

# Wairarapa District Health Board

Annual Report 2008



**Wairarapa DHB**

*Wairarapa District Health Board*

**Te Poari Hauora ā-rohe o Wairarapa**

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## VISION

Well Wairarapa – Better health for all  
Wairarapa ora – Hauora pai mo te katoa

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## MISSION

To improve, promote and protect the health status of the people of the Wairarapa, and the independent living of those with disabilities, by supporting and encouraging healthy choices.

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## TREATY OF WAITANGI STATEMENT

The Wairarapa DHB recognises and respects the Treaty of Waitangi, and the principles of partnership, participation and protection, in the context of the New Zealand Public Health and Disability Act 2000. The Wairarapa District Health Board will continue to work with the Mana Whenua Caucus to ensure Maori participation at all levels of service planning, and service delivery for the protection of and improvement in the health status of Maori.

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## VALUES

The values that underpin all of our work are:

- **Respect – Whakamana Tangata**  
According respect, courtesy and support to all
  - **Integrity – Mana Tu**  
Being inclusive, open, honest and ethical
  - **Self Determination – Rangatiratanga**  
Determining and taking responsibility for ones actions
  - **Co-operation – Whakawhanaungatanga**  
Working collaboratively with other individuals and organisations
  - **Excellence – Taumatatanga**  
Striving for the highest standards in all that we do
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# CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

## Progress towards healthier futures

The past 12 months have been a continuation of working together as a community to move closer to our vision of a Well Wairarapa. We are now beginning to see some real gains in a range of key indicators that show the health of our population is improving.

The Wairarapa District Health Board and its health partners have been successful in meeting or exceeding almost all of the Health Targets set by the Ministry of Health in August 2007. Wairarapa stands out as one of New Zealand's highest performing DHBs and is making a strong contribution to the national achievement of health targets.

Wairarapa two-year-olds are among the best-protected from disease, with immunisation rates at two years of age well above the collective national target. Strong collaboration and networking by health organisations has been the key to this particular success.

The proportion of Wairarapa adolescents receiving oral health services far exceeds the national average and is the second highest in the country.

Wairarapa people are receiving some of the best and most timely access to elective services anywhere in New Zealand. Wairarapa is one of five DHBs classified as outstanding in both its achievement of volumes and management of patients awaiting elective services.

Increasing numbers and percentages of people with diabetes are receiving free annual checks and more are accessing diabetes treatment and monitoring services. Targets for free annual diabetes checks and retinal screening were exceeded during the year, with rates among the best in the country.

Another stand-out success for Wairarapa was the number of mental health clients with up-to-date relapse prevention plans – again well in excess of the local and national targets set.

These successes have not been achieved by the Wairarapa DHB alone. Many organisations and individuals from right across the community have worked with us and with each other to make a difference.

The number of patients seen and treated at Wairarapa Hospital has grown substantially. This has been achieved mainly through large increases in productivity, as well as more nurses and doctors working here. The DHB is providing more health services to more people more efficiently than ever before.

There is still much more to be done. Now is the time to build on the real progress being made towards improving the health of Wairarapa people.

Challenges for the year ahead include reducing the level of avoidable hospital admissions, and reducing the harm caused by poor diet, smoking, alcohol and drugs, and interpersonal violence. We will work hard to maintain our efforts in quality improvement, workforce development and financial sustainability.

Our thanks go to all Wairarapa DHB staff who have contributed to a successful year. We acknowledge and thank the Wairarapa Community PHO and the many other community organisations and government agencies that have played a part in making progress towards a Well Wairarapa.



Bob Francis  
Chairman



David Meates  
Chief Executive

# STATEMENT OF SERVICE PERFORMANCE

This section of the report describes the achievement against each objective to demonstrate the Wairarapa DHB's performance for the year and show how the overarching goals are met.

The Statement of Intent for 2007/08 comprised the following priorities:

- Improved health status for Maori in Wairarapa
- Improved health status for people in low socio-economic groups
- Improved health status of older people
- Improved health status for Wairarapa's children, youth and their parents
- Reduce the impact and incidence of chronic diseases
- Reduce the incidence and impact of mental illness
- Reduce the incidence and impact of cancer
- Hospital Efficiency and Effectiveness
- Good Governance

## Improved health status for Maori in Wairarapa

The Wairarapa health status report 2005 indicates that Maori have much worse health status than non-Maori across nearly all indicators. Disparities in health outcome are greater between Maori and non-Maori than between any other population groups. Maori have much higher rates of admission to hospital than do non-Maori, and make less use of primary care services. Key

actions undertaken to improve Maori health in 2007/08 were:

- Extension of outreach and marae based clinics
- Review of pathways of care for Maori across three services
- Assisted Maori providers to further develop their capacity and capability.

REDUCTION IN AMBULATORY SENSITIVE ADMISSIONS OF MAORI	
<p>These are admissions to hospital that are potentially preventable by access to appropriate primary health care. This measure provides an indication of access to, and effectiveness of primary care services for Maori. However, primary care is only one influence.</p> <p>The ratios of observed (actual) to expected ambulatory sensitive hospital admissions of Maori in the age groups 0-4 years, 45-64 years and 0-74 years. The expected rate is the age-group specific national average admission rate for Maori. If actual rates match expected the ratio equals 100. A ratio greater than 100 indicates performance below the national average.</p>	
<p><b>Targets:</b></p> <p>0-4yrs ≤ 109</p> <p>45-64 yrs ≤ 129</p> <p>0-74 yrs ≤ 123</p>	<p><b>Partially Achieved</b></p> <p>0-4yrs 129.2</p> <p>45-64 yrs 124.6</p> <p>0-74 yrs 127.9</p> <p>The results for those aged 0-4 years and 0-74 years could be considered disappointing. However they may also indicate greater uptake of health services by Maori, and the addressing of a back-log of ill-health and service neglect. Maori are now accessing primary care much more than previously, as described below. Child immunisation rates for Wairarapa Maori are now higher than for non-Maori, and Care Plus enrolment targets for Maori have been exceeded. The increase in uptake of primary care by Maori may be resulting in conditions being identified and treated with subsequently more referrals to secondary care and admissions to hospital. Health status indicators for Wairarapa Maori are significantly worse than those for non Maori and, previously were worse than those for Maori elsewhere in New Zealand. Latest information shows the gap in health outcomes is reducing for some indicators.</p> <p><b>Extension of outreach and marae based primary care clinics for Maori</b></p> <p>In 2007/08 Te Rangimarie Marae clinic has expanded significantly and Care Plus enrolment targets for Maori have been exceeded. Over 50% of Maori Women over 45 years of age enrolled with the Martinborough practice are on Care Plus. Makoura &amp; Kuranui school clinics targeting Rangatahi are well utilised and running well.</p> <p><b>Reviews of pathways of care across three services</b></p> <p>The WDH B Maori Health Unit and Maori Health Committee have conducted several reviews of pathways of care in the last 12 months, including: Colposcopy Services, Maternity Services, AT&amp;R (Rehabilitation Services), High Dependency Unit and PHO – Care Plus services.</p> <ul style="list-style-type: none"> <li>• Actions have been taken to address issues identified in the reviews.</li> </ul> <p><b>Assisted Maori provider development of capacity and capability</b></p> <p><b>NZIM Diploma of Frontline Management programme</b></p> <p>In 2006 an estimated 11% of the Maori health workforce within the central region had no qualification. To increase the number of workers with qualifications, NZIM were contracted in 2007 to provide the Diploma in Frontline Management programme and to date 45 regional Maori health workers have been supported to participate. Of 30 students who participated in 2007, 90% have graduated – a further 15 students are currently near the completion of their study in 2008.</p> <p>Wairarapa Maori Provider, Te Hauora Runanga O Wairarapa, have supported staff to complete:</p> <ul style="list-style-type: none"> <li>• BA Alcohol &amp; Other Drug (2)</li> <li>• Post Graduate Dip Alcohol &amp; Other Drug (1)</li> <li>• BA Social Work (2)</li> <li>• Certificate Hauora (1).</li> </ul> <p><b>Student Nurse Mentor – Maori</b></p> <p>The Student Nurse Mentor Maori Programme was established in mid 2007/08. The Mentorship role ensures support is provided to all Maori nursing students undertaking the degree programme in Masterton over years 1, 2 and 3.</p>

# STATEMENT OF SERVICE PERFORMANCE

## Improved health status for people in low socio-economic groups

People who live in relatively deprived areas (the highest deciles as measured by the NZ Index of Deprivation) are twice as likely to die early from avoidable diseases. They are also much more likely to be admitted to hospital for diabetes, asthma and other chronic conditions, compared with the rest of the population. They face greater barriers to accessing health services – user charges and transport pose greater difficulties – than for people in better off groups. About 12% of the total Wairarapa population lives in the most deprived areas (Deciles 9 and 10).

Increasing access to primary care services for people in low socio-economic groups is expected to result in improved health outcomes. Supporting the Wairarapa

Healthy Homes programme that provides free and subsidised home insulation is expected to lead to improved outcomes for people with chronic conditions including asthma, chronic obstructive respiratory disease and arthritis. Key actions undertaken to address inequalities in 2007/08 included:

- Continued provision of school clinics in the two colleges with most deprived catchments and Increased number of comprehensive health assessments of year 9 students
- Worked with the PHO to ensure Services to Improve Access (SIA) funding continues to be targeted effectively to increase access for those in high decile groups

INCREASE IN ACCESS TO PRIMARY HEALTH CARE BY PEOPLE LIVING IN AREAS OF HIGH DEPRIVATION	
<p>The ratio of primary care consultations by high needs people to primary care consultations by all people.</p> <p>The ratio is expected to be greater than one as people in high needs groups have greater needs for health services than those in non high needs groups. Growth in primary care consultations by people with high needs (those living in areas of high deprivation) indicates increasing access to services.</p>	
<p><b>Target:</b></p> <p>Ratio = 1.20</p>	<p><b>Achieved</b></p> <p>Ratio = 1.18</p> <p>We have seen a steady increase in the ratio of primary care consultations by high needs people to primary care consultations by all people over the last three years. In 2007/08 the ratio increased from 1.09 to 1.18.</p> <p>This is due in part to the use of SIA funding to reduce barriers to access to primary care consultations and collections of prescriptions for people facing economic hardship, and the provision of free door-to-door transport to health services for people who otherwise would find transport a problem.</p>

HEALTHIER HOME ENVIRONMENTS	
<p>Number of homes insulated each year through the Wairarapa Healthy Homes project.</p> <p>The Wairarapa Healthy Homes project provides free or very low cost home insulation and energy efficiency advice to people living in older homes built without insulation to modern standards.</p> <p>Housing insulation reduces risks of respiratory and other illnesses and improves health status of the occupants.</p>	
<p><b>Target:</b></p> <p>Number of homes is greater than 75</p>	<p><b>Achieved</b></p> <p>The number of homes insulated was 191.</p> <p>The Wairarapa District Health Board base funding toward this project was supplemented with a one off grant of \$80,000, approximately half of which will be carried forward to the 08/09 financial year. Community funding for the financial year totalled \$240,052, with EECA subsidising with a further \$123,228.</p> <p>This extra funding will be used to retrofit and insulate Kaumatua flats in Masterton and Greytown, where there is a recognised need.</p> <p>Public health nursing assessments pre and post insulation show a 100% increase in the feeling of wellbeing after insulation is completed, and 71% reported significant health improvements following insulation, with reduced visits to the doctor, and improved respiratory function.</p>

## Improved health status of older people

As people get older their health needs usually increase. Older people's problems are also more likely to be complex with longer and more severe impact, and they are more likely to suffer from chronic conditions. Wairarapa has a proportionally large population of older people. Ambulatory sensitive admissions and rates of falls and fractures for older people are significantly higher in Wairarapa than in New Zealand as a whole. Increasing access to primary and preventive care (such as flu vaccination) is expected to improve health outcomes and reduce avoidable admissions for older people.

Some frail older people require disability support services on a daily basis. Generally they prefer to receive

these services in their own homes where this is possible, rather than entering residential care. Research evidence shows people supported in their own homes have better health outcomes than those admitted to residential care. During 2007/08 we will continue to expand service options to enable more people to have the option of remaining in their own homes if they wish. Key actions to assist older people's health in 2007/08 included:

- Establishing a single point of entry to support services for older people
- Working with aged care providers to develop restorative models of care across the continuum.

OLDER PEOPLE INCREASE THEIR USE OF PRIMARY AND PREVENTIVE CARE	
Increasing influenza vaccination rates are related to increasing access and use of primary care uptake of vaccination reduces the impact of flu among older people where risk of complications is higher.	
<b>Target:</b> The percentage of people aged 65 years and above who have been vaccinated against influenza is 75%	<b>Achieved</b> Vaccination rate achieved was 89% The influenza vaccination rate for older people has been continually rising over the past few years and has increased from 73% in 2006 – 07 to 89% in 2007 – 08.

INCREASED 'AGEING IN PLACE'	
The percentage of people aged 65 years and above, receiving disability support services, who are supported in their own homes, rather than in residential care.	
<b>Target</b> 60%	<b>Achieved</b> The percentage supported is 61%. The proportion of older people supported in their own homes rather than in residential care has continued to rise, despite the aging of the population (more people in the very old age groups). Several initiatives have been implemented to assist more people to be cared for in their own homes. These include the streamlining of referral and access to all support services through FOCUS the needs assessment agency, and the development of very flexible and wide ranging care and support options. Care in the persons own home is backed up by residential respite care options. Increasingly, short-term residential respite care is being used an opportunity to assist the person to increase their independence.

# STATEMENT OF SERVICE PERFORMANCE

REDUCE AMBULATORY SENSITIVE ADMISSIONS OF OLDER PEOPLE	
Admissions to hospital that are potentially preventable by access to appropriate primary health care. This measure provides an indication of access to, and effectiveness of primary care services for older people.	
Rate of ambulatory sensitive admissions to hospital of those aged 65 years and above is 67.	<p><b>Not Achieved</b></p> <p>The rate was 80.4 for the Wairarapa</p> <p>The rate achieved in 2007/08 is disappointing and reflects the increase in acute admissions that occurred across all ages. It also demonstrates the volatility of this indicator in a small population, where a small number of people have a large impact on the rate.</p> <p>During 2007/08 a number of initiatives were commenced to address this problem. These initiatives include:</p> <ul style="list-style-type: none"> <li>• More structured case management for those people who have repeat admissions which could otherwise be managed outside the hospital</li> <li>• Closer links between Community Nursing and Emergency Department to identify patients whose condition could be managed in the community setting</li> <li>• More flexible community based support to enable sustainable discharge from hospital</li> <li>• IV at home service</li> </ul>

## Improved health status for Wairarapa's children, youth and their parents

2005 Health Needs Assessment information indicated children and youth in Wairarapa have poorer health than elsewhere. Research completed by Wairarapa Community PHO indicates that children in some groups have very low rates of access to primary care. Public consultation has indicated that youth health is considered the most pressing issue. Key actions taken to address child and youth health needs in 2007/08 included:

- Development of an Alcohol and Drug treatment programme for youth
- Continued improvement in services for child immunisation
- Provision of holistic health assessments for year 9 students in schools with high deprivation scores
- First steps towards implementation of the new model of oral health service provision for children and adolescents

IMPROVING IMMUNISATION COVERAGE	
Progress towards the national target of 95% of two year olds fully immunised. Higher immunisation rates reduce exposure to vaccine preventable diseases, and indicate more families having regular contact with primary health care services.	
<b>Targets:</b> Maori 75% Other 81%	<b>Achieved</b> Rates achieved are: Maori = 87% Other = 86%  The maintenance of excellent networks through regular meetings, has lead to the achievement of all the immunisation targets. Of particular note, is the uptake by Maori at 12 months and 2 years, where Wairarapa District Health Board continues to succeed. Immunisation rates for Maori are addressed through collaborative approaches.

REDUCE AMBULATORY SENSITIVE ADMISSIONS OF CHILDREN AND YOUTH.	
These are admissions to hospital that are potentially preventable by access to appropriate primary health care. However, primary care is only one influence.	
<b>Targets:</b> Rate of ambulatory sensitive admissions to hospital of those 0-4yrs ≤ 66.6 5-14 yrs ≤ 24 15-25yrs ≤ 23	<b>Partially Achieved</b> Rates achieved were: 0-4yrs 77.7 5-14 yrs 22.5 15-25yrs 24.1  The target was achieved for those aged 5-14 years, and 15-25 years (the difference between target and actual for this age group is not statistically significant).  The rate of admission for children under five is greater than target. This may be due in part to the local policy and practice to admit babies and children from rural areas where primary care cannot be accessed quickly.

IMPROVE ADOLESCENT ORAL HEALTH	
Progress towards the national target of utilisation of oral health services by 85% of adolescents. Good oral health is recognised as a precursor of ongoing health and well-being in adulthood.	
<b>Target:</b> Rate = 78%	<b>Partially Achieved</b> The 2007/08 percentage of adolescent utilisation of oral health services is 76%. This is an improvement on previous years (73.3% in 2006/07 and 67% in 2005/06). Despite the lack of dentistry services south of Carterton, the ongoing relationships between oral health staff and families ensures that the 99% of all adolescents registered with a dentist are given ample encouragement to attend appointments. Further improvements are likely as the new oral health mobile service is implemented in 2009/10 and Wairarapa District Health Board will work toward providing a dentist in Southern Wairarapa using these new facilities.

# STATEMENT OF SERVICE PERFORMANCE

IMPROVE ORAL HEALTH OF CHILDREN AGED 0-12 YEARS	
Percentage of children who are caries free at age five. Average number of teeth that are decayed missing or filled (DMF) at age 12 (year 8).	
<b>Targets:</b>	<b>Achieved</b>
Caries free 48%	The results achieved are:
DMF 1.90	Caries free 48.6%
	DMF 1.91
	The implementation of Oral Health business case, approved by the Ministry of Health in the 0607 year will seek to further improve the oral health statistics through a new model of care. This new model will provide services that are more appropriate and accessible to children at risk through:
	<ul style="list-style-type: none"> <li>• Access to oral health services rurally through the use of mobile clinics</li> <li>• Facilitate access for parents through the development of a central hub</li> <li>• Locating the hub in an area that is close to schools with the highest Maori and Pacific student populations</li> <li>• Innovative approaches to recruiting dental therapists</li> <li>• Working closely with the PHO and Maori health providers to identify high risk families and support improved enrolment and engagement of children, with oral health services</li> </ul>
	The partnership between oral health and Healthy Eating and Healthy Action has gone some way toward improving caries free percentages. A national campaign such as Feeding Our Futures which promotes water or milk as substitutes for sugared drinks is a positive reinforcement of oral health messages.

## Other Achievements

### Establish an Alcohol and Drug treatment programme for youth

During 2007/08 the focus has been in research and design of a programme that will work best for Wairarapa. A service specification has been completed for a programme that works intensively with secondary school students whose engagement in both the social and academic aspects of school life is impaired due to their abuse of alcohol or other drugs has been developed in collaboration with the schools, health and social service providers. The new service will be established and piloted during the 2008/09 year.

### Provide holistic health assessments for year 9 students in schools with high deprivation scores

115 Year 9 students participated in a full health and social assessment during the 2007/08 year. Lack of an

electronic assessment tool has meant that the time it takes to complete an assessment is slower, and thus not all students are able to be assessed.

### Progress implementation of new model of oral health service provision for children and adolescents

Excellent progress has been made toward the implementation of a new model of oral health service provision for children and adolescents. New facilities have been planned and the procurement of mobile clinics is underway with delivery anticipated for Term 1 of the 2009 school year.

Plans to increase the current oral health workforce are underway with particular attention being given to an initiative to train local Maori people in a career in oral health.

## Reduce the impact and incidence of chronic diseases

Chronic conditions are any ongoing, long term or recurring health problems that can have a significant impact on a person's life. Chronic conditions currently account for 80% of all deaths and 70% of health services expenditure and the numbers of people with chronic conditions are rising dramatically world wide. People live with chronic conditions for a long time – this affects all aspects of life for them and their family / whanau, and people affected by chronic conditions need to be better supported by services that are more holistic and better coordinated. Because chronic conditions have common risk factors – inactivity, unhealthy diets, obesity, stress, depression, smoking and alcohol mis-use much chronic

illness is preventable. Key actions taken in 2007/08 included:

- Implementation of the district Healthy Eating Healthy Action plan
- Implementation of the district Cancer plan, including increased tobacco control
- Implementation of the PHO chronic care management project to identify people at risk of cardiovascular disease and diabetes

During 2007/08 numerous initiatives and programmes have been rolled out through the Healthy Eating Health Action programme.

REDUCTION IN SMOKING	
Reducing smoking improves respiratory health, risks of cancer and cardio-vascular disease	
<b>Targets:</b>  Percentage of 14 and 15 year olds who have never smoked = 53%  Percentage of homes with one or more smoker and one or more children that are smoke free = 75%	<b>Achieved</b>  Percentage of 14 and 15 year olds who have never smoked = 47.3%  Percentage of homes with one or more smoker and one or more children that are smoke free = 50%  In noting the result for percentage of homes with one or more smoker and one or more children that are smoke free, it is now believed that the target set for 2007/08 was based on an incorrect set of data. The actual result of 50% is taken from what is now considered to be the correct dataset.  During 2007/08 the DHB completed its Smokefree and Tobacco Control plan and implemented a programme to identify the smoking/smokfree environment status of all hospital patients, and link them to smoking cessation services as required.

INCREASED EARLY IDENTIFICATION OF, AND INTERVENTION WITH PEOPLE AT RISK											
Regular assessment of risk will identify those patients with significant risk and allow early intervention to occur.  Percentage of people in each target group who have had their 5 year absolute cardio-vascular risk assessed in the last five years.											
The target for the period is to establish a baseline.	<b>Achieved</b>  All practices are now collecting data and it is expected that over time there will be a significant increase in the percentage of people assessed in each target group. The baselines established at June 2008 are: <table> <tr> <td>High Needs Men aged 35-74 years</td><td>35%</td></tr> <tr> <td>High Needs Women aged 45-74 years</td><td>40%</td></tr> <tr> <td>Other Men aged 45-74 years</td><td>32%</td></tr> <tr> <td>Other Women aged 55-74 years</td><td>41%</td></tr> <tr> <td>Total</td><td>36%</td></tr> </table>	High Needs Men aged 35-74 years	35%	High Needs Women aged 45-74 years	40%	Other Men aged 45-74 years	32%	Other Women aged 55-74 years	41%	Total	36%
High Needs Men aged 35-74 years	35%										
High Needs Women aged 45-74 years	40%										
Other Men aged 45-74 years	32%										
Other Women aged 55-74 years	41%										
Total	36%										

# STATEMENT OF SERVICE PERFORMANCE

INCREASED ACCESS TO PRIMARY CARE BY THOSE WITH CHRONIC CONDITIONS	
Care Plus provides low cost enhanced primary care for people with more than one chronic condition. More people enrolled with Care Plus is indicative of more people with chronic conditions accessing appropriate primary care.	
<b>Target:</b> Number of people enrolled in Care Plus is 1,700.	<b>Achieved</b> Number of people enrolled in Care Plus = 1,957. This is an excellent result, with the number of people enrolled in Care Plus exceeding the target by 257.

INCREASING ACCESS TO DIABETES SERVICES	
Increasing numbers and percentages accessing free annual diabetes checks indicates increasing access to diabetes treatment and monitoring services.	
<b>Target:</b> Percentage of the numbers people in all population groups estimated to have diabetes who are accessing free annual checks Overall 76% Maori 59% Pacific 90% Other 80%	<b>Achieved</b> The percentages achieved are: Overall 83% Maori 51% Pacific 100% Other 92% Although the overall target was exceeded for this indicator it was not achieved for Maori. While the number of Maori accessing free annual checks was 23 fewer than needed to meet the target, Maori showed greater gains in diabetes control, and in access to retinal screening than non Maori. Good gains were made for all groups in both control and management of their diabetes and uptake of retinal screening.

## Reduce the incidence and impact of mental illness

About 3% of the population have serious ongoing mental illness that requires specialist care and treatment from mental health services, about 12% experience moderate/mild mental illness and problems that require primary health services treatment and care. Access to mental health services in Wairarapa still falls well short of what is required – several more years of increasing services will be needed. Key actions completed to improve mental health services in 2007/08 included:

- Development of residential respite services for youth

in crisis – including establishment of new community support worker positions specifically to work with youth, and re-modelling of the crisis respite facility to provide a dedicated appropriate respite option for youth

- Began to plan for development of services for older people with mental illness
- Ensured recovery and relapse prevention plans are in place for all patients across all mental health services

### INCREASE ACCESS TO PRIMARY MENTAL HEALTH SERVICES

Reducing barriers to access to mental health interventions in primary care will enable more people to be treated for depression and other common mild – moderate mental disorders.

#### **Target:**

Number of people who have accessed the PHO's primary mental health programme and received packages of care is 120.

#### **Achieved**

296 people accessed the PHO's primary mental health programme and received packages of care. This is well above the target.

During the year the service was extended to include youth as well as providing for those aged over 18. Uptake of this increased during the year with 16 people under the age of 17 receiving counseling or other support in the last quarter of the year.

71% of the packages of care were provided for people of European ethnicity, with Maori receiving 17% of them.

### ALL CLIENTS OF MENTAL HEALTH SERVICES HAVE UP TO DATE RELAPSE PREVENTION PLANS

Advance planning in how to identify and manage emerging signs of deterioration in mental state empowers clients and families and enables the impact of a serious mental illness to be minimised and crises prevented or ameliorated early.

#### **Target:**

Percentage of mental health services' long term clients who have up to date relapse prevention plans is 95%.

#### **Achieved**

The percentage of mental health services' long term clients who have up to date relapse prevention plans was 96%.

During 2007/08 mental health services have improved their systems to enable them to support long term service users to keep well from a more holistic, strengths based approach. This focuses on maximising well-being across all aspects of the person's life. The aim is to work with the client to maintain wellness and prevent relapse through good planning.

# STATEMENT OF SERVICE PERFORMANCE

## Reduce the incidence and impact of cancer

Cancer covers a very large number of different diseases many of which are increasing as the population ages. While success rates for cancer treatments are improving, the numbers dying from cancer are still increasing as growing numbers of people are affected by cancer. Cancer is a leading cause of hospitalisation and death – the second highest cause of death in Wairarapa. The incidence of cancer is increasing, but cancer survival rates are improving.

Many cancers are potentially preventable, and with

more health promotion and prevention the rates can be reduced. More screening, and early treatment can reduce the numbers of people who are affected by cancer and the length of time that they are affected, while more co-ordinated and accessible treatment, support and palliative care services can greatly reduce the impacts of cancer on patients and their families. Key actions planned for 2008/09 include:

- Implementation of the district Cancer plan
- Implementation of the district Palliative Care plan

INCREASE UPTAKE OF CANCER SCREENING PROGRAMMES	
Deaths from breast and cervical cancers can be reduced by increased uptake of screening and early diagnosis and intervention.	
<b>Targets:</b> Cancer screening coverage rates are: Breast 65% Cervical 75%	<b>Achieved</b> The cancer screening coverage rates achieved were: Breast 65.7% Cervical 75.5%

### Other Achievements

#### Implementation of the District Cancer plan

There has been significant progress in the implementation of the local Cancer Control Plan. Hospital and community based providers have collectively advanced numerous projects that aim to prevent cancer, improve the patient's experience of cancer and broaden the support offered to people with cancer and their families.

The Health Promoters Collective Group works together to educate the community at all ages, stages and every opportunity about ways to reduce the risks of cancer developing.

The DHB has actively participated in the Regional Cancer Network over the past year. The focus of this group is to improve cancer treatment services and access to them for all people of the Central Region.

#### Implementation of the district Palliative Care plan

The District Palliative Care Plan will be implemented during the 2008/09 year with new services operational from 1 September 2008.

## Hospital Efficiency and Effectiveness

The DHB is the major provider of health services in Wairarapa. To remain a clinically and financially sustainable provider, it must ensure that it continues to improve operating efficiency and effectiveness, and meets all contract requirements within budget. Key actions for 2008/09 include:

- Increasing volumes of elective surgery
- Review and updating of harassment and bullying policies
- Improved management of acute demand and reduction in unnecessary call-backs to the emergency department

TO CONTINUE TO IMPROVE QUALITY, SAFETY AND PATIENT SATISFACTION	
Percentages of 'good' and 'very good' responses received to patient surveys	
<b>Target:</b> Percentages of 'good' and 'very good' responses exceed 90%.	<b>Achieved</b> The DHB achieved a 93% "Good" or "Very Good" response for inpatients and 95% "Good" or "Very Good" response for outpatients.

IMPROVED MANAGEMENT OF ELECTIVE SERVICES	
Level of compliance with Elective Services Patient Flow Indicators Achievement of Green status on all indicators demonstrates patients have timely access to assessment and treatment and are prioritised appropriately.	
<b>Target:</b> Green status on all indicators.	<b>Achieved</b> The DHB maintained "Green" status on all ESPIs during the year.

TO MEET FUNDER EXPECTATIONS AND DELIVER FULLY ON THE SERVICE LEVEL AGREEMENT	
Actual delivery of services as a percentage of the Service Level Agreement expectation	
<b>Target:</b> Percentage of SLA achieved is between 98% and 102%.	<b>Achieved</b> During 2007/08 the DHB provider delivered services well in excess of target. 107% of the SLA was delivered. The over delivery was due to greater than expected volumes of both acute and elective services.

TO FULLY IMPLEMENT THE ATTRIBUTES OF A GOOD EMPLOYER	
Number of reported incidents of harassment and bullying	
<b>Target:</b> No reported incidents. Although the target is zero, through its Harassment and Bullying Policy, the DHB encourages staff to report incidents to enable the circumstances to be investigated and appropriate action taken. The overall aim is to eliminate harassment & bullying occurring in the first place.	<b>Not Achieved</b> A total of 3 incidents were reported through the Human Resources Department. Each was investigated and resolved.

# STATEMENT OF SERVICE PERFORMANCE

## Good Governance

The DHB is responsible for identifying needs, allocating funding, and providing services so as to meet needs and improve health outcomes for the people of Wairarapa.

The performance of these responsibilities must be well informed, guided, overseen and monitored by an effective governance Board.

WAIRARAPA HEALTH NEEDS ASSESSMENT AND DHB STRATEGIC PLAN REVIEWED AND UPDATED	
Delivery of revised/updated Health Needs Assessment (HNA) and Strategic Plan (DSP) against agreed project plan milestones and timelines.	
<b>Target:</b> Delivery of revised/updated Health Needs Assessment (HNA) and Strategic Plan (DSP) against agreed project plan milestones and timelines.	<b>Achieved</b> The 2008 Health Needs Assessment report for Wairarapa was completed on time in June 2008. During the year the Ministry of Health provided advice that the District Strategic Plan would not be required until July 2009. A plan for its development has been completed.

ALL BOARD MEMBERS RECEIVE TREATY OF WAITANGI AND GOVERNANCE TRAINING	
Number of Board members who have completed Governance and Treaty of Waitangi training	
<b>Target:</b> 11 Board members will attend the Governance & Treaty of Waitangi training.	<b>Partially Achieved</b> 10 Board members attended the Governance session conducted by the Ministry of Health in December 2007 following the election and Ministerial appointment process. These 10 Board members also attended a comprehensive governance and orientation training provided by the DHB. Only 10 members were able to attend both of these trainings because the Ministerial appointment process was not completed at the time the trainings occurred. In May 2008 Treaty of Waitangi training was provided for the Board members and members of the senior management team. A total of 8 Board members attended this training.

TO MEET ALL FINANCIAL TARGETS AND MAINTAIN FINANCIAL BREAK-EVEN	
Actual financial performance – net operating result, compared with expected.	
<b>Target:</b> Achieve net operating surplus in line with financial projections.	<b>Achieved</b> Although a deficit of \$1,724,000 has been reported for the year the result is adversely impacted through the one-off recognition of the liability for sick leave totalling \$1,334,000. This recognition results from the transition to the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) in the year. When the one-off cost is excluded the DHB recorded a deficit of \$390,000 compared to the budgeted \$56,000. With the inflationary cost pressures and the higher than planned wage settlements occurring during the period this result is very pleasing.

# FINANCIAL STATEMENTS

## Consolidated Statement of Financial Performance

For the year ending 30 June 2008

		Group Budget	Group Actual		Parent Actual	
	Note	2008 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Operating income	1	104,470	110,255	99,785	108,971	98,688
Finance income	2	100	266	74	258	83
<b>Total income</b>		<b>104,570</b>	<b>110,521</b>	<b>99,859</b>	<b>109,229</b>	<b>98,771</b>
Employee benefits	3	29,168	31,321	28,597	31,321	28,597
Other operating expenses	4	70,653	76,726	68,759	75,576	67,877
Depreciation & amortisation expense	7,8	2,532	1,956	2,430	1,867	2,276
Finance costs	5	2,135	2,189	2,249	2,189	2,249
Write-up on property revaluation	7	0	0	(1,890)	0	(1,890)
Tax expense	6	26	20	13	0	0
<b>Total expenses</b>		<b>104,514</b>	<b>112,212</b>	<b>100,158</b>	<b>110,953</b>	<b>99,109</b>
<b>Net surplus/(deficit)</b>		<b>56</b>	<b>(1,691)</b>	<b>(299)</b>	<b>(1,724)</b>	<b>(338)</b>

## Consolidated Statement of Recognised Income & Expense

For the year ending 30 June 2008

		Group Budget	Group Actual		Parent Actual	
	Note	2008 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revaluation of property, plant & equipment		0	0	707	0	707
Other changes recognised directly in equity		0	(4)	173	(4)	173
<b>Net income recognised directly in equity</b>		<b>0</b>	<b>(4)</b>	<b>880</b>	<b>(4)</b>	<b>880</b>
Surplus /(deficit) for the period		56	(1,691)	(299)	(1,724)	(338)
<b>Total recognised income &amp; expenses for the period</b>		<b>56</b>	<b>(1,695)</b>	<b>581</b>	<b>(1,728)</b>	<b>542</b>

# FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position

As at 30 June 2008

		Group Budget	Group Actual		Parent Actual	
	Note	2008 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Assets</b>						
Property, plant & equipment	7	40,160	42,164	42,181	41,955	42,057
Intangible assets	8	600	604	426	567	420
Investments	9	0	0	0	103	103
Trust fund assets	16	45	54	45	54	45
<b>Total non-current assets</b>		<b>40,805</b>	<b>42,822</b>	<b>42,652</b>	<b>42,679</b>	<b>42,625</b>
Cash & cash equivalents	10	(2,670)	2,151	(2,928)	1,974	(3,121)
Inventories	11	578	672	626	672	626
Trade & other receivables	12	2,774	3,780	3,018	3,701	2,912
Assets classified as held for sale	7	0	2,300	2,300	2,300	2,300
<b>Total current assets</b>		<b>682</b>	<b>8,903</b>	<b>3,016</b>	<b>8,647</b>	<b>2,717</b>
<b>Total assets</b>		<b>41,487</b>	<b>51,725</b>	<b>45,668</b>	<b>51,326</b>	<b>45,342</b>
<b>Equity</b>						
Crown equity	13	15,795	18,264	18,268	18,264	18,268
Revaluation reserve	13	772	1,479	1,479	1,479	1,479
Retained earnings	13	(8,790)	(10,898)	(9,207)	(11,140)	(9,416)
<b>Total equity</b>		<b>7,777</b>	<b>8,845</b>	<b>10,540</b>	<b>8,603</b>	<b>10,331</b>
<b>Liabilities</b>						
Interest-bearing loans & borrowings	14	20,060	25,743	15,200	25,743	15,200
Employee benefits	15	362	528	375	526	373
Trust funds	16	45	54	45	54	45
<b>Total non-current liabilities</b>		<b>20,467</b>	<b>26,325</b>	<b>15,620</b>	<b>26,323</b>	<b>15,618</b>
Interest-bearing loans & borrowings	14	70	261	4,823	261	4,823
Payables & accruals	17	9,173	10,436	10,767	10,344	10,695
Employee benefits	15	4,000	5,858	3,918	5,795	3,875
<b>Total current liabilities</b>		<b>13,243</b>	<b>16,555</b>	<b>19,508</b>	<b>16,400</b>	<b>19,393</b>
<b>Total liabilities</b>		<b>33,710</b>	<b>42,880</b>	<b>35,128</b>	<b>42,723</b>	<b>35,011</b>
<b>Total equity &amp; liabilities</b>		<b>41,487</b>	<b>51,725</b>	<b>45,668</b>	<b>51,326</b>	<b>45,342</b>

## Consolidated Statement of Cash Flows

For the year ending 30 June 2008

		Group Budget	Group Actual		Parent Actual	
	Note	2008 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Cash flows from operating activities</b>						
Operating receipts		104,461	108,253	100,310	108,253	99,203
Interest received		0	214	58	214	53
Payments to suppliers & employees		(100,162)	(104,502)	(97,426)	(104,501)	(96,435)
Capital charge paid		(650)	(721)	(622)	(721)	(622)
Interest paid		(1,485)	(1,653)	(1,395)	(1,653)	(1,395)
Income tax paid		(26)	0	(15)	0	0
Goods and Services Tax (net)		0	(535)	603	(535)	608
	10	<b>2,138</b>	<b>1,056</b>	<b>1,513</b>	<b>1,057</b>	<b>1,412</b>
<b>Cash flows from investing activities</b>						
Proceeds from sale of property, plant & equipment		0	28	16	28	11
Dividends received		0	0	0	15	0
Acquisition of property, plant & equipment		(1,832)	(1,838)	(3,023)	(1,838)	(2,964)
Acquisition of intangible assets		0	(154)	0	(154)	0
		<b>(1,832)</b>	<b>(1,964)</b>	<b>(3,007)</b>	<b>(1,949)</b>	<b>(2,953)</b>
<b>Cash flows from financing activities</b>						
Loans drawn down		0	6,120	120	6,120	120
Equity injected		0	0	173	0	173
Repayments of loans		(70)	(139)	(136)	(139)	(136)
Repayment of equity		0	(3)	0	(3)	0
Restricted fund movement		0	9	0	9	0
		<b>(70)</b>	<b>5,987</b>	<b>157</b>	<b>5,987</b>	<b>157</b>
<b>Net Increase in Cash Held</b>		236	5,079	(1,337)	5,095	(1,384)
Cash & cash equivalents at beginning of year		(2,906)	(2,928)	(1,591)	(3,121)	(1,737)
<b>Cash &amp; cash equivalents at end of year</b>	10	<b>(2,670)</b>	<b>2,151</b>	<b>(2,928)</b>	<b>1,974</b>	<b>(3,121)</b>

The Goods and Services Tax (net) component (GST) of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST

component has been presented on a net basis as the gross amounts do not provide meaningful information for financial statements purposes.

# FINANCIAL STATEMENTS

## Consolidated Statement of Contingencies

As at 30 June 2008

### Contingent Assets

As disclosed in Note 6 Biomedical Services New Zealand Ltd, the 100% owned subsidiary of Wairarapa District Health Board, has applied to the Inland Revenue Department to be recognised as a public authority and would therefore be exempt from paying income tax.

Such exemption would occur from the commencement date of the New Zealand Public Health and Disability Act 2000, being 1 January 2001. If Inland Revenue Department confirms the public authority status a refund of tax totalling \$102,508 would be owing to the company by the Inland Revenue Department.

### Contingent Liabilities

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Legal Proceedings and Disputes by Third Parties	0	75	0	75

## Consolidated Statement of Commitments

As at 30 June 2008

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Capital Commitments</b>	<b>49</b>	<b>271</b>	<b>49</b>	<b>271</b>
<b>Operating Lease Commitments:</b>				
Less than One Year:	1,153	1,166	1,114	1,143
One to Two Years	753	932	692	924
Two to Five Years	512	726	351	726
Five Years	0	0	0	0
	<b>2,418</b>	<b>2,824</b>	<b>2,157</b>	<b>2,793</b>
<b>Non-cancellable contracts for the provision of services</b>				
Not later than one year				
Non funder	2,470	2,267	2,470	2,267
Funder	7,094	7,226	7,094	7,226
Later than one year & not later than two years				
Non funder	1,628	1,648	1,628	1,648
Funder	6,261	4,206	6,261	4,206
Later than two years & not later than five years				
Non funder	160	1,509	160	1,509
Funder	10,111	6,784	10,111	6,784
Over five years				
Non funder	0	0	0	0
Funder	0	3,792	0	3,792
	<b>27,724</b>	<b>27,432</b>	<b>27,724</b>	<b>27,432</b>
<b>Total Commitments</b>	<b>30,191</b>	<b>30,527</b>	<b>29,930</b>	<b>30,496</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Significant Accounting Policies

### *Reporting entity*

Wairarapa District Health Board ("DHB") is a Health Board established by the New Zealand Public Health and Disability Act 2000. Wairarapa DHB is a crown entity in terms of the Crown Entities Act 2004, owned by the Crown and domiciled in New Zealand. Wairarapa DHB is a reporting entity for the purposes of the New Zealand Public Health and Disability Act 2000, the Financial Reporting Act 1993, the Public Finance Act 1989 and the Crown Entities Act 2004.

Wairarapa DHB is a public benefit entity, as defined under NZIAS 1.

The consolidated financial statements of Wairarapa DHB for the year ended 30 June 2008 comprise Wairarapa DHB and its subsidiary Biomedical Services New Zealand Limited (together referred to as "WDHB") and joint venture with the Central Region Technical Advisory Service Limited (TAS) which is one sixth owned.

Wairarapa DHB's activities involve delivering health and disability services and mental health services in a variety of ways to the community.

The financial statements were authorised for issue by the Board on 30 October 2008.

### *Statement of compliance*

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

These are Wairarapa DHB's first NZIFRS financial statements and NZIFRS 1 has been applied. An explanation on how the transition to NZIFRS has affected the reported financial position and financial performance of Wairarapa DHB is provided in note 24.

### *Basis of preparation*

The financial statements are presented in New Zealand Dollars (NZD), rounded to the nearest thousand. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments (foreign exchange and interest rate swap contracts),

financial instruments classified as available-for-sale, land and buildings and investment property.

Non-current assets held for sale and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening NZIFRS Statement of Financial Position at 1 July 2006 for the purposes of the transition to NZIFRS.

The preparation of financial statements in conformity with NZIFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Basis for consolidation*

#### **Subsidiaries**

Subsidiaries are entities controlled by Wairarapa DHB. Control exists when Wairarapa DHB has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **Joint ventures**

Joint ventures are those entities over whose activities WDHB has joint control, established by contractual agreement. The consolidated financial statements include WDHB's interest in joint ventures, using

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the equity method, from the date that joint control commences until the date that joint control ceases.

## **Transactions eliminated on consolidation**

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of WDHB's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **Budget figures**

The budget figures are those approved by the health board in its District Annual Plan and included in the Statement of Intent tabled in parliament. The budget figures have been prepared in accordance with NZGAAP. They comply with NZIFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities. Those standards are consistent with the accounting policies adopted by WDHB for the preparation of these financial statements.

## **Goods and services tax**

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

## **Revenue**

### **Crown funding**

The majority of revenue is provided through an appropriation in association with a Crown Funding Agreement. Revenue is recognised monthly in accordance with the Crown Funding Agreement payment schedule, which allocates the appropriation equally throughout the year.

### **Revenue relating to service contracts**

WDHB is required to expend all monies appropriated within certain contracts during the year in which it is appropriated. Should this not be done, the contract may require repayment of the money or WDHB, with the agreement of the Ministry of Health, may be required to expend it on specific services in subsequent years. The amount unexpended is recognised as a liability.

### **Goods sold and services rendered**

Revenue from goods sold is recognised when WDHB has transferred to the buyer the significant risks and

rewards of ownership of the goods and WDHB does not retain either continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from services is recognised, to the proportion that a transaction is complete, when it is probable that the payment associated with the transaction will flow to WDHB and that payment can be measured or estimated reliably, and to the extent that any obligations and all conditions have been satisfied by WDHB.

## **Rental income**

Rental income from investment property is recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the lease term.

## **Expenses**

### **Operating lease payments**

Payments made under operating leases are recognised in the statement of financial performance in the periods in which they are incurred.

### **Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.

### **Net financing costs**

Net financing costs comprise interest paid and payable on borrowings calculated using the effective interest rate method, interest received and receivable on funds invested calculated using the effective interest rate method, dividend income and gains and losses on hedging instruments that are recognised in the statement of financial performance.

The interest expense component of finance lease payments is recognised in the statement of financial performance using the effective interest rate method.

Dividend income is recognised in the statement of financial performance when the shareholder's right to receive payment is established.

### **Non-current assets held for sale**

Immediately before the classification of assets as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable NZIFRSs. Then, on initial classification as held for sale, a non-current asset and/or a disposal group is recognised at the lower of its carrying amount and its fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the statement of financial performance, even when the asset was previously revalued. The same applies to gains and losses on subsequent remeasurement.

#### **Business combinations involving entities under common control**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

WDHB applies the book value measurement method to all common control transactions.

#### **Income tax**

WDHB is a crown entity under the New Zealand Public Health and Disability Act 2000 and is exempt from income tax under section CB3 of the Income Tax Act 1994.

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

#### **Foreign currency**

##### **Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of financial performance. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZD at foreign exchange rates ruling at the dates the fair value was determined.

#### **Property, plant and equipment**

##### **Classes of property, plant and equipment**

The major classes of property, plant and equipment are as follows:

- freehold land
- freehold buildings
- medical equipment
- information technology
- motor vehicles
- other plant and equipment
- work in progress.

##### **Owned assets**

Except for land and buildings and the assets vested from the hospital and health service (see below), items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of direct overheads.

Land and buildings are revalued to fair value as determined by an independent registered valuer with sufficient regularity to ensure the carrying amount is not materially different to fair value, and at least every five years. Any increase in value of a class of land and buildings is recognised directly to equity unless it offsets a previous decrease in value recognised in the statement of financial performance. Any decreases in value relating to a class of land and buildings are debited directly to the revaluation reserve, to the extent that they reverse previous surpluses and are otherwise recognised as an expense in the statement of financial performance.

Additions to property, plant and equipment between valuations are recorded at cost.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

##### **Property, Plant and Equipment Vested from the Hospital and Health Service**

Under section 95(3) of the New Zealand Public Health and Disability Act 2000, the assets of Wairarapa Health Limited (a hospital and health service company) vested in Wairarapa DHB on 1 January 2001. Accordingly, assets were transferred to Wairarapa DHB at their net book values as recorded in the books of the hospital

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and health service. In effecting this transfer, the health board has recognised the cost (or in the case of land and buildings – the valuation) and accumulated depreciation amounts from the records of the hospital and health service. The vested assets will continue to be depreciated over their remaining useful lives.

## Disposal of Property, Plant and Equipment

Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the net sales price and the carrying amount of the asset.

## Properties Intended for Sale

Properties intended for sale are valued at the lower of cost or net realisable value.

## Leased assets

Leases where WDHB assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

The property held under finance leases and leased out under operating lease is classified as investment property and stated at fair value. Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

## Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the service potential or future economic benefits embodied within the new item will flow to WDHB. All other costs are recognised in the statement of financial performance as an expense as incurred.

## Depreciation

Depreciation is charged to the statement of financial performance using the straight line method. Land is not depreciated.

Depreciation is set at rates that will write off the cost or fair value of the assets, less their estimated residual values, over their useful lives. The estimated useful lives of major classes of assets and resulting rates are as follows:

## Class of Asset

Class of Asset	Estimated Life
• Freehold buildings	2 to 50 years
• Medical equipment	2.5 to 15 years
• Information technology	2.5 to 15 years
• Motor vehicles	5 to 12.5 years
• Other plant and equipment	2.5 to 15 years

The residual value of assets is reassessed annually.

Work in progress is not depreciated. The total cost of a project is transferred to the appropriate class of asset on its completion and then depreciated.

## Intangible assets

Intangible assets comprise computer software products acquired by WDHB and are stated at cost less accumulated amortisation and impairment losses.

## Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the service potential or future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

## Amortisation

Amortisation is charged to the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

## Type of asset

Type of asset	Estimated life
• Software	2 to 5 years

## Impairment

The carrying amounts of WDHB's assets, inventories and inventories held for distribution are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date and was estimated at the date of transition.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

An impairment loss on property, plant and equipment revalued on a class of asset basis is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for the same class of asset.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of financial performance even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of financial performance is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of financial performance.

#### **Calculation of recoverable amount**

The estimated recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is calculated differently depending on whether an asset generates cash or not. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For non-cash generating assets that are not part of a cash generating unit value in use is based on depreciated replacement cost (DRC). For cash generating assets value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

Impairment gains and losses, for items of property, plant and equipment that are revalued on a class of assets basis, are also recognised on a class basis.

#### **Reversals of impairment**

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

An impairment loss on an equity instrument investment classified as available-for-sale or on items of property, plant and equipment carried at fair value is reversed through the relevant reserve. All other impairment losses are reversed through the statement of financial performance.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### ***Investments***

Investments, including those in subsidiary and associated companies, are stated at the lower of cost and net realisable value. Any decreases are recognised in the Statement of Financial Performance.

#### ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost less impairment losses. Bad debts are written off during the period in which they are identified.

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on weighted average cost.

#### ***Inventories held for distribution***

Inventories held for distribution are stated at the lower of cost and current replacement cost.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprises cash balances, call deposits and deposits with a maturity of no more than twelve months from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of WDHB's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

cost and redemption value being recognised in the statement of financial performance over the period of the borrowings on an effective interest basis.

## *Employee benefits*

### **Defined contribution plans**

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

### **Defined benefit plan**

WDHB's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on New Zealand government bonds that have maturity dates approximating to the terms of WDHB's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of financial performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of financial performance.

All actuarial gains and losses as at 1 July 2006, the date of transition to NZIFRSs, were recognised. Likewise, all actuarial gains and losses that arise subsequent to the transition date in calculating WDHB's obligation in respect of a plan are recognised in the statement of financial performance.

### **Long service leave, sabbatical leave and retirement gratuities**

WDHB's net obligation in respect of long service leave, sabbatical leave and retirement gratuities is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate is the market yield on relevant New Zealand government bonds at the balance sheet date.

### **Annual leave, conference leave, sick leave and medical education leave**

Annual leave, sick leave and medical education leave are short-term obligations and are calculated on

an actual basis at the amount WDHB expects to pay. WDHB accrues the obligation for paid absences when the obligation both relates to employees' past services and it accumulates.

## *Provisions*

A provision is recognised when WDHB has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

### **Restructuring**

A provision for restructuring is recognised when Wairarapa DHB has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

## *Trade & other payables*

Trade and other payables are stated at amortised cost using the effective interest rate.

## *New standards adopted & interpretations not yet adopted*

Certain new standards, amendments and interpretations to existing standards have been published that are not yet effective for the year ended 30 June 2008, and have not been applied in preparing these consolidated financial statements. The adoption of the following standards is not expected to have a material impact on the GRP DHB's consolidated financial statements.

- NZIAS 1, Presentation of Financial Statements (revised) – (effective annual periods beginning on or after 1 January 2008)
- NZIAS 23, Borrowing costs (revised) – (effective from annual periods beginning on or after 1 January 2009)
- NZIAS 27, Consolidated and Separate financial statements (amended 2008) – (effective from annual periods beginning on or after 1 July 2009)
- NZIFRS 3, Business Combinations (amended 2008) – (effective annual periods beginning on or after 1 July 2009)

## 1. Operating Income

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Health & disability services (MOH contracted revenue)	101,999	92,670	101,999	92,670
Inter district patient inflows	2,690	2,045	2,690	2,045
ACC contract	1,743	1,637	1,743	1,637
Donations & bequests	16	57	16	57
Other income	3,807	3,376	2,523	2,279
<b>Total operating income</b>	<b>110,255</b>	<b>99,785</b>	<b>108,971</b>	<b>98,688</b>

## 2. Finance Income

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Interest income	222	58	214	53
Dividend income	15	0	15	14
Gain on disposal of property, plant & equipment	29	16	29	16
<b>Total finance income</b>	<b>266</b>	<b>74</b>	<b>258</b>	<b>83</b>

## 3. Employee Benefits

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Wages & salaries	31,321	28,597	31,321	28,597
Contributions to defined benefit plans	0	0	0	0
Increase / decrease in employee benefit provisions	0	0	0	0
<b>Total employee benefits</b>	<b>31,321</b>	<b>28,597</b>	<b>31,321</b>	<b>28,597</b>

## 4. Other Operating Expenses

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Other operating expenses	18,987	16,908	17,927	16,092
Payments to non-health board providers	55,612	49,664	55,612	49,664
Operating lease expenses	1,672	1,436	1,601	1,384
Audit fees (for the audit of the financial statements)	95	86	82	77
Audit fees (for assurance & NZIFRS audit)	0	10	0	10
Impairment of trade receivables (bad & doubtful debts)	46	17	46	13
Board member fees & expenses	262	244	256	243
Loss / (gain) on disposal of property, plant & equipment	52	394	52	394
Impairment loss on property, plant & equipment	0	0	0	0
<b>Total other operating expenses</b>	<b>76,726</b>	<b>68,759</b>	<b>75,576</b>	<b>67,877</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. Finance Costs

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Interest expense	1,461	1,396	1,461	1,396
Capital charge	728	853	728	853
<b>Total finance costs</b>	<b>2,189</b>	<b>2,249</b>	<b>2,189</b>	<b>2,249</b>

Wairarapa DHB pays a capital charge to the Crown based on the greater of its actual or budgeted closing equity balance, adjusted for equity contributions or repayment of equity, for the year. The capital charge rate for the period ended 30 June 2008 was 8% (2007 – 8%).

## 6. Income Tax

In accordance with the New Zealand Public Health and Disability Act 2000, the parent (Wairarapa DHB) is a public authority and is exempt from income tax. The following taxation relates to the subsidiary company Biomedical New Zealand Limited.

	Group Actual	
	2008	2007
	\$000	\$000
Net surplus before tax	53	40
Prima facie tax of 33% on subsidiary	17	13
Tax effect on:		
Permanent differences		0
Timing differences	3	0
<b>Tax expense</b>	<b>20</b>	<b>13</b>

Biomedical Services New Zealand Limited has not recognised deferred tax asset accumulative timing differences of \$150,441 (June 2007: \$142,340) as these are not expected to reverse in the foreseeable future. The tax effect of the timing differences not recognised is \$49,645 (June 2007: \$46,972).

At balance date there were imputation credits of \$143,041 available to shareholders.

Biomedical Services New Zealand Limited has applied to the Inland Revenue Department to be acknowledged as a public authority in terms of the Income Tax Act 1993. This would result in the company being exempt from income tax.

The date of effect for the public authority status would be 1 January 2001 being the day that the parent of Biomedical Services New Zealand Limited, Wairarapa District Health Board came into existence. The Wairarapa District Health Board is a public authority in terms of the New Zealand Public Health and Disability Act 2000.

If the Inland Revenue Department confirm Biomedical Services New Zealand Limited as a public authority then tax payments made by the company since 1 January 2001 would become refundable by the Inland Revenue Department. The amount of the potential refund is \$102,508. This amount has not been recognised within the financial statements contained herein but has been noted as a contingent asset in the statement of contingencies.

## 7. Property, Plant & Equipment

Group	Freehold land (at valuation) \$000	Freehold buildings (at valuation) \$000	Clinical equipment \$000	Other equipment \$000	Information technology \$000	Motor vehicles \$000	Work in progress \$000	Total \$000
<b>Cost/valuation</b>								
Balance at 1 July 06	1,450	33,814	8,565	3,954	1,112	843	83	49,821
Additions	8	1,902	609	197	196	(52)	162	3,022
Disposals	0	0	0	(585)	(19)	0	0	(604)
Revaluations	707	0	0	0	0	0	0	707
<b>Balance at 30 June 07</b>	<b>2,165</b>	<b>35,716</b>	<b>9,174</b>	<b>3,566</b>	<b>1,289</b>	<b>791</b>	<b>245</b>	<b>52,946</b>
Balance at 1 July 2007	2,165	35,716	9,174	3,566	1,289	791	245	52,946
Additions	0	865	727	670	58	142	116	2,578
Disposals	0	(73)	(4,062)	(1,924)	(612)	(14)	(54)	(6,739)
Revaluations	0	0	0	0	0	0	0	0
<b>Balance at 30 June 2008</b>	<b>2,165</b>	<b>36,508</b>	<b>5,839</b>	<b>2,312</b>	<b>735</b>	<b>919</b>	<b>307</b>	<b>48,785</b>
<b>Depreciation &amp; impairment losses</b>								
Balance at 1 July 2006	0	242	5,694	2,429	1,066	681	0	10,112
Depreciation charge for the year	0	1,164	613	365	222	65	0	2,429
Impairment losses	0	0	0	0	0	0	0	0
Disposals	0	(1,406)	(30)	(153)	(20)	(167)	0	(1,776)
Revaluations	0	0	0	0	0	0	0	0
<b>Balance at 30 June 2007</b>	<b>0</b>	<b>0</b>	<b>6,277</b>	<b>2,641</b>	<b>1,268</b>	<b>579</b>	<b>0</b>	<b>10,765</b>
Balance at 1 July 2007	0	0	6,277	2,641	1,268	579	0	10,765
Depreciation charge for the year	0	1,072	554	192	22	54	0	1,894
Impairment losses	0	0	0	0	0	0	0	0
Disposals	0	(21)	(3,886)	(1,508)	(621)	(2)	0	(6,038)
Revaluations	0	0	0	0	0	0	0	0
<b>Balance at 30 June 2008</b>	<b>0</b>	<b>1,051</b>	<b>2,945</b>	<b>1,325</b>	<b>669</b>	<b>631</b>	<b>0</b>	<b>6,621</b>
<b>Carrying amounts</b>								
At 1 July 2006	1,450	33,572	2,871	1,525	46	162	83	39,709
<b>At 30 June 2007</b>	<b>2,165</b>	<b>35,716</b>	<b>2,897</b>	<b>925</b>	<b>21</b>	<b>212</b>	<b>245</b>	<b>42,181</b>
At 1 July 2007	2,165	35,716	2,897	925	21	212	245	42,181
<b>At 30 June 2008</b>	<b>2,165</b>	<b>35,457</b>	<b>2,894</b>	<b>987</b>	<b>66</b>	<b>288</b>	<b>307</b>	<b>42,164</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Parent	Freehold land (at valuation) \$000	Freehold buildings (at valuation) \$000	Clinical equipment \$000	Other equipment \$000	Information technology \$000	Motor vehicles \$000	Work in progress \$000	Total \$000
<b>Cost/valuation</b>								
Balance at 1 July 2006	1,450	33,814	8,565	3,412	994	801	83	49,119
Additions	8	1,902	609	93	188	(72)	142	2,870
Disposals				(394)				(394)
Revaluations	707							707
<b>Balance at 30 June 2007</b>	<b>2,165</b>	<b>35,716</b>	<b>9,174</b>	<b>3,111</b>	<b>1,182</b>	<b>729</b>	<b>225</b>	<b>52,302</b>
Balance at 1 July 2007	2,165	35,716	9,174	3,111	1,182	729	225	52,302
Additions	0	865	727	521	11	133	82	2,339
Disposals		(73)	(4,062)	(1,896)	(580)			(6,611)
Revaluations								0
<b>Balance at 30 June 2008</b>	<b>2,165</b>	<b>36,508</b>	<b>5,839</b>	<b>1,736</b>	<b>613</b>	<b>862</b>	<b>307</b>	<b>48,030</b>
<b>Depreciation &amp; impairment losses</b>								
Balance at 1 July 2006		242	5,694	2,024	973	639	0	9,572
Depreciation charge for the year	0	1,164	613	230	205	64	0	2,276
Impairment losses								0
Disposals	0	(1,406)	(30)	0	0	(167)	0	(1,603)
Revaluations								0
<b>Balance at 30 June 2007</b>	<b>0</b>	<b>0</b>	<b>6,277</b>	<b>2,254</b>	<b>1,178</b>	<b>536</b>	<b>0</b>	<b>10,245</b>
Balance at 1 July 2007	0	0	6,277	2,254	1,178	536	0	10,245
Depreciation charge for the year	0	1,072	554	127	8	48	0	1,809
Impairment losses								0
Disposals	0	(21)	(3,886)	(1,495)	(589)	12	0	(5,979)
Revaluations								0
<b>Balance at 30 June 2008</b>	<b>0</b>	<b>1,051</b>	<b>2,945</b>	<b>886</b>	<b>597</b>	<b>596</b>	<b>0</b>	<b>6,075</b>
<b>Carrying amounts</b>								
At 1 July 2006	1,450	33,572	2,871	1,388	21	162	83	39,547
At 30 June 2007	2,165	35,716	2,897	857	4	193	225	42,057
At 1 July 2007	2,165	35,716	2,897	857	4	193	225	42,057
<b>At 30 June 2008</b>	<b>2,165</b>	<b>35,457</b>	<b>2,894</b>	<b>850</b>	<b>16</b>	<b>266</b>	<b>307</b>	<b>41,955</b>

**Impairment**

No impairment losses have been recognised during the period. An impairment loss of \$394,000 was recognised in 2006/07 in relation to a number of assets that were not required following the transition to the Wairarapa Hospital on its completion. These assets were impaired to a nil value and have subsequently been written off in 2007/08.

**Revaluation**

Current Crown accounting policies require all crown entities to revalue land and buildings in accordance with NZIAS 16, Property, Plant and Equipment. Current valuation standards and guidance notes have been developed in association with the treasury for the valuation of hospitals and tertiary institutions.

The revaluation of land and buildings was carried out as at 30 June 2007 by CB Richard Ellis, an independent registered valuer and a member of the New Zealand Institute of Valuers. The valuation conforms to International Valuation Standards and was based on an optimised depreciation replacement cost methodology.

The valuer was contracted as an independent valuer. The next valuation will be completed by 30 June 2010.

**Restrictions**

The disposal of certain properties may be subject to the provisions of s40 of the Public Works Act 1981.

Proceeds from the sale of Wairarapa DHB assets are used to purchase new assets as specified under Clause 43, Schedule 3 New Zealand Public Health and Disability Act 2000.

**Valuation impact of property classified as held for sale**

The Board revalued the buildings and associated land under a Statement of Standard Accounting Practice No. 17 (SSAP-17) methodology to the lower of cost and net realisable value. The valuation was completed by CB Richard Ellis as at 30 June 2006.

The Board has declared the property surplus and is selling the property to the Crown Health Financing Agency (CHFA). A sale valuation with the CHFA has been agreed at \$2,300,000 in line with the SSAP-17 valuation methodology. The sale is expected to be completed by 30 June 2009.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. Intangible Assets

Group	Software \$000	Work in progress \$000	Total \$000
<b>Cost/valuation</b>			
Balance at 1 July 2006	463	102	565
Additions	2	0	2
Disposals	(20)	(92)	(112)
Revaluations	0	0	0
<b>Balance at 30 June 2007</b>	<b>445</b>	<b>10</b>	<b>455</b>
Balance at 1 July 2007	445	10	455
Additions	282	153	435
Disposals	(1)	0	(1)
Revaluations	0	0	0
<b>Balance at 30 June 2008</b>	<b>726</b>	<b>163</b>	<b>889</b>
<b>Depreciation &amp; impairment losses</b>			
Balance at 1 July 2006	28	0	28
Amortisation charge for the year	1	0	1
Impairment losses	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
<b>Balance at 30 June 2007</b>	<b>29</b>	<b>0</b>	<b>29</b>
Balance at 1 July 2007	29	0	29
Amortisation charge for the year	62	0	62
Impairment losses	0	0	0
Disposals	194	0	194
Revaluations	0	0	0
<b>Balance at 30 June 2008</b>	<b>285</b>	<b>0</b>	<b>285</b>
<b>Carrying amounts</b>			
At 1 July 2006	435	102	537
<b>At 30 June 2007</b>	<b>416</b>	<b>10</b>	<b>426</b>
At 1 July 2007	416	10	426
<b>At 30 June 2008</b>	<b>441</b>	<b>163</b>	<b>604</b>

<b>Parent</b>	<b>Software \$000</b>	<b>Work in progress \$000</b>	<b>Total \$000</b>
<b>Cost /valuation</b>			
Balance at 1 July 2006	430	102	532
Additions	0	0	0
Disposals	(20)	(92)	(112)
Revaluations			0
<b>Balance at 30 June 2007</b>	<b>410</b>	<b>10</b>	<b>420</b>
Balance at 1 July 2007	410	10	420
Additions	246	153	399
Disposals			0
Revaluations			0
<b>Balance at 30 June 2008</b>	<b>656</b>	<b>163</b>	<b>819</b>
<b>Depreciation &amp; impairment losses</b>			
Balance at 1 July 2006	0		0
Amortisation charge for the year	0	0	0
Impairment losses			0
Disposals	0	0	0
Revaluations			0
<b>Balance at 30 June 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance at 1 July 2007	0	0	0
Amortisation charge for the year	58	0	58
Impairment losses			0
Disposals	194	0	194
Revaluations			0
<b>Balance at 30 June 2008</b>	<b>252</b>	<b>0</b>	<b>252</b>
<b>Carrying amounts</b>			
At 1 July 2006	430	102	532
<b>At 30 June 2007</b>	<b>410</b>	<b>10</b>	<b>420</b>
At 1 July 2007	410	10	420
<b>At 30 June 2008</b>	<b>404</b>	<b>163</b>	<b>567</b>

#### Impairment

No impairment losses have been recognised during the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. Investments

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Investment in subsidiary	0	0	103	103

### Investment in Subsidiary

Biomedical Services New Zealand Limited is 100% owned by Wairarapa DHB (2007 – 100%). The principal activity of the subsidiary is the testing and maintenance of biomedical equipment. The latest audited financial statements were used as the basis for consolidation. The balance date of Biomedical Services New Zealand Ltd is 30 June.

### Investment in Associate

Wairarapa DHB has a 16.7% share holding in Central Region's Technical Advisory Services Limited (TAS). TAS was incorporated on 6 June 2001. TAS has a total share capital of \$600 of which Wairarapa DHB's share is \$100. At 30 June 2008 all share capital remains uncalled. The balance date of TAS is 30 June.

## 10. Cash & Cash Equivalents

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Short term deposits	4,584	114	4,500	0
Cash & cash equivalents	2	2	2	2
Bank overdraft	(2,435)	(3,044)	(2,528)	(3,123)
<b>Total cash &amp; cash equivalents</b>	<b>2,151</b>	<b>(2,928)</b>	<b>1,974</b>	<b>(3,121)</b>

The bank overdraft is secured by a negative pledge which requires the Wairarapa DHB to operate within its approved overdraft facility. The facility available totals

\$4,000,000. The current interest rate on the group's bank overdraft is 12.15% per annum (2007 – 12.15%).

### Reconciliation of Net Deficit to Net Operating Cash Flows

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Net surplus</b>	<b>(1,691)</b>	<b>(299)</b>	<b>(1,724)</b>	<b>(338)</b>
<b>Add/(less) Non-cash items:</b>				
Depreciation & amortisation	1,956	2,349	1,867	2,276
Write-up on property revaluation	0	(1,890)	0	(1,890)
Increase/(decrease) employee benefits (non-current)	153	17	153	17
<b>Add/(less) Items classified as investment activity:</b>				
Net loss/(gain) on sale of property, plant & equipment	23	358	23	378
Dividends received	0	0	(15)	0
<b>Add/(less) movements in working capital items:</b>				
(Increase)/decrease in receivables	(762)	438	(789)	406
(Increase) in inventories	(46)	(84)	(46)	(84)
(Decrease) in payables & accruals	1,415	629	1,588	647
Increase/(decrease) in taxation	8	(5)	0	0
<b>Net cash flow from operating activities</b>	<b>1,056</b>	<b>1,513</b>	<b>1,057</b>	<b>1,412</b>

## 11. Inventories

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Central stores	200	183	200	183
Pharmaceuticals	82	77	82	77
Theatre supplies	228	238	228	238
Other supplies	162	128	162	128
<b>Total inventories</b>	<b>672</b>	<b>626</b>	<b>672</b>	<b>626</b>

Write-down of inventories amounted to nil for 2008 (2007 – nil). The amount of inventories recognised as an expense during the year ended 30 June 2008 was nil (2007 – nil).

No inventories are pledged as security for liabilities

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

## 12. Trade & Other Receivables

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade Debtors	3,594	2,817	3,510	2,712
Provision for Doubtful Debts	(60)	(35)	(60)	(35)
Prepayments	246	236	245	234
Amount Owing by Subsidiary	0	0	6	1
<b>Total trade &amp; other receivables</b>	<b>3,780</b>	<b>3,018</b>	<b>3,701</b>	<b>2,912</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. Equity

### Group

	Crown equity	Property revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2006	18,095	772	(8,869)	9,998
Total recognised income & expenses	0	0	(338)	(338)
Contribution (net) from the Crown	173	0	0	173
Movement in revaluation of land & buildings	0	707	0	707
<b>Balance at 30 June 2007</b>	<b>18,268</b>	<b>1,479</b>	<b>(9,207)</b>	<b>10,540</b>
Balance at 1 July 2007	18,268	1,479	(9,207)	10,540
Total recognised income & expenses	0	0	(1,691)	(1,691)
Contribution (net) from the Crown	(4)	0	0	(4)
Movement in revaluation of land & buildings	0	0	0	0
<b>Balance at 30 June 2008</b>	<b>18,264</b>	<b>1,479</b>	<b>(10,898)</b>	<b>8,845</b>

### Parent

	Crown equity	Property revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2006	18,095	772	(9,078)	9,789
Total recognised income & expenses			(338)	(338)
Contribution (net) from the Crown	173			173
Movement in revaluation of land & buildings		707		707
<b>Balance at 30 June 2007</b>	<b>18,268</b>	<b>1,479</b>	<b>(9,416)</b>	<b>10,331</b>
Balance at 1 July 2007	18,268	1,479	(9,416)	10,331
Total recognised income & expenses			(1,724)	(1,724)
Contribution (net) from the Crown	(4)			(4)
Movement in revaluation of land & buildings		0		0
<b>Balance at 30 June 2008</b>	<b>18,264</b>	<b>1,479</b>	<b>(11,140)</b>	<b>8,603</b>

### Revaluation reserve

The revaluation reserve relates to land and buildings. Where buildings are reclassified as investment property, the cumulative increase in the fair value of

the buildings at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

## 14. Interest-Bearing Loans & Borrowings

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Non current liabilities</b>				
Finance lease liabilities	243	200	243	200
Crown sourced loans	25,500	15,000	25,500	15,000
Total non current interest-bearing loans & borrowings	25,743	15,200	25,743	15,200
<b>Current liabilities</b>				
Finance lease liabilities	73	73	73	73
Crown sourced loans	188	4,750	188	4,750
<b>Total current interest-bearing loans &amp; borrowings</b>	<b>261</b>	<b>4,823</b>	<b>261</b>	<b>4,823</b>

The Crown Health Financing Agency (CHFA) and the DHB have agreed a debt facility of \$25,750,000 of which \$25,687,500 was drawn at 30 June 2008. The CHFA term borrowings are secured by a negative pledge. Without the CHFA's prior written consent the DHB cannot perform the following actions:

- create any security interest over its assets except in certain defined circumstances;
- lend money to another person or entity (except in the ordinary course of business and then only on commercial terms) or give a guarantee;
- make a substantial change in the nature or scope of its business as presently conducted or undertake any business or activity unrelated to health; and
- dispose of any of its assets except disposals at full value in the ordinary course of business.

### Crown Health Financing Agency

Interest rate summary

Repayable as follows:

Less than one year

One to two years

Two to five years

### Finance leases

Interest rate summary

Repayable as follows:

Less than one year

One to two years

Two to five years

Wairarapa DHB must meet agreed covenants for the CHFA term borrowing. These covenants have been complied with since the facility was established. The Government of New Zealand does not guarantee term loans.

The Wairarapa Community Health Trust has provided finance leasing arrangements for the DHB to acquire the ambulance vehicle fleet & ophthalmic instruments & equipment. Wairarapa DHB has no other finance leasing arrangements.

Details of the interest rates & repayment schedule applicable to the interest-bearing loans & borrowings is shown below:

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
6.34%	6.34%	6.17%	6.34%	6.17%
188	4,750	188	4,750	
5,000	5,000	5,000	5,000	
20,500	10,000	20,500	10,000	
<b>25,688</b>	<b>19,750</b>	<b>25,688</b>	<b>19,750</b>	
2.10%	2.10%	2.10%	2.10%	
73	145	73	145	
127	73	127	73	
116	127	116	127	
<b>316</b>	<b>345</b>	<b>316</b>	<b>345</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. Employee Benefits

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Non current liabilities</b>				
Liability for long service leave	200	137	200	137
Liability for retirement gratuities	328	238	326	236
<b>Total non current employee benefits</b>	<b>528</b>	<b>375</b>	<b>526</b>	<b>373</b>
<b>Current liabilities</b>				
Liability for long service leave	97	109	97	109
Liability for retirement gratuities	100	97	100	97
Liability for sabbatical leave	50	100	50	100
Liability for continuing medical education leave	623	631	623	631
Liability for maternity grant	34	12	34	12
Liability for annual leave	2,386	2,033	2,340	2,003
Liability for sick leave	1,334	0	1,334	0
Salary & wages accrual	1,234	936	1,217	923
<b>Total current employee benefits</b>	<b>5,858</b>	<b>3,918</b>	<b>5,795</b>	<b>3,875</b>

### Defined Benefit Plans

Wairarapa DHB does not make any contributions to a defined benefit plan and has no defined benefit obligations.

## 16. Trust Funds

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	45	43	45	43
Funds received	9	4	9	4
Interest received		3		3
Funds spent		(5)		(5)
<b>Balance at end of year</b>	<b>54</b>	<b>45</b>	<b>54</b>	<b>45</b>

Wairarapa DHB receives donations and bequests for specific purposes. If for any reason Wairarapa DHB is not able to use the funds as specified, then Wairarapa 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.

## 17. Payables & Accruals

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade creditors & accruals	8,952	9,110	8,863	9,031
Capital charge payable	299	292	299	292
GST & other taxes payable	1,069	968	1,066	965
Income received in advance	116	397	116	397
Amount owing to subsidiary	0	0	0	10
<b>Total payables &amp; accruals</b>	<b>10,436</b>	<b>10,767</b>	<b>10,344</b>	<b>10,695</b>

## 18. Financial Instruments

Exposure to credit, interest rate and currency risks arise in the normal course of Wairarapa DHB's operations. The DHB does not utilise derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates.

### Credit Risk

Financial instruments, which potentially subject the DHB to concentrations of risk, consist principally of cash, short-term deposits and accounts receivable.

The DHB places its cash and short-term deposits with high-quality financial institutions and the DHB has a

policy that limits the amount of credit exposure to any one financial institution.

Concentrations of credit risk from accounts receivable are limited due to the large number and variety of customers. The Ministry of Health is the largest single debtor (approximately 60 per cent). It is assessed to be a low risk and high-quality entity due to its nature as the government funded purchaser of health and disability support services.

The status of trade receivables at the reporting date is as follows:

### Group

	Actual 2008			Actual 2007		
	\$000 Gross	\$000 Impairment	\$000 Net	\$000 Gross	\$000 Impairment	\$000 Net
Not past due	2,655	0	2,655	1,419	0	1,419
Past due 1-30 days	805	0	805	1,134	0	1,134
Past due 31-60 days	28	(9)	19	159	0	159
Past due 61-90 days	8	0	8	24	(5)	19
Past due > 91 days	98	(51)	47	77	(30)	47
<b>Total</b>	<b>3,594</b>	<b>(60)</b>	<b>3,534</b>	<b>2,813</b>	<b>(35)</b>	<b>2,778</b>

### Parent

	Actual 2008			Actual 2007		
	\$000 Gross	\$000 Impairment	\$000 Net	\$000 Gross	\$000 Impairment	\$000 Net
Not past due	2,655	0	2,655	1,419	0	1,419
Past due 1-30 days	723	0	723	1,037	0	1,037
Past due 31-60 days	26	(9)	17	156	0	156
Past due 61-90 days	8	0	8	24	(5)	19
Past due > 91 days	98	(51)	47	77	(30)	47
<b>Total</b>	<b>3,510</b>	<b>(60)</b>	<b>3,450</b>	<b>2,713</b>	<b>(35)</b>	<b>2,678</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the balance sheet date there were no significant other concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

## Liquidity Risk

Liquidity risk represents the DHB's ability to meet its contractual obligations. The DHB evaluates its liquidity requirements on an ongoing basis. In general, the DHB generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

## Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The DHB adopts a policy of ensuring that greater than 75% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. No interest rate swaps are deemed necessary.

The interest rates applicable to the DHB have been disclosed in note 14.

## Foreign Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The DHB is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than NZD. The currencies giving rise to this risk are primarily Australian Dollars, U.S. Dollars and Japanese Yen.

The DHB has deemed that hedging will only occur for significant, generally in excess of \$50,000, transactions sourced directly from overseas. The DHB has not entered

any hedge contracts for foreign exchange transactions during the year.

## Capital Management

The DHB's capital is its equity, which comprises Crown equity, reserves, and retained earnings. Equity is represented by net assets. The DHB manages its revenues, expenses, assets, liabilities and general financial dealings prudently in compliance with the budgetary processes.

The DHB's policy and objectives of managing the equity is to ensure the DHB effectively achieves its goals and objectives, whilst maintaining a strong capital base. The DHB policies in respect of capital management are reviewed regularly by the governing Board.

There have been no material changes in the GRP DHB's management of capital during the period.

## Sensitivity Analysis

In managing interest rate and currency risks the DHB aims to reduce the impact of short-term fluctuations on the DHB's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 30 June 2008, it is estimated that a general increase of one percentage point in interest rates would increase Wairarapa DHB's deficit before tax by approximately \$257,000 (2007: \$197,500). It is estimated that a general increase of one percentage point in the value of NZD against other foreign currencies would have increased Wairarapa DHB's deficit before tax by approximately \$120,000 for the year ended 30 June 2008 (2007: \$108,000).

## Fair Value Analysis

The fair value of the financial instruments is considered equivalent to the carrying value recorded in the statement of financial position.

Group	Held for trading	Designated at fair value through profit & loss	Loans and receivables	Available for sale	Other amortised cost	Carrying amount	Fair value
	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000
Investments					0	0	0
Trade and other receivables			3,780			3,780	3,780
Cash and cash equivalents			2,151			2,151	2,151
Crown sourced loans					25,688	25,688	25,688
Finance lease liabilities					316	316	316
Trade and other payables					10,436	10,436	10,436

Group	Held for trading	Designated at fair value through profit & loss	Loans and receivables	Available for sale	Other amortised cost	Carrying amount	Fair value
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Investments					0	0	0
Trade and other receivables			3,018			3,018	3,018
Cash and cash equivalents			(2,928)			(2,928)	(2,928)
Crown sourced loans					19,750	19,750	19,750
Finance lease liabilities					273	273	273
Trade and other payables					10,767	10,767	10,767

Parent	Held for trading	Designated at fair value through profit & loss	Loans and receivables	Available for sale	Other amortised cost	Carrying amount	Fair value
	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000
Investments					103	103	103
Trade and other receivables			3,701			3,701	3,701
Cash and cash equivalents			1,974			1,974	1,974
Crown sourced loans					25,688	25,688	25,688
Finance lease liabilities					316	316	316
Trade and other payables					10,344	10,344	10,344

Parent	Held for trading	Designated at fair value through profit & loss	Loans and receivables	Available for sale	Other amortised cost	Carrying amount	Fair value
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Investments					103	103	103
Trade and other receivables			2,912			2,912	2,912
Cash and cash equivalents			(3,121)			(3,121)	(3,121)
Crown sourced loans					19,750	19,750	19,750
Finance lease liabilities					273	273	273
Trade and other payables					10,695	10,695	10,695

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. Related Parties

### Identity of Related Parties

Wairarapa DHB has a related party relationship with its subsidiaries, associates, joint venture and with its board members and executive officers.

### Remuneration of key management personnel

Key management personnel is defined as those persons

having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly of that entity. This includes the senior management team and the Board members. The remuneration paid to the key management personnel is:

	Group Actual		Parent Actual	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Key management remuneration</b>	<b>1,615</b>	<b>1,456</b>	<b>1,408</b>	<b>1,255</b>

All payments included in the remuneration total are classified as "short term benefits". Wairarapa DHB does not have any compensation arrangements for key management personnel of the nature of post employment benefits, other long term benefits or termination benefits.

There were no loans to board members or executive officers for the year ended 30 June 2008 (2007 – nil).

Wairarapa DHB does not provide non-cash benefits to board members or executive officers.

### Transactions with related parties

Wairarapa DHB has a 100% shareholding in Biomedical Services New Zealand Limited. Biomedical Services New Zealand Limited has a balance date of 30 June and was incorporated in New Zealand. The directors of Biomedical Services New Zealand Limited are Pamela Jefferies (Wairarapa DHB Board member) and David Meates (Wairarapa DHB Chief Executive).

Wairarapa DHB has a 16.7% shareholding in Central Region Technical Advisory Services Limited (2007 –

16.7%) and participates in its commercial and financial policy decisions.

### Ownership

Wairarapa DHB is a wholly owned entity of the Crown and is a crown entity in terms of the Crown Entities Act 2004. The Government significantly influences the role of the Wairarapa DHB as well as being its major source of revenue.

### Transaction with other entities owned by the Crown

There have been transactions with other entities controlled by the Crown that have not been separately disclosed because the transactions have been carried out on the same terms as if the transactions had been carried out at arms length.

### Inter District Flows

Wairarapa DHB purchases services from other DHBs for its community. The process for this purchasing arrangement is inter district flows. For the period the following transactions were incurred by the DHB.

<b>Inter District Flows</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	2,690	2,045
Expenditure	17,496	17,353
Receivable at 30 June	251	365
Payable at 30 June	1,827	1,368

## 20. Subsequent Events

There are no significant events subsequent to balance date.

## 21. Segmental Reporting

Wairarapa DHB operates in three segments:

- Funds – the funding of health and disability service providers, including the DHB's own provider arm. This output was previously provided by the Health Funding Authority and the Ministry of Health. It is effectively the flow of funds between the Crown and the DHB and onto the providers.
- Provider – the provision of health and disability services through the DHB's provider arm.
- Governance – the governance of the DHB, the Office of the Chief Executive and the administration of the funding activity.

	Parent Actual	
	2008	2007
	\$000	\$000
<b>Revenue</b>		
Funds	102,640	91,870
Provider	49,959	46,403
Governance	2,209	1,638
Eliminations	(45,579)	(41,140)
<b>Total revenue</b>	<b>109,229</b>	<b>98,771</b>
<b>Expenditure</b>		
Funds	101,188	90,844
Provider	53,055	47,736
Governance	2,289	1,669
Eliminations	(45,579)	(41,140)
<b>Total expenditure</b>	<b>110,953</b>	<b>99,109</b>
<b>Net Surplus / (Deficit)</b>	<b>(1,724)</b>	<b>(338)</b>

## 22. Accounting Estimates & Judgements

Management discussed with the Audit & Risk Committee the development, selection and disclosure of Wairarapa DHB's critical accounting policies and estimates and the application of these policies and estimates.

Certain critical accounting judgments in applying GRP DHB's accounting policies are described below.

### Investment property

Wairarapa DHB has sublet various areas within the Wairarapa Hospital facility but has decided not to treat those particular areas as an investment property because it is not Wairarapa DHB's intention to hold this for capital appreciation or rental. Accordingly, this is still treated as a lease of property, plant and equipment.

### Finance and operating leases

The inception of the property leases of Wairarapa DHB has taken place over a number of years. They are combined leases of land and buildings. It is not possible to obtain a reliable estimate of the split of the fair values of the lease interest between land and buildings at inception. Therefore, in determining lease classification Wairarapa DHB evaluated whether both parts are clearly operating leases or finance leases. Firstly, land title does not pass. Secondly, because the rent paid to the landlord for the building is able to be increased to market rent at regular intervals, and Wairarapa DHB does not participate in the residual value of the building it is judged that substantially all the risks and rewards of the building are with the landlord. Based on these qualitative factors it is concluded that the leases are operating leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. Explanation of Financial Variances From Budget

The significant variances between the actual reported financial results and those budgeted are as follows:

### Revenue

- Additional revenue has recognised during the year over the budgeted amount primarily relating to additional funding for various initiatives funded by the Ministry of Health. These initiatives also attract additional expenditure.

### Expenditure

- Expenditure has been incurred due to the recognition of the provision for sick leave that arises under the transition to IFRS as noted in Note 24 that was not budgeted.
- Additional expenditure has also arisen due to the higher than planned inter district flows for people Wairarapa community treated at other DHBs.
- Costs incurred in the settling of multi-employer collective agreements and in the payments for short-term contracted staff were higher than budgeted.
- Activity occurred at significantly higher than planned levels within Wairarapa Hospital resulting in increased clinical consumable costs.
- Depreciation & amortisation costs were lower than planned reflecting a delay in the acquisition of some capital asset items and technological enhancements resulting in longer useful lives, for certain categories of asset & therefore lower depreciation charges.

### Assets

- Property, plant & equipment was higher than planned reflecting an increase in capital assets acquired in 2006/07 after the budget was set.

- Cash & cash equivalents are significantly better than planned. This results from the draw down of additional debt from the CHFA which was invested at an interest rate better than that charged by the CHFA.
- Trade & other receivables are higher than budget due to the additional funding streams from the Ministry of Health as noted in the revenue commentary above.
- The budget assumed that the old Masterton Hospital campus would be sold during the financial year and the proceeds used to repay equity in line with the Minister of Health approval of the Wairarapa Hospital business case. This sale did not proceed as planned and the asset remains on the books.

### Liabilities

- As noted in the cash comment above additional debt was drawn from the CHFA during the year. It was assumed that this draw down would not occur during the year.
- Trade & other payables are higher than planned due to the higher than planned expenditures occurring during the year.
- Employee benefits include the IFRS adjustment for the recognition of a provision for sick leave as noted above.

### Equity

- As noted above the Masterton Hospital campus was expected to be sold during the financial year and the proceeds to repay equity. This did not occur.

## 24. Explanation of Transition to NZIFRS

These are Wairarapa DHB's first consolidated financial statements prepared in accordance with NZIFRS.

The accounting policies set out in the notes to the financial statements have been applied in preparing financial statements for the year ended 30 June 2008, the comparative information presented for the year ended 30 June 2007 and in the preparation of an opening NZIFRS Balance Sheet at 1 July 2006 (Wairarapa DHB's date of transition).

In preparing its opening NZIFRS Balance Sheet and restating the 2007 financial statements, Wairarapa DHB has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZIFRS has affected Wairarapa DHB's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of the Equity		Transition Balance Sheet 1 July 2006			Comparative Balance Sheet 30 June 2007		
	Note	Previous GAAP	Effect of Transition to NZIFRS	NZIFRS	Previous GAAP	Effect of Transition to NZIFRS	NZIFRS
		\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>							
Property, plant & equipment	(a)	40,247	(470)	39,777	43,031	(850)	42,181
Intangible assets	(a)	0	470	470	0	426	426
Investments		0	0	0	0	0	0
Trust fund assets		43	0	43	45	0	45
<b>Total non-current assets</b>		<b>40,290</b>	<b>0</b>	<b>40,290</b>	<b>43,076</b>	<b>(424)</b>	<b>42,652</b>
Cash & cash equivalents		(1,591)	0	(1,591)	(2,928)	0	(2,928)
Inventories		542	0	542	626	0	626
Trade & other receivables		3,456	0	3,456	3,018	0	3,018
Assets classified as held for sale		2,300	0	2,300	2,300	0	2,300
<b>Total current assets</b>		<b>4,707</b>	<b>0</b>	<b>4,707</b>	<b>3,016</b>	<b>0</b>	<b>3,016</b>
<b>Total assets</b>		<b>44,997</b>	<b>0</b>	<b>44,997</b>	<b>46,092</b>	<b>(424)</b>	<b>45,668</b>
<b>Equity</b>							
Crown equity		18,095	0	18,095	18,268	0	18,268
Revaluation reserve	(b)	0	772	772	707	772	1,479
Retained earnings	(b)	(8,093)	(772)	(8,865)	(8,011)	(1,196)	(9,207)
<b>Total equity</b>		<b>10,002</b>	<b>0</b>	<b>10,002</b>	<b>10,964</b>	<b>(424)</b>	<b>10,540</b>
<b>Liabilities</b>							
Interest-bearing loans & borrowings		19,918	0	19,918	15,200	0	15,200
Employee benefits		358	0	358	375	0	375
Trust funds		43	0	43	45	0	45
<b>Total non-current liabilities</b>		<b>20,319</b>	<b>0</b>	<b>20,319</b>	<b>15,620</b>	<b>0</b>	<b>15,620</b>
Interest-bearing loans & borrowings		121	0	121	4,823	0	4,823
Payables & accruals		10,651	0	10,651	10,767	0	10,767
Employee benefits		3,904	0	3,904	3,918	0	3,918
<b>Total current liabilities</b>		<b>14,676</b>	<b>0</b>	<b>14,676</b>	<b>19,508</b>	<b>0</b>	<b>19,508</b>
<b>Total liabilities</b>		<b>34,995</b>	<b>0</b>	<b>34,995</b>	<b>35,128</b>	<b>0</b>	<b>35,128</b>
<b>Total equity &amp; liabilities</b>		<b>44,997</b>	<b>0</b>	<b>44,997</b>	<b>46,092</b>	<b>(424)</b>	<b>45,668</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of the Surplus / Deficit for the Year Ended 30 June 2007	Note	Previous GAAP \$000	Effect of Transition to NZIFRS \$000	NZIFRS \$000
Operating income		99,785	0	99,785
Finance income		74	0	74
<b>Total income</b>		<b>99,859</b>	<b>0</b>	<b>99,859</b>
Employee benefits		28,597	0	28,597
Other operating expenses		68,759	0	68,759
Depreciation & amortisation expense	(a)	2,037	393	2,430
Finance costs		2,249	0	2,249
Write-up on property revaluation		(1,890)	0	(1,890)
Tax expense		13	0	13
<b>Total expenses</b>		<b>99,765</b>	<b>393</b>	<b>100,158</b>
<b>Net surplus/(deficit)</b>		<b>94</b>	<b>(393)</b>	<b>(299)</b>

Reconciliation of Cash Flows for the Year Ended 30 June 2007	Previous GAAP \$000	Effect of Transition to NZIFRS \$000	NZIFRS \$000
<b>Cash flows from operating activities</b>			
Operating receipts	100,310	0	100,310
Interest received	58	0	58
Payments to suppliers & employees	(97,426)	0	(97,426)
Capital charge paid	(622)	0	(622)
Interest paid	(1,395)	0	(1,395)
Income tax paid	(15)	0	(15)
Goods and Services Tax (net)	603	0	603
	<b>1,513</b>	<b>0</b>	<b>1,513</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant & equipment	16	0	16
Dividends received	0	0	0
Acquisition of property, plant & equipment	(3,023)	0	(3,023)
Acquisition of intangible assets	0	0	0
	<b>(3,007)</b>	<b>0</b>	<b>(3,007)</b>
<b>Cash flows from financing activities</b>			
Loans drawn down	120	0	120
Equity injected	173	0	173
Repayments of loans	(136)	0	(136)
Repayment of equity	0	0	0
Restricted fund movement	0	0	0
	<b>157</b>	<b>0</b>	<b>157</b>
<b>Net Increase in Cash Held</b>	<b>(1,337)</b>	<b>0</b>	<b>(1,337)</b>
Cash & cash equivalents at beginning of year	(1,591)	0	(1,591)
<b>Cash &amp; cash equivalents at end of year</b>	<b>(2,928)</b>	<b>0</b>	<b>(2,928)</b>

#### Notes to the Reconciliation of Previous GAAP

(a) An asset meets the identifiability criterion in the definition of an intangible asset when it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. Software licences meet this definition and have been reclassified as

an intangible asset. Previously these were included in the Property, Plant & Equipment category.

The DHB has recognised an impairment on property, plant and equipment of \$393,000 as an expense in the year ended 30 June 2007. This reduces the value of the property, plant and equipment with a corresponding reduction in the retained earnings.

(b) The DHB has reclassified a property revaluation into two distinct classes of asset on the transition to NZIFRS: land and buildings. Under previous GAAP these were treated as a single class of asset.

## STATEMENT OF RESPONSIBILITY

The Board and management of Wairarapa DHB accept responsibility for the preparation of the financial statements and the statement of service performance and judgements used in them.

The Board and management of Wairarapa DHB 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.

In the opinion of the Board and management of Wairarapa DHB the financial statements and the statement of service performance for the year ended 30 June 2008 fairly reflect the financial position and operations of Wairarapa DHB.



**Chair**  
**Bob Francis**



**Board Member & Chair, Audit & Risk Committee**  
**Perry Cameron**



**Chief Executive**  
**David Meates**



**Chief Financial Officer**  
**Eric Sinclair**

30 October 2008

# AUDITOR'S REPORT

## TO THE READERS OF THE WAIRARAPA DISTRICT HEALTH BOARD AND GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of Wairarapa District Health Board (the Health Board) and group. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance of the Health Board and group for the year ended 30 June 2008.

### UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Health Board and group on pages 15 to 45:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - ~ the Health Board and group's financial position as at 30 June 2008; and
    - ~ the results of operations and cash flows for the year ended on that date.
- The statement of service performance of the Health Board and group on pages 2 to 14:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - ~ its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance at the start of the financial year; and
    - ~ its actual revenue earned and output expenses incurred, as compared with the expected revenues and proposed output expenses included in the statement of forecast service performance at the start of the financial year.

The audit was completed on 30 October 2008 and is the date at which our opinion is expressed.

The basis of our 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 the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance 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 and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. 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 and statement of service performance disclosures are adequate.

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

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

## **RESPONSIBILITIES OF THE BOARD AND THE AUDITOR**

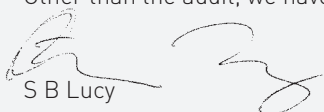
The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Health Board and group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Health Board and group's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses at the start of the financial year. The Board's responsibilities arise from the New Zealand Public Health and Disability Act 2000 and the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

## **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 or its subsidiary.



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

### **MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE**

This audit report relates to the financial statements and statement of service performance of Wairarapa District Health Board and group for the year ended 30 June 2008 included on the Wairarapa District Health Board and group's website. The Wairarapa District Health Board and group's Board is responsible for the maintenance and integrity of the Wairarapa District Health Board and group's website. We have not been engaged to report on the integrity of the Wairarapa District Health Board and group's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 31 October 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# STATUTORY INFORMATION AND OTHER DISCLOSURES

This section of the report provides the information required under the Crown Entities Act 2004.

## Board Members' Remuneration

Board members' remuneration received or receivable for the year ended 30 June 2008. In addition Board members are able to claim reimbursement for out of pocket expenses.

	<b>Board Fee \$000</b>	<b>Committee Fees \$000</b>	<b>Total Fees \$000</b>
Bob Francis – Chairman	33	5	38
Janine Vollebregt – Deputy Chair	21	6	27
Pamela Jefferies	17	5	22
Perry Cameron	17	4	21
Vivienne Napier	17	3	20
Dr. Liz Falkner	17	3	20
Yvette Grace	17	3	20
Trish Taylor	17	3	20
Helen Kjestrup	9	2	11
Fiona Samuel	9	2	11
Dr. Rob Tuckett	8	2	10
Cheryl Kurei	8	0	8
Liz Mellish	3	1	4
Anne Savage		1	1
Ruth Carter		1	1
<b>TOTAL</b>	<b>193</b>	<b>41</b>	<b>234</b>

In October 2007 elections were held for the elected positions on the DHB. New Board members took office on 10 December 2007. The following Board members were re-elected to the Board: Janine Vollebregt, Perry Cameron, Vivienne Napier, Dr Liz Faulkner and Trish Taylor. New Board members elected were Helen Kjestrup and Fiona Samuel.

Four persons are appointed to the Board by the Minister of health to bring the total members to 11. Bob Francis was re-appointed Chair and Pamela Jefferies and Yvette Grace were reappointed and Liz Melish was newly appointed.

Anne Savage and Ruth Carter are coopted members of the Disability Support Advisory Committee and do not receive Board fees.

# STATUTORY INFORMATION AND OTHER DISCLOSURES

## Remuneration of Employees

Employees (excluding board members), including management and medical staff, receiving remuneration in excess of \$100,000 per annum are as follows:

	2008	2007
	Number of Employees	Number of Employees
\$100,000 – \$110,000	5	3
\$110,001 – \$120,000	4	3
\$120,001 – \$130,000	2	3
\$130,001 – \$140,000	3	1
\$140,001 – \$150,000	3	1
\$150,001 – \$160,000	2	0
\$160,001 – \$170,000	0	0
\$170,001 – \$180,000	0	3
\$180,001 – \$190,000	3	1
\$190,001 – \$200,000	4	4
\$200,001 – \$210,000	3	4
\$210,001 – \$220,000	2	1
\$220,001 – \$230,000	1	2
\$230,001 – \$240,000	2	0
\$240,001 – \$250,000	1	1
\$270,001 – \$280,000	1	0
\$280,001 – \$290,000	1	1
	<b>37</b>	<b>28</b>

Of the employees shown above, 30 were or are medical or dental employees and 7 were neither medical nor dental employees.

If the remuneration of part-time employees were grossed up to a full-time equivalent basis, the total number of employees with full time equivalent salaries of \$100,000 or more would be 45 compared with the actual number of 37.

The Chief Executive Officer's total annual remuneration and other benefits falls into the \$270,001 to \$280,000 bracket.

## Termination payments

During the year the Board made the following payments to former employees in respect of the termination of the employment with the Board.

Number of Employees	Amount \$
1	24,583
1	17,719

## Delegations

The Board has an approved delegation policy in accordance with clause 39 Schedule 3 of the New Zealand Public Health and Disability Act 2000. This Act requires (s26(3)), and the policy allows, the Board to delegate management matters of the Wairarapa DHB to the Chief Executive.

## Good Employer

A key value of the Wairarapa DHB is to be a good employer. The WDHB embraces the 7 Key Elements of 'the Good Employer' as prescribed by the EEO Commissioner. The elements are:

- Leadership, Accountability and Culture
- Recruitment, selection and Induction
- Employee Development, Promotion and Exit
- Flexibility and Work Design
- Remuneration, Recognition and Conditions
- Harassment and Bullying Prevention
- Safe and Healthy Environment

The DHB runs monthly Leadership/ Management Development seminars for all managers and those who aspire to be managers as well as providing opportunities to attend external leadership development programmes. In late 2007 a culture survey was conducted and the results are being enacted upon in 2008/09.

The DHB has an equal employment opportunities focus within the relevant policies. A rigorous recruiting and selection procedure is followed to ensure fairness and equal opportunity.

# STATUTORY INFORMATION AND OTHER DISCLOSURES

Training and Development opportunities are offered to all staff, and personal performance and development plans are a requisite for all employees.

Several forums are in place comprising a selection of employees from across the WDHB. These forums meet to consider workplace practices. Flexibility and work design are among the many topics these forums consider. Other topics include health and safety, and professional practices, for example nursing, clerical and administration.

The WDHB has a zero tolerance policy to bullying and harassment. This is supported by a Harassment and Bullying Policy and frequent training sessions for all employees on dealing with bullying and harassment.

Approximately 92% per cent of employees are covered by collective employment agreements (CEA). All the CEA's have prescribed Remuneration, Recognition and conditions clauses. The WDHB has a similar approach for those employees on individual employment agreements to ensure fairness and equity in Remuneration, Recognition and Conditions across the WDHB.

The Protected Disclosure Act 2000 and the Board's related policy, protects the right of employees to raise matters of public concern in a safe and appropriate manner. Where an individual may feel personally disadvantaged there are established grievance procedures available including external mediation or the mechanisms covered by the Employment Relations Act 2000. Employees also have 'no questions asked' access to the employee assistance programme.

## **Disclosure of Ultra Vires Transactions**

Wairarapa DHB has not entered any transactions during the year that have been enforced under section 20(3) of the Crown Entities Act 2004.

## **Permission to Act despite being Interested in a Matter**

A member who is interested in a matter relating to a DHB must not vote or take part in any discussion or decision of the board or any committee relating to that matter under section 66 of the Crown Entities Act 2004. However, under section 68 of the Crown Entities Act 2004, the chair of the DHB may exempt one or more board members from this requirement if it is in the public interest to do so. Where such an exemption is given, this must be disclosed in the annual report.

No permissions were provided under section 68.

## DIRECTORY

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**Board Office** Wairarapa DHB  
P O Box 96  
Masterton  
Telephone: 06 946 9880  
Fax: 06 946 9881  
Website: [www.wairarapa.dhb.org.nz](http://www.wairarapa.dhb.org.nz)

**Board Members** Bob Francis *Chairman*  
Janine Vollebregt *Deputy Chairman*  
Perry Cameron  
Doctor Liz Falkner  
Yvette Hikitapua-Grace  
Pamela Jefferies  
Helen Kjeststrup  
Liz Mellish  
Vivien Napier  
Fiona Samuel  
Trish Taylor

**Chief Executive** David Meates  
**Executive Managers** Eric Sinclair *Chief Financial Officer / General Manager*  
Joy Cooper *Director, Service Planning and Funding*  
Anne McLean *General Manager, Hospital Services*  
Helen Pocknall *Director of Nursing*  
Alan Shirley *Chief Medical Advisor*  
Maggie Morgan *General Manager Community Mental and Public Health*  
Bruce McGregor – *General Manager, Human Resources*  
Stephanie Turner – *Director of Maori Health*

**Auditor** Audit New Zealand on behalf of the Office of the Controller and Auditor-General

**Bankers** ANZ Banking Group (New Zealand) Ltd  
Crown Health Financing Agency

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