Year to June 2004 $000	Year to June 2003 $000
8. Leased Assets		
Finance Leases:		
Current	130	100
Non-current	133	0
Total	263	100
Repayable as follows		
One to two years	130	100
Two to five years	133	0
Beyond five years	0	0
	263	100

	Cost $000	Accumulated Depreciation $000	Net Book Value $000
2004			
Leased Assets			
Clinical Equipment	1,471	1,255	216
Office Equipment	204	0	204
	1,675	1,255	420
2003			
Leased Assets			
Clinical Equipment	1,412	1,125	287
	1,412	1,125	287

Notes to the **Financial Statements**

For the year ended 30 June 2004

9. Fixed Assets

	Year to June 2004 $000	Year to June 2003 $000
Freehold land		
At cost	0	0
At valuation	6,760	6,760
Total Freehold Land	**6,760**	**6,760**
Site improvements		
At cost	0	0
At valuation	390	390
Total Site Improvements	**390**	**390**
Building structure		
At cost	419	0
At valuation	55,133	55,133
Accumulated depreciation	(1,152)	0
Total Freehold Buildings	**54,400**	**55,133**
Building services		
At cost	184	0
At valuation	15,062	15,062
Accumulated depreciation	(855)	0
Total Building Services	**14,391**	**15,062**
Building fitout		
At cost	608	322
At valuation	8,437	8,437
Accumulated depreciation	(731)	(107)
Total Building Fitout	**8,314**	**8,652**
Plant & equipment		
At cost	28,784	26,189
Accumulated depreciation	(19,645)	(17,371)
Total Plant & Equipment	**9,139**	**8,818**
Leased assets		
At cost	1,675	1,412
Accumulated depreciation	(1,255)	(1,125)
Total Leased Plant & Equipment	**420**	**287**
Motor vehicles		
At cost	303	270
Accumulated depreciation	(188)	(135)
Total Motor Vehicles	**115**	**135**

Notes to the **Financial Statements**

For the year ended 30 June 2004

	Year to June 2004 $000	Year to June 2003 $000
9. Fixed Assets (continued)		
Computer equipment		
At cost	9,394	8,435
Accumulated depreciation	(6,466)	(5,312)
Total Computer Equipment	**2,928**	**3,123**
Work in progress		
Property assets	1,559	1,102
Plant & equipment	841	359
Computer equipment	500	399
Total Work in Progress	**2,900**	**1,860**
Total Fixed Assets, Leased Assets and Wip	**99,757**	**100,220**

Revaluation

Land and buildings were revalued, in accordance with FRS-3, at 30 June 2003 by CB Richard Ellis, Registered Valuers. The Board Members consider this valuation to be an indication of fair value.

Restrictions

Land is not subject to any restrictions or claims under the Treaty of Waitangi Act 1975.

Properties Intended for Sale

Properties with a net book value (valued at cost less accumulated depreciation) of $ nil ($1,109,000: 30 June 2003) do not form part of the total for fixed assets.

10. Other Investments

Other investments comprise the 16.7% shareholding in Central Region's Technical Advisory Services Limited (CRTAS). CRTAS is a joint venture company incorporated on 6 June 2001 and owned by the six DHBs within the central region.

CRTAS has a total share capital of $600 of which Hutt Valley DHB's share is $100. At balance date all share capital remains uncalled.

Notes to the **Financial Statements**

For the year ended 30 June 2004

11. Trust and Bequest Funds

Hutt Valley DHB receives donations and bequests for specific purposes. If for any reason Hutt Valley DHB is not able to use the funds as specified, then Hutt Valley DHB is obligated to return the donation to the donor. Funds are held in a separate bank account and any interest earned is allocated to the individual trust balances.

	Year to June 2004 $000	Year to June 2003 $000
Opening balance	537	592
Funds received	108	54
Interest received	27	31
Funds disbursed	(71)	(140)
Closing Balance	**601**	**537**

12. Statement of Commitments

The following amounts have been committed to by Hutt Valley DHB but are not recognised in the financial statements.

Operating lease commitments		
Less than one year	1,119	1,176
One to two years	881	1,017
Two to five years	436	1,107
Over five years	0	0
	2,436	**3,300**
Provider funding commitments		
Less than one year	10,964	9,338
One to two years	3,648	3,458
Two to five years	1,732	566
Over five years	0	522
	16,344	**13,884**
Capital commitments		
Less than one year	3,716	3,685
	3,716	**3,685**
Total Commitments	**22,496**	**20,869**

The District Health Board is also obligated to funding significant streams of 'demand-driven' health purchasing expenditure. Commitments of this nature are in place for the purchase of pharmacy, laboratory and GP services. Since this expenditure is 'demand-driven' it is not possible to quantify the obligation in this note.

13. Statement of Contingencies

There are no contingent liabilities as at 30 June 2004 (Nil: 30 June 2003).

Notes to the **Financial Statements**

For the year ended 30 June 2004

14. Segmental Reporting

Hutt Valley DHB provides health and disability support services to the Wellington region. It also provides some specialist health and plastic surgery/burns services for the lower half of the North Island as well as the Nelson and Marlborough region.

Segmental reporting is not applicable.

15. Financial Instruments

Hutt Valley DHB is risk averse and seeks to minimise exposure arising from its treasury activity. Hutt Valley DHB does not enter into any transaction that is speculative in nature.

Hutt Valley DHB has a series of policies providing risk management for interest and currency rates and the concentration of credit.

Interest Rate Risk

Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Hutt Valley DHB has fixed rate borrowings from the Crown Financing Agency and other sources which are used to fund ongoing activities. Hutt Valley DHB policy is to monitor the interest rate exposure with a view to refinancing if appropriate. The interest rates on borrowings as at 30 June 2004 are disclosed in note 7.

There are no interest rate options or swap agreements in place as at 30 June 2004.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Hutt Valley DHB has no exposure to currency risk.

Concentration of Credit Risk

Credit risk is the risk that a third party will default on its obligation to Hutt Valley DHB thereby causing Hutt Valley DHB to incur a loss.

Financial instruments that potentially expose Hutt Valley DHB to concentrations of risk consist principally of cash, short-term investments and trade receivables.

Hutt Valley DHB places its cash and short-term investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance of Hutt Valley DHB's revenue from the Ministry of Health. The Ministry of Health is a high quality financial institution, being the Government purchaser of health services.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

Trade debtors, trade creditors and bank in funds – the carrying amount of these items is equivalent to their fair value.

Term loans and current portion of term loans – the fair value of term loans is approximated by the carrying amount disclosed in the Statement of Financial Position.

Notes to the **Financial Statements**

For the year ended 30 June 2004

16. Transactions with Related Parties

Hutt Valley DHB is a wholly owned entity of the Crown. The Government influences the role of Hutt Valley DHB in the type and volume of services it purchases.

During the period Hutt Valley DHB received 94% (94.7%: 30 June 2003) of its revenue from the Government, through the Ministry of Health, to fund and provide health services. The amount outstanding at 30 June 2004 was $3.9 million ($3.7 million: 30 June 2003).

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

17. Capital Charge

All DHBs are required to pay a capital charge monthly to the Crown based on the greater of their actual or budgeted closing equity balance for the month. The charge was set at 11% for the financial period (11%: 30 June 2003).

18. Post Balance Date Events

There are no significant events subsequent to balance date.

19. Major Variations from the Statement of Intent

Variations within each output class are disclosed following the cost of service statements, included within the Statement of Objectives and Service Performance on the following pages.

Key variations from the Statement Of Intent within the Statement of Financial Position are as follows

Category	Explanation
Bank in funds / Receivables and prepayments	The bank in funds balance has reduced during the year primarily due to the repayment of Crown equity. This has been offset by additional revenue, proceeds from asset sales not incorporated into the Statement Of Intent and a reduction in receivables.
Payables and Accruals	Included in payables is an amount for Inter District Flows payable at year end which had not been included in the Statement Of Intent.

Statement of **Objectives and Service Performance**

Introduction

As a Crown entity, Hutt Valley District Health Board is required by the New Zealand Public Health and Disability Act 2000 and the Public Finance Act 1989 to report on its service performance. The level of performance to be achieved for the year to 30 June 2004 was detailed in the Board's Statement of Intent.

In this section the actual performance of Hutt Valley District Health Board for the year ended 30 June 2004 is measured against the undertakings made in the Statement of Intent. The Auditor-General has audited this performance report for accuracy and reasonableness.

DHB Fund Output Class

This dimension of the Hutt Valley DHB refers to the receipt of funds from the Crown and the allocation of funds to providers, including its own hospital. It excludes governance, management and administration activities relating to the allocation of funds.

Service Performance

Annual Objective	Measure	Target 2003/04	Response	Achieved
Develop and support PHOs.	Implement Primary Care Strategy by developing Primary Health Organisations (PHOs).	One or more PHOs established by 31 December 2003.	The following PHOs have been established in the Hutt Valley: – Piki te Ora Ki Te Awakairangi (Oct 2003) – MidValley PHO (Apr 2004) – Valley PHO (Apr 2004) – Tamaiti Whangai (July 2004).	Achieved
Management of referred services to ensure value for money.	Continue to implement initiatives that ensure demand driven costs of pharmaceuticals and laboratory tests do not exceed 3% growth.	Not to exceed 3% growth compared to 2002/03 actual.	Labs = $8.32m (2003/04) $8.44m (2002/03) Pharms = $23.93m (2003/04) $22.58m (2002/03) The Laboratory cost growth rate was –1.4%, with savings achieved through referred services management. The Pharmaceutical cost growth rate was 6%, which included the impact of Stat dispensing in October 2003, plus growth of pharmaceuticals of 9% nationally.	Partially achieved
To integrate and coordinate primary care services.	Develop a primary care coordinating mechanism between the DHB and primary care services.	Implement a contract by 31 December 2003.	A contract was in place by 31 December 2003. Coordinated primary care and integration initiatives are progressing well and on target.	Achieved
To improve the quality of primary health services.	Provide incentives to those providers who exceed immunisation rates within their health population.	Level of incentive payments to exceed 2002/03 actual.	Primary care quality activities are progressing well and on target. Expenditure on incentive payments has increased from $98,000 to $130,000 in the 2003/04 year.	Achieved

Statement of **Objectives and Service Performance**

Annual Objective	Measure	Target 2003/04	Response	Achieved
Obtain better information on current inequalities in the Hutt Valley.	Improve ethnicity collection by targeting GP practices and identifying training needs to improve the collection and analysis of ethnicity data.	>70% of GP registers submitted to Hutt Valley DHB have a valid ethnicity code.	Considerable progress has been made through the establishment of PHOs and valid ethnicity coding is over 95%.	Achieved
Investment in Maori Health.	Increase investment in Maori Health through services provided by, or targeted to, Maori from $4.2 million in the 2002/03 year.	$4.6 million.	An additional $468,000 of services have been implemented in the area of Maori health.	Achieved
Improve treatment and management of diabetes through primary and community services.	Ensure people with diabetes receive an annual check to reduce the impact of diabetes and to measure the effectiveness of control strategies. A lab test showing a HBA 1c greater than 8 indicates poor control of diabetes. These targets would be an improvement over current baseline levels. Health providers can improve diabetes control through medications and health education. People with diabetes are at risk of blindness if they do not have their eyes checked every two years. These targets show DHB performance in promoting retinal screening.	**Annual reviews** Maori 260 Pacific 215 Others 1825 **HBA1c > 8** Maori 47% Pacific 55% Others 25% **Retinal Screening** Maori 91% Pacific 90% Others 93%	**Annual reviews** Maori 321 Pacific 266 Others 1996 **HBA1c > 8** Maori 42% Pacific 53% Others 23% **Retinal Screening** Maori 75% Pacific 73% Others 76% (Note: Retinal screening targets were incorrectly set on the basis of contracted volumes at the time and not on the basis of those who have received diabetes annual reviews. The targets for 2004/05 have been revised in order to correct this).	Partially achieved
Increase childhood immunisation rates.	Improve childhood immunisation rates with a specific focus on Maori and Pacific children.	Children fully immunised at age 2 > 88%.	GP immunisation audits are conducted twice yearly. The percentage of children fully immunised at age two had increased to 87%.	Not achieved
Improve access to youth friendly services.	Implement school linked primary health clinics in low-decile secondary schools in the Hutt Valley.	At least two clinics in place by 30/6/04.	4 clinics were in place by 1 October 2003.	Achieved

Statement of **Objectives and Service Performance**

Cost of Services – DHB Fund

For the year ended 30 June 2004

	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Operating income	228,215	205,149	151,019
Operating expenses	(227,129)	(204,989)	(150,658)
Net Operating Surplus/(Deficit)	**1,086**	**160**	**361**

Major Variations from the Statement of Intent

Operating income and operating expenses are higher than budgeted due to additional revenue received following the devolvement of contracts from the Ministry of Health. This revenue has been paid to health providers in accordance with the contract provisions. Accordingly the payment of these contracts to the respective providers has also increased.

Statement of **Objectives and Service Performance**

DHB Governance & Administration Output Class

This dimension of Hutt Valley DHB refers to the governance, management and administration activities relating to the allocation of funds. This captures and reports on the cost of resources engaged in undertaking funding activities, such as needs assessment, contracting with providers and monitoring the providers.

Service Performance

Annual Objective	Measure	Target 2003/04	Response	Achieved
To develop an intersectoral alliance in the Hutt Valley to progress health issues.	Establish a Hutt Valley Group including the two city councils, the regional council and the DHB to promote physical activity, healthy public policy and to address small area deprivation issues.	Forum(s) established by 31 December 2003.	A Hutt Valley Governance Group was established in October 2003 that includes HVDHB representation and meets 4-5 times a year.	Achieved
Develop a Pacific Health Plan and commence implementation.	Implement a community reference group to work with the DHB to develop a Pacific Health service development plan and to identify priorities for implementation.	Plan is finalised by 31 March 2004.	The Pacific Health Plan was not finalised by March 2004, as a more extended consultation was undertaken than was originally envisaged. Implementation of the finalised plan is now underway, with workforce development being the first initiative through offering scholarships to school leavers who are intending to take up health studies and those who are in their third year of studies. The HVDHB had a Pacific planning group to assist in developing the plan from the outset and throughout the community consultation. The contribution of many Pacific communities has made this planning process a success.	Not achieved
Develop Continuum of Care for Older Persons.	Develop a plan for the continuum of care for Older People and commence implementation.	Plan developed and approved by 31 March 2004.	The plan was approved and implementation started by the due date.	Achieved
Undertake an annual audit of HVDHB services in relation to the NZ Disability Strategy objectives.	Develop an audit tool focusing on key aspects of the disability strategy.	Audit 1 service by 30 June 2004.	An accessibility audit was completed by the due date.	Achieved

Statement of **Objectives and Service Performance**

Annual Objective	Measure	Target 2003/04	Response	Achieved
Develop a local Maori governance partnership agreement.	To develop a terms of reference for the partnership agreement with membership comprised of the Maori community and HVDHB.	Memorandum of Understanding in place by 31 August 2003.	The Memorandum of Understanding was in place by 31 December 2003. The draft Terms of Reference for the Maori Governance Group have been developed and sent to the Ministry of Health for final sign off as required. We have correspondence that the draft is currently in their system and they will let us know when it has been approved.	Not achieved
Develop a Maori Health Plan and commence implementation.	Work with local Iwi/Maori to develop a Maori health service development plan that articulates the vision and strategy for Maori health improvement in the Hutt District.	Plan is finalised by 31 March 2004.	Due to a number of external factors that have previously been reported, HVDHB's strategic planning process for Maori was delayed. However, this has now been rectified with the draft plan going to the Community and Public Health Advisory Committee in September. Annual planning has been therefore limited to the District Annual Plan (DAP) objectives. The Maori Health Objectives in the DAP 2004-05 are the priority areas for development this year. The 2003-04 document was submitted in December 2003 to meet this reporting requirement. It is possible further documents of this nature could be crafted and submitted in the interim.	Not achieved
Increase community awareness in the governance and service activities of Hutt Valley District Health Board.	Distribute a summary of the Annual Report to all Hutt Valley households outlining the key milestones and achievements.	Summary distributed by 31 December 2003.	Public report distributed and inserted in the Hutt News and Upper Hutt Leader in first week of December.	Achieved
Identify and improve systems to support the identification, treatment and monitoring of risk in DHB services and external providers.	Number of external provider audits completed to assess whether providers are meeting the terms of their contract.	At least 6 providers.	13 external provider audits were undertaken during the financial year.	Achieved

Statement of **Objectives and Service Performance**

Cost of Services – DHB Governance

For the year ended 30 June 2004

	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Operating income	2,413	2,057	2,166
Operating expenses	(2,157)	(1,851)	(1,945)
Operating Surplus Before Depreciation, Capital Charge and Interest	**256**	**206**	**221**
Depreciation	(2)	(7)	(1)
Net Operating Surplus/(Deficit)	**254**	**199**	**220**

Statement of **Objectives and Service Performance**

Provider Services

This dimension of Hutt Valley DHB refers to the provision of health and disability services incorporating the hospital and public and community health services.

Service Performance

Annual Objective	Measure	Target 2003/04	Response	Achieved
To align Public Health services purchased by the Ministry of Health to the strategic priorities of HVDHB.	Develop a regional strategic plan for the funding of public health services for the greater Wellington region.	Align service plans by 31 January 2004.	The service plans and contract with the Ministry of Health was signed off in January 2004.	Achieved
Improve the early detection and management of cancers.	Increase the enrolment of women aged between 50-64 years of age in the breast screening programme.	Increase the breast screening rate to 35%.	The breast screening rate was 35%.	Achieved
To enhance the organisational ability to respond appropriately to Maori consumers and communities.	Obtain feedback through the completion of a satisfaction survey.	Satisfaction rate >65%.	A satisfaction rate of 82% was achieved and has increased by 6% from the last survey.	Achieved
Meet elective services waiting times targets.	Percentage of patients that are waiting for a first specialist assessment will not wait longer than 6 months.	Qtr 1: 85% Qtr 2: 85% Qtr 3: 90% Qtr 4: 95%	Qtr 1: 85% Qtr 2: 85% Qtr 3: 86% Qtr 4: 87% Improvement in waiting list to 87%, however an increase in referrals has reduced ability to meet target.	Partially achieved
Meet elective services waiting times targets.	Percentage of patients offered publicly funded procedures receiving treatment will have a treatment plan and be advised of their booking status within 6 months, excluding those on care and review lists.	Qtr 1: 90% Qtr 2: 90% Qtr 3: 95% Qtr 4: 95%	Qtr 1: 86% Qtr 2: 83% Qtr 3: 79% Qtr 4: 76% Impact of additional outpatient volumes has been to increase inpatient wait lists – particularly in Ear Nose and Throat (ENT).	Not achieved
Provide access to oral health care for those at risk in a timely manner.	Ensure children identified as high risk/need receive access to oral health care and treatment in a timely manner.	Reduce the arrears compared to 2002/03.	At June 2004 the arrears rate for all children was 46%, compared to 2003 rate of 42%. However, by targeting high risk children who have been a priority for the service, the arrears rate for children in risk categories 1 and 2 has continued to drop, with a rate in July 2004 of 0%. (Percentage in June 2003 not available.)	Partially achieved

Statement of **Objectives and Service Performance**

Annual Objective	Measure	Target 2003/04	Response	Achieved
To achieve Baby Friendly Hospital Accreditation.	Work with the portfolio manager and other community providers to attain accreditation.	Attain accreditation by 30 June 2004.	Accreditation has not yet been achieved due to high staff turnover and initial staff reluctance to accept the policy changes reflected in the poor exclusive (ie no formula feeding) breastfeeding statistics. Various education programs and policy projects have been used to help increase acceptance and understanding of the BFHI project and have resulted in increased breastfeeding exclusivity from 58% in June 2003 to 76% in June 2004.	Not achieved
Ensure adequate access to regional mental health services.	Develop agreed approach to future provision of regional mental health services – may include Hutt Valley DHB providing sub-speciality services within its catchment area.	Report to Board on future delivery options by 31 December 2003.	A project has been undertaken by the Technical Advisory Service considering issues and an appropriate model for the delivery of a number of Regional Specialty (mental health) services provided by Capital & Coast DHB. The report required further amendments and was late in coming, but has since been finalised and will be distributed for consultation.	Not achieved
Address Burton Report recommendations.	Recruit additional senior medical officers, develop and implement clinical career pathways, and put in place enhanced clinical audit systems to reduce the risk of an avoidable adverse event occurring.	Implement clinical career pathway, improved SMO cover and clinical audit by 30/6/04.	The Clinical Career Pathway (CCP) was implemented for nursing staff in mental health in 2002. The performance criteria is based on the Australian and NZ College of Mental Health Nurses Practice Standards. Nurses progress through the levels using the CCP framework developed by the Nursing Development Unit in HVDHB. There has been an increase in Senior Medical Officers (SMOs) to 12.4 full-time equivalents, which places this DHB slightly below the World Health Organisation benchmark per 100,000 for psychiatrists, but is above funded levels and has greatly assisted with retention of SMOs.	Achieved
Progress the Mental Health Blueprint plan.	Develop and implement a contract for low cost access to psychological therapies from Blueprint funding.	Therapies service in place by 31 March 2004.	Agreement on the scope of the project has been reached between Planning & Funding and the mental health service. There has been a lag in the implementation due to the project manager engaged to undertake the project being unable to continue. A new project manager is currently being recruited.	Not achieved
Promote the provision of integrated maternity care across secondary and primary services.	Establish a community partnership to set policy and coordinate delivery of maternity services.	Steering group established by 31 December 2003.	First meeting held July 2003 with ongoing meetings well attended.	Achieved

Statement of **Objectives and Service Performance**

Annual Objective	Measure	Target 2003/04	Response	Achieved
Manage down acute demand.	The number of acute medical patients that are admitted to hospital is held constant in the face of an ageing population through improved preventative care, disease management and other initiatives.	0% increase.	9% increase in acute demand due to a significant increase in general medicine and paediatrics. The increase within general medicine is attributed to an increase in dementia and respiratory infections, due to an ageing population with fewer carers at home resulting in more frequent admissions. In order to address this increase in acute demand a number of initiatives have been put in place including care co-ordination, focussing on case management at home, nurse clinics in respiratory, cardiac and diabetes to provide education and self care support, and monitoring of patients with frequent Emergency Department attendances by sending information to GPs to encourage their input.	Not achieved
Increase clinical leadership quality and clinical risk activities.	Credentialing of Senior Medical Officers is a process used to assign specific clinical responsibilities to medical practitioners on the basis of their training, qualifications, experience and current practice within an organisational context. Credentialing is part of a wider organisational quality and risk management system designed primarily to protect the patient.	4 services credentialed at year end.	In the last year the following services have been credentialed: – General Medicine – Anatomical Pathology – ENT – Dental In addition two locum consultants have undergone credentialing.	Achieved
Undertake an annual pulse survey (Pulse 03).	This tool is used as a measure to gain feedback about HVDHB as an organisation and whether staff believe HVDHB is a good employer.	>45% satisfaction rate and>60% response rate.	No staff survey undertaken in the period 2003/04. A survey is planned in 2004/05 to allow extensive consultation with staff and management.	Not achieved
To ensure HVDHB Provider services comply with national standards and external audits.	To achieve certification using the Quality Health NZ Continuum of Care standards.	Reaccreditation achieved in June 2004.	We have been assessed and in verbal feedback the auditors commented that we met the standards for certification and that they would be recommending to Quality Health NZ that we receive accreditation. So far no written confirmation of either has been received. The accreditation was conducted in the middle of June and the verbal feedback was very complimentary. Lab and radiology have both been further accredited by IANZ.	Achieved (subject to receipt of official confirmation)
To ensure consumers and their representatives are given an opportunity to express their views on the quality of services provided.	To monitor customer/patient satisfaction levels and ensure they are kept at a high standard through the use of satisfaction surveys.	90%	A satisfaction rate of 86.5% was achieved. This reduction is the result of the combined rates for inpatient and outpatient satisfaction, with a 1% increase in outpatient satisfaction, offset by a (4.5%) decrease in inpatient satisfaction. The decrease in inpatient satisfaction is mainly in the area of external co-ordination with non-hospital services.	Not achieved

Statement of **Objectives and Service Performance**

Annual Objective	Measure	Target 2003/04	Response	Achieved
Enable access to clinical information at the point of care.	Implement Phase Two of Electronic Medical Record System (EMR) to provide electronic links with community based primary care providers.	Electronic referrals module completed by June 2004.	This project has been delayed due to reprioritisation of other modules.	Not achieved
Provide surgical and clinical audit capability.	Implement the Concerto audit module for surgical services to enhance the ability for services to audit themselves against clinical standards.	To be completed by June 2004.	This module was completed in August 2004.	Partially achieved
Improve access to reliable and complete information on patient activities in the secondary sector.	Ensure medical records are coded on a timely basis (calculated on a 12-month rolling average).	98%	100% records coded six weeks after end of financial year as per Ministry's deadline.	Achieved
To develop recruitment and retention strategies to attract candidates to Hutt Valley DHB.	Staff turnover percentage. Completion of new Graduate Programme for Nurses. This indicator recognises how well we can successfully retain graduates once they have entered the workforce.	<17% Improved result on that achieved for 2002/03.	Staff turnover 14.5%. There is a 100% completion rate across the three Graduate Programme choices (Acute, Mental or Primary Health) for 2003/04, an improvement from the 2002/03 rate of 95%. 2003/04 saw the introduction of the completion of the level 2 Professional Development & Recognition Process as a component of the programme, thus ensuring competence and compliance with the Health Practitioners Competence Assurance Act (2003).	Achieved Achieved
To provide policies and procedures that facilitate a safe work environment and ensure compliance with relevant Health and Safety legislation and Codes of Practice.	Continue to implement initiatives that reduce the level of workplace injuries in the working environment.	Workplace injuries <15.	Number of injuries 11.	Achieved
Ensure the effective training and development of employees.	To develop and implement training modules to ensure our managers are continually developed, with best practice management skills that can be used in the work environment.	1st module completed by March 2004.	Completed in March 2004.	Achieved
Optimise use of Hutt campus.	Complete the review of vacant space on campus and determine the most appropriate usage of space.	Review completed by 31 December 2003.	A review of vacant space was completed by the due date. The Board and Management are currently considering options regarding further campus development.	Achieved
Participate in and trial Magnet Hospital credentialing programme at Hutt Hospital.	Monitor progress towards achieving Magnet Hospital.	Project milestones achieved.	Hutt Valley DHB is progressing in relation to trialing the Magnet Hospital Credentialing Programme. Formal application to the American Nurses Credentialing Centre occurred in August 2003. Documentation collection, the key project milestone, is on track.	Achieved

Statement of **Objectives and Service Performance**

Cost of Services – DHB Provider

For the year ended 30 June 2004

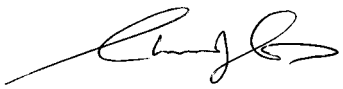
	Year to June 2004 Actual $000	Year to June 2004 Budget $000	Year to June 2003 Actual $000
Operating income	124,391	121,501	114,689
Operating expenses	(110,954)	(102,995)	(102,209)
Operating Surplus before Depreciation, Capital Charge and Interest	**13,437**	**18,506**	**12,480**
Gain on sale of assets	743	-	392
Depreciation	(6,659)	(8,983)	(7,236)
Capital charge	(7,405)	(8,203)	(4,406)
Interest expense	(1,226)	(1,288)	(1,246)
Net Operating Surplus/(Deficit)	**(1,110)**	**32**	**(16)**

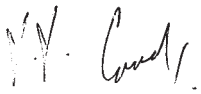
Major Variations from the Statement of Intent

Operating income is favourable compared to budget due to ongoing contracts generating higher than expected revenue. The additional work required to perform these contracts has incurred additional costs as reflected in the higher than budgeted operating expenses.

Statement of **Responsibility**

1. The Board and management of Hutt Valley District Health Board accept responsibility for the preparation of the financial statements and the judgements used in them;
2. The Board and management of Hutt Valley 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; and
3. In the opinion of the Board and management of Hutt Valley District Health Board, the financial statements for the period ending 30 June 2004 fairly reflect the financial position and operations of Hutt Valley District Health Board.





Peter Glensor	Chai Chuah	Trevor Coad
Chair	*Chief Executive*	*Chief Financial Officer*

Audit **Report**

To the Readers of Hutt Valley District Health Board's Financial Statements

For the year ended 30 June 2004

The Auditor-General is the auditor of Hutt Valley District Health Board (the Health Board). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Health Board, on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion the financial statements of the Health Board on pages 26 to 54:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Health Board's financial position as at 30 June 2004;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 28 October 2004 and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Health Board as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the New Zealand Public Health and Disability Act 2000 and the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001, section 43(1) of the Public Finance Act 1989 and section 43 of the New Zealand Public Health and Disability Act 2000.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Health Board.

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand