



Annual Report 2003/2004

2004 ANNUAL REPORT

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The Board Members are pleased to present the report of Auckland District Health Board ("ADHB") and the Group comprising ADHB, its subsidiary company, trust and associates for the year ended 30 June 2004.

For and on behalf of the Board Members who authorised the issue of this annual report.	
W. K. F. BROWN Chair	V. J. SALMON Chair Audit Committee
Dated:	Dated:

MISSION

Auckland District Health Board will provide New Zealand's finest comprehensive health service through excellence and innovation in patient care, education, research and technology.

*He aha te mea nui i tenei ao?
Maku e kii atu: He tangata! He tangata! He tangata!
(What is the greatest treasure in this world?
I say: The people! The people! The people!)*

DIRECTORY

Address for Service

Auckland District Health Board
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Greenlane Clinical Centre
Greenlane West
Epsom
Auckland

Postal Address

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Auckland
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Facsimile: (09) 639 9816

Auditor

Ernst & Young (on behalf of the Office of the Auditor-General)
41 Shortland Street
PO Box 2146
Auckland 1

Board Members

W. K. F. Brown (Chair)	
Dr. M. P. E. Horsburgh (Deputy Chair)	J. Retimana
C. J. Beavis	V. J. Salmon
H. J. Burkhardt (Appointed 19 June 2003)	Dr. I. K. Scott
Dame S. E. A. Devoy (Resigned 18 December 2003)	P. N. Snedden
Dr. D. M. Nash	

Chief Executive

G. R. Smith

Executive Management

Dr. D. Sage	(Chief Medical Officer)
M. Boersen	(Chief Financial Officer)
T. Campbell	(Executive Director of Nursing & Midwifery)
S. Mayo-Smith	(Chief Information Officer)
Dr. N. J. Murray	(General Manager Auckland City Hospital)
F. Brewin-Brown	(Acting General Manager Human Resources)
D. Jury	(Chief Planning and Funding Officer)

Clinical Leaders

Dr. N. Argyle
Dr. R. Franklin
Dr. D. Knight
Dr. J. Childs
Dr. R. Aickin
Dr. R. McLroy
Dr. M. Wilsher

Nurse Leaders

C. Seymour	(Mental Health Services)
	(Community/Ambulatory)
E. Wood	(Women's Services)
M. Dotchin	(Medical Services)
F. Brewin-Brown	(Children's Services)
S. Harvey	(Surgical Services)
C. Chalmers	(Cardiac Services)

Clinical Board

Dr. D. Sage (Chair)	Dr. R. McLroy
Dr. R. Aickin	Dr. C. McArthur
Dr. N. Argyle	J. Mueller
Dr. J. Bent	Dr. L. Segedin
M. Broodkoorn	Dr. A. Pelkowitz
T. Campbell	Dr. M. Wilsher
C. Chalmers	A. Yates
Dr. J. Childs	
Dr. R. Franklin	
Dr. J. Henley	
Dr. B. Kent	
Dr. D. Knight	

CHAIRMAN'S REVIEW

The past year has been dominated by the completion of construction of the new Auckland City Hospital in Grafton and the migration of Surgical, Medical and Cardiac services into the facility while continuing to provide all the health services which we are contracted to provide. In addition the new Greenlane Clinical Outpatients facility was completed and also opened for business.

This represented the largest physical change of healthcare operations that any facility has ever faced in this country's history with over 4000 staff having to shift their place of work, while maintaining full production. That we achieved this milestone without adverse incident is a testimony to the efforts and dedication of thousands of our staff and the board wishes to thank all those involved. We are still to migrate Women's Health services into the new hospital, but we are confident that this will occur safely using the experience of the other departments who have already moved.

All this activity was the result of the huge building project committed to by previous boards, who also set in place a high level of change activity intended to lead to more efficient operation of ADHB's hospital and outpatient services. The board expended much effort to ensure that the building project stayed within budget, and this was achieved in spite of an increase in scope to include \$36million of unbudgeted facility improvement, which the previous board had recommended. Towards the end of the construction project asbestos was unfortunately discovered in some areas of existing buildings needed to complete the original building program and this has delayed the migration of Women's Health as well as providing further unwanted financial challenges.

Although ADHB managed to complete the financial year with a smaller deficit than planned, it has to be recognised that our hospital based services operated \$29.4million adversely to budget and this represents an unsustainable position which will prove to be a severe challenge to the board in the coming year.

It is fair to say that too many new projects were attempted at the one time, but it is also fair to note that these had all been committed to previously, so this board faced more change than was able to be digested. The original building and change program relied on substantial operating efficiencies falling out of the new premises in order to meet the increased operating and finance costs of the new hospital.

All of the new costs have been delivered but as yet not all of the promised efficiencies have arrived, and it may well be that a number of these turn out to be undeliverable savings predicted when the project was chasing its original approvals. The previous CEO acknowledged that the Change program was already well over a year late in 2001 when this board got under way, and this delay masked many shortcomings in the analysis behind the original ADHB decision to proceed with both the building and Change programs, and the subsequent government decision to support this capital program.

To add to the pressures on ADHB, the government devolved primary health care, pharmacy, care of the elderly and disabled, thereby increasing the size of the business by 25.8% from \$897million to \$1.1billion, yet the organization responded well by delivering all contracted volumes within the original budget.

A new management team is now openly and honestly attacking the challenge of controlling hospital costs, and with full board support is working much more closely with senior clinicians in making the management decisions required.

ADHB carries out a similar level of work for the other two Auckland regional DHBs as it does for its own population, and this presents a challenge in efficiently managing these cross border flows. The three Auckland regional DHBs are working closer together but there are different incentives and no clear mandate to tackle problems stemming from the huge daily population flows across the neighbouring DHB borders.

At times the challenges seem immense, but there are many other rewarding times such as ADHB dominating the national finalists for innovation in health, the wonderful work of our volunteers and the way that staff handled the migration issues.

The board looks forward to another year of delivering high quality health to the people of Auckland City, the wider Auckland region and for our many specialist services to the whole NZ population.

WAYNE BROWN
Chairman on behalf of the Board

CHIEF EXECUTIVE'S REVIEW

The organisation achieved a number of major goals during the financial year, amid great change, and I acknowledge the efforts of everyone who contributed to these successes.

Our financial deficit is better than originally budgeted. A tight focus on costs and the introduction of more accountable management, outlined in a 'new way of working' document is designed to drive the organisation in a more positive financial direction with evidence based and values based decision making. There are, however, substantial challenges in the year ahead.

I wish to recognise the achievement of staff and management who have maintained the quality of clinical services despite the upheaval of moving into new premises during the year while grappling with new systems and processes, many of which have been problematic.

Our ability to achieve what we have this year has come from staffs' commitment to patients, their giving of a lot of personal time and their general goodwill – this is difficult to put a value on but must receive the highest recognition and acknowledgement for the year. Thank you.

With the organisation under such stress and strain with its building and change programmes I am proud to acknowledge:

- that in addition accreditation and certification was achieved for all of our facilities and services in the past year
- that six awards, including the Supreme Award in the New Zealand Health Innovation Awards were attributed to staff and departments at ADHB.

These achievements are a tribute to the quality and strength of our staff.

Guided by the Board's four key goals, our performance for this financial year has been as follows:

• **Get control of our finances**

Our end-of-year deficit of \$44.7 million was \$4.1 million better than originally budgeted. This includes some significant one-off savings and good results from both the funder arm and support services. Overspends in the ADHB provider arm, however, cannot be sustained. Direct Treatment Costs grew at unsustainable levels while staff costs did not meet budget. Projected savings from new systems and processes were not achieved while some areas required significantly more staff to maintain a satisfactory level of service in the newly configured environment. These problems will be resolved in the coming year.

• **Make the Change Programme happen**

ADHB completed five major Change projects with many sub projects to transform, standardise and streamline processes and systems this year. The Change Programme has had mixed success. While the implementation of patient clinical systems and the opening of the new Adult Emergency Department and Admission and Planning Unit have brought benefits to the organization, the financial benefits of the Change Programme have, for the most part, not been achieved. The Change Programme projects have now been embedded in the services along with improved management information. There is a huge focus on solving issues in the Outpatient and Administration Service at Greenlane Clinical Centre and Operating Rooms specifically Sterile Supply Services. By year end we were recording improved performance in these areas.

• **Finish the Building Programme**

ADHB achieved a huge milestone with the opening last October of the new Auckland City Hospital in Grafton and the Greenlane Clinical Centre in Greenlane on time and on budget. We have also begun the refurbishment of the old Auckland Hospital Support Building. Unfortunately, the discovery of asbestos residue in the ceiling of the Support Building requires a major remedial programme. This will result in considerable additional costs (currently estimated at \$11m) and will delay the move of National Women's services to October 2004.

• **Improve the health of Aucklanders**

Ninety percent of our population are now enrolled in our six Primary Healthcare Organisations (PHOs) – a move which will strengthen the primary care sector and improve access to care, eventually reducing the need for so many hospital admissions. The Parish Nursing project has community based nurses to promote healthy lifestyle choices to parishioners, run programmes such as well-child immunisation, and broadcast information on Pacific Island radio. ADHB and community health provider ProCare's streamlined treatment plan for dyspepsia and heartburn problems also scooped the Supreme Award in the New Zealand Health Innovation Awards this year.

It's been a year of high activity and below is just a few of the highlights:

"Giant move goes according to plan"

The biggest, most complex move in New Zealand health history went according to plan and without patient incident this year. Credit must go to all ADHB staff who were involved in the "migration" to our new facilities in Auckland City Hospital and Greenlane Clinical Centre. It's hard enough to move services without the added pressures of maintaining an acute service throughout. Staff are still settling in to their new environment and new ways of doing things but the new facilities are an asset to Auckland and New Zealand.

“Clinical services deliver despite moves”

Most medical and surgical services at ADHB treated the targeted number of patients this year despite the planned “slow down” to allow for migration. However, Auckland City Hospital had a disappointing financial performance against budget. This result was mainly attributable to increasing staff and direct treatment costs. In paediatrics the Cellulitis project to treat children with skin infections in the community more rapidly has reduced hospital admissions. And National Women’s Health has been transferring some of its capacity to neighbouring DHBs in preparation for its move in October 2004 to new premises at Auckland City Hospital. Meanwhile, in Clinical Specialty Services our pathology laboratory Lab Plus gained IANZ accreditation again and regained earlier lost business. Lab Plus also won two awards in the Health Innovations Awards this year. The realignment of Orthopaedic Services across the region saw Acute and Elective Services for the Auckland Central Population co-located at Auckland City Hospital successfully.

“ADHB establishes Maori Health Advisory Committee”

The inauguration of the new Board Committee, the Maori Health Advisory Committee has guided us in lifting the health of Auckland’s population and meeting our Treaty obligations. Our Maori Health Service He Kamaka Oranga has assisted in the formation and development of one of our first Primary Health Organisations (PHO), Tamaki Healthcare PHO, to ensure better access to primary healthcare for our population. The service also launched an online learning and assessment programme for all ADHB staff to promote the Tikanga Recommended Best Practice policy as a framework for respectful interactions with Maori patients and visitors. The Tikanga Best Practice policy is a first for New Zealand and is being shared with other DHBs.

“Recruitment Centre provides one-stop shop”

By centralising all employee files and human resource administration in a new Recruitment and Administration Centre at Greenlane this year, ADHB has been able to deliver a higher level of service more cost-efficiently than before. The RAC has a team of specialised recruitment administrators and consultants as well as dedicated administration support.

“ADHB goes Smokefree”

The organisation stubbed out smoking in its buildings, grounds and vehicles this year and ADHB one of the first DHBs to adopt a Smokefree policy for our staff, patients and visitors. Staff have responded well to the call for them not to smoke on the premises and guidelines have been introduced to help patients manage their addiction while in our care. The challenge now is to take the Smokefree message to all healthcare providers and the wider community to reduce rates of smoking-related illness.

“Auckland public checks out new Auckland City Hospital”

Around 5,000 Aucklanders took the opportunity to preview the new Auckland City Hospital in all its pristine glory before the first patients moved in last October. A team from the Building Programme and Communications unit organised the massive logistical exercise of filing thousands of eager visitors through the building in safety.

“Site Ambassadors show the way”

Almost 300 volunteer Site Ambassadors were recruited this year to guide our patients and visitors to their destinations at the new Auckland City Hospital and Greenlane Clinical Centre. The blue-jacketed ambassadors have handled over 115,000 public queries in their first year and have been a great asset to the organisation.

“IS supports clinicians in new environment”

Our Information Services teams successfully completed several major projects to enable the smooth migration to new facilities and to improve patient services. At the heart of the changes is the new clinical IT system called Concerto. Concerto is a web-based interactive front end for authorised clinicians to access a range of clinical information from lab results to medical reports and theatre schedules right across the region. This eliminates the need to log in and out or search separately in different systems. In addition, the service completed the migration of thousands of computers into the new facilities without any major hitches. In conjunction with Counties Manukau and Waitemata DHBs we delivered a new Auckland Region IS Strategic Plan that replaced the individual DHB plans.

“Funding put to good use in Mental Health services”

An injection of Blueprint funding from Government has enabled us to increase services to the ADHB population with mental illness. We established a primary care liaison service for clients with moderate to severe mental illness following a successful pilot at St Luke’s Community Mental Health Centre, plus we’re developing further primary care integration initiatives. Clinical improvements across the service have resulted in fewer acute hospital admissions. Plus the service has designed a new system with packages of care to better meet the needs of Maori mental health patients in the community.

“Patients welcome new Greenlane Clinical Centre”

Despite some initial teething problems, the new Greenlane Clinical Centre is receiving praise from patients. During the year we completed the first phase of the new outpatient clinic facilities and further refurbishment is underway. Services now established on the site include general and specialist outpatient clinics, dermatology, oral health, endocrinology and diabetes services.

“New healthcare assistant role launched”

A new model of nursing care to make the most of scarce nursing resources, match patient care needs to the right health professional and provide the correct level of clinical support and supervision has been started in 35 wards across ADHB. The new healthcare assistant role is designed to support clinicians and allow them to focus solely on patient care activities. Some examples of patient care support activities are: taking height and weight measures, chaperoning, assisting patients to undress, taking patients to the toilet or escorting patients to and from rooms. The role of Nurse Practitioner was also introduced to ADHB this year and already two nurse practitioners (Advanced Neonatal Care) have been credentialed by the New Zealand Nursing Council.

We have ended the year still in deficit and are faced with some hard decisions to reverse this trend. We must be realistic in our plans for next year and focus on core business.

The Provider arm is taking far too much management time within the District Health Board – our responsibility to community-based services and our focus on population health has suffered as a result and I want to see us correct this in the future.

I want to reinforce that in the provider arm there are two distinct businesses that have quite different drivers. The Auckland population needs to be served by a secondary / tertiary hospital that integrates well with the primary sector, to not only create a continuum of care, but to lift the health status of Aucklanders. This requires a population view on all decision making and “living within” our population based funding allocation.

In addition we provide tertiary and quaternary services for all other referring DHBs. For this work we must consider that these DHBs are spending their populations’ resources with us – from this expenditure they are looking for value in terms of health outcome, price and quality.

This year everyone at ADHB was asked to make a major effort to achieve migration and change. And you did it. Thank you to everyone for your dedication and hard work. We now need to consolidate and build on the ‘new way of working’ to rejuvenate the ‘heart’ of the organisation.

Garry Smith
Chief Executive

SUMMARY OF PERSONNEL POLICIES FOR THE YEAR ENDED 30 JUNE 2004

ADHB is committed to being a good employer and to the principles of the Treaty of Waitangi. To this end ADHB has proactively pursued strategies to optimise the relationship between employees and their work performance in its endeavour to achieve the highest quality of work life for staff and the highest quality of healthcare for our patients.

Part of this process has been the widespread involvement of staff at all levels and all occupational groups in multi-disciplinary quality improvement groups and the formation of redesign teams aimed at improving ADHB's overall performance and efficient utilisation of its capital, material and human resources.

ADHB has continued to maintain its investment in its employees through training and development opportunities and the enhancement of its staff counselling and rehabilitation after injury services.

**STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 30 JUNE 2004**

1. The Board and management of ADHB accepts responsibility for the preparation of the financial statements and the judgements used in them;
2. The Board and management of ADHB accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Board and management of ADHB, the financial statements for the year ended 30 June 2004 fairly reflect the financial position and operations of ADHB.



W. K. F. Brown
Chair

Dated:



G. R. Smith
Chief Executive

Dated:



M. Boersen
Chief Financial Officer

Dated:

STATUTORY INFORMATION

In respect of the financial year ended 30 June 2004 the board members of ADHB submit the following report:

Members of the Board

Board member	Experience with ADHB
Wayne Kelvin Forrest Brown (Chair)	From December 2001
Dr Margaret Phyllis Elsie Horsburgh (Deputy Chair)	From August 2000
Crystal Jean Beavis	From December 2001
Harry Burkhardt	From June 2003
Dame Susan Elisabeth Anne Devoy	From December 2001 (Resigned 18 December 2003)
Dr Diane Mary Nash	From December 2001
John Retimana	From December 2001
Victoria Jane Salmon	From December 2001
Dr Ian Kevin Scott	From December 2001
Patrick Nesbit Snedden	From August 2000

BOARD COMMITTEES AS AT 30 JUNE 2004 - STATUTORY COMMITTEES

Community and Public Health Advisory Committee

Committee member

W. K. F. Brown (Chair)	Dr. D. M. Nash
C. J. Beavis	J. Retimana
H. J. Burkhardt	V. J. Salmon
L. Cosgriff	I. K. Scott
E. Cowley-Malcolm	P.N. Snedden
Dr. M. P. E. Horsburgh	Hsin-Ye (Sam) Su
A. B. Hudson	M. Wills

Disability Support Advisory Committee

Committee member

Dr. M. P. E. Horsburgh (Chair)	M. E. M. Hull-Brown	T. Toso
C. J. Beavis	M. Kohi	
W. K. F. Brown	D. Mudgway	
B. J. de Geest	Dr. D. M. Nash	
C. Harmsworth	J. Retimana	

Hospital Advisory Committee

Committee member

W. K. F. Brown (Chair)	H. Burkhardt	Dr. I. K. Scott
Dr. M. P. E. Horsburgh (Deputy Chair)	Dr. D. M. Nash	Professor P. J. Smith
C. J. Beavis	J. Retimana	P. N. Snedden
Professor P. G. Alley	V. J. Salmon	

BOARD COMMITTEES AS AT 30 JUNE 2004 - BOARD ESTABLISHED COMMITTEES

Audit Committee

Committee member

V. J. Salmon (Chair)	H. J. Burkhardt	Dr. I. K. Scott
W. K. F. Brown	M. P. E. Horsburgh	P.N. Snedden

Building and Change Committee

Committee member

P. N. Snedden (Chair)	H. J. Burkhardt
W. K. F. Brown	Dr. I. K. Scott

Quality Committee

Committee member

Dr. M. P. E. Horsburgh (Chair)	H. J. Burkhardt	J. Retimana
C. J. Beavis	Dr. D. M. Nash	

Principal activities

The ADHB functions are set out in section 23(1) of the New Zealand Public Health and Disability Act 2000. It is responsible for the funding, previously performed by the Ministry of Health, of health services.

ADHB provides its own hospital and health services at:

- Auckland City Hospital
- Greenlane Clinical Centre
- Community and Mental Health Service sites
- National Women's Hospital
- Starship Children's Health

Review of operations

	Group \$000	Parent \$000
Results for the year ended 30 June 2004		
Operating deficit	(44,795)	(46,198)
Share of net surpluses of associates	132	0
Net deficit	(44,663)	(46,198)
Equity of ADHB as at 30 June 2004		
Current assets	127,894	127,661
Non-current assets	554,268	545,047
Total assets	682,162	672,708
Current liabilities	218,972	218,779
Non-current liabilities	286,058	286,058
Total liabilities	505,030	504,837
Total equity	177,132	167,871

Capital Charge

The capital charge for the year ended 30 June 2004 was \$17.354 million (to 30 June 2003: \$13.869 million) and is treated as an operating expense – note 14.

Equity Comparisons

Equity injections of \$62.778 million were recognised in the period (to 30 June 2003 \$123.180 million).

Financial statements

The financial statements of ADHB and the group for the year ended 30 June 2004 are included separately in this report. The group consists of ADHB, the Auckland District Health Board Charitable Trust (100% controlled) and associated entities, Biomed Investments Limited (In Liquidation) (50% owned), Northern Clinical Training Network Limited (40% owned), Northern DHB Support Agency Limited (33% owned), Treaty Relationship Company Limited (50% owned) and Westkids Limited (50% owned).

Accounting policies

There have been no changes in accounting policy during the year ended 30 June 2004.

Interests register

During the year the following entries were recorded in the interests register of ADHB:

(a)

Board Members' Fees	Year ended 30/6/04 \$
W. K. F. Brown	90,219
C. J. Beavis	27,000
H. J. Burkhardt	30,750
Dame S. E. A. Devoy	13,250
Dr M. P. E. Horsburgh	36,437
Dr D. M. Nash	26,500
J. Retimana	27,250
V. J. Salmon	31,705
Dr I. K. Scott	31,500
P. N. Snedden	31,151
Fees paid to Board Members	<u>345,762</u>

(b) **Board Members use of ADHB information**

No notices were received from the board members requesting the use of ADHB information, received in their capacity as Board Members, which would not otherwise have been available to them.

(c) Board Members' interests

The Board Members have declared that they may benefit from any contract that may be made with the entities listed below by virtue of their directorship or memberships of those entities:

Board Member	Interest
W. K. F. Brown (Chair)	Chair, Land Transport Safety Authority; Director, Waahi Paraone Limited; Director, Brown Properties Limited; Director, Brown Consulting Limited; Director, Cabletalk Limited; Director, Open Group Limited; Chair, Transmission Holdings Limited
C. J. Beavis	President, Diabetes Youth New Zealand; Bridger Beavis & Associates Limited
H. J. Burkhardt	Managing Director, Replas Ltd; Director, Matta Products Limited; Director Remat Group Ltd; Director Burkhardt Investments Ltd; Director Burriss Ltd; Director Blue Skys Ltd; Director Reco Ltd
Dame S. E. A. Devoy	CEO, Sport Bay of Plenty; Chair, Halberg Trust; Trustee, ADHB Charitable Trust
Dr. M. P. E. Horsburgh (Deputy Chair)	Associate Dean, Faculty of Medical and Health Sciences, The University of Auckland; Trustee, Spectrum Care Trust
Dr D. M. Nash	General Medical Practitioner; Member, NZ Labour Party Policy Council; Member, NZ Labour Party Health & Social Welfare Policy Committee
J. Retimana	Consultant Advisor, Territorial Authorities; Consultant Advisor, Opus International Limited; Consultant Advisor, Transit NZ; Consultant Advisor, Ngati Whatua Trust Board; Director, Whangai Investments Limited
V. J. Salmon	Director & CEO, Restaurant Brands New Zealand Limited; Director, Salmon & Partners Limited; Trustee, ADHB Charitable Trust
Dr I. K. Scott	Employee, Waitemata District Health Board; Consultant, Auckland Regional Alcohol and Drug Service (RADS); Board Member, Alcohol Advisory Council (ALAC)
P. N. Snedden	Deputy Chair, Housing New Zealand Corporation; Managing Director, Snedden Publishing and Management Consultants Limited; Business Advisor to Health Care Aotearoa Inc; Director, Watercare Services Limited; Trustee & Deputy Chair, ASB Community Trust; Trustee & Deputy Chair, ASB Charitable Trust; Director, Mai Media Limited; Director, Commonsense Organics Limited

Auckland District Health Board Charitable Trust

Auckland District Health Board Charitable Trust administers the donations and bequests of ADHB with the exception of funds held on behalf of patients and the Ngati Whatua Trust Board, which are still held by ADHB and will be distributed as required.

Trustees of the Trust at 30 June 2004

Dr R. Frith (Chair)	(Appointed 9 October 2003)
T. Campbell	(Appointed 8 April 2004)
Dr. I. Civil	(Appointed 9 October 2003)
Dr. J. Henley	(Appointed 7 November 2002)
Dr. A. Pelkowitz	(Appointed 8 April 2004)
Dr. D. Sage	(Appointed 3 August 2003)
V. J. Salmon	(Appointed 29 August 2002)

Employee remuneration

During the year the following numbers of employees of ADHB received remuneration over \$100,000:

<i>Remuneration range</i>	Number of employees
\$550,000 - \$560,000	1
\$420,000 - \$430,000	1
\$410,000 - \$420,000	1
\$380,000 - \$390,000	1
\$370,000 - \$380,000	1
\$360,000 - \$370,000	1
\$350,000 - \$360,000	2
\$340,000 - \$350,000	1
\$330,000 - \$340,000	2
\$320,000 - \$330,000	2
\$310,000 - \$320,000	2
\$300,000 - \$310,000	1
\$290,000 - \$300,000	4
\$280,000 - \$290,000	6
\$270,000 - \$280,000	8
\$260,000 - \$270,000	11
\$250,000 - \$260,000	14
\$240,000 - \$250,000	23
\$230,000 - \$240,000	24
\$220,000 - \$230,000	20
\$210,000 - \$220,000	20
\$200,000 - \$210,000	14
\$190,000 - \$200,000	20
\$180,000 - \$190,000	26
\$170,000 - \$180,000	27
\$160,000 - \$170,000	24
\$150,000 - \$160,000	34
\$140,000 - \$150,000	38
\$130,000 - \$140,000	27
\$120,000 - \$130,000	51
\$110,000 - \$120,000	64
\$100,000 - \$110,000	84
Total	555

Of the 555 employees shown above, 457 are or were medical or dental employees and 98 are or 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 873 compared with the actual total number of employees of 555.

The remuneration received by the Chief Executive during the year ended 30 June 2004, falls within the salary band \$380,000 - \$390,000.

Employee remuneration (continued)

Termination payments

<i>Payment \$</i>	<i>Employees</i>	<i>Payment \$</i>	<i>Employees</i>	<i>Payment \$</i>	<i>Employees</i>
150	1	8,000	2	20,964	1
242	1	8,119	1	20,979	1
532	1	8,314	1	21,273	1
1,029	1	8,995	1	21,300	1
1,123	1	9,000	1	22,503	1
1,239	1	9,041	1	22,912	1
1,337	1	9,124	1	23,029	1
1,604	1	9,773	1	23,086	1
2,000	1	9,996	1	23,202	1
2,273	1	10,000	1	23,228	1
2,665	1	10,209	1	23,368	1
2,760	1	10,501	1	23,398	1
2,944	1	10,542	1	23,782	1
3,241	1	10,622	1	23,900	1
3,588	1	10,649	1	24,216	3
3,666	1	10,972	1	24,608	1
3,755	1	11,717	1	24,752	1
3,805	1	11,780	1	25,523	3
3,963	1	11,794	1	25,524	1
4,075	1	12,000	1	26,022	1
4,333	1	12,148	1	27,335	1
5,000	1	12,301	1	27,938	1
5,204	1	12,486	1	28,822	1
5,227	1	12,749	1	29,435	1
5,268	1	13,341	1	30,000	1
5,500	1	14,317	1	30,375	1
5,606	1	14,589	1	31,865	1
5,630	1	14,829	1	32,125	1
5,718	1	15,000	4	32,928	1
6,035	1	15,166	1	37,243	1
6,163	1	15,818	1	37,720	1
6,200	1	15,970	1	38,238	2
6,212	1	16,845	1	39,046	1
6,254	1	17,540	1	40,392	1
6,420	1	17,755	1	40,482	1
7,092	1	18,444	1	42,240	1
7,246	1	18,537	1	48,470	1
7,500	1	18,633	1	49,805	1
7,546	1	19,992	1	50,000	1
7,705	1	20,688	1	60,368	1
7,859	1	20,957	1	63,360	1
Total				2,191,434	132

During the year ended 30 June 2004, termination payments were made in respect of 132 employees (99 payments in year ended 30/06/03). Termination payments consist of settlements and redundancy payments made during the year.

Auditor

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

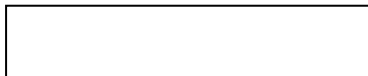
Remuneration to auditor

	\$
Audit fees	172,500
Other assurance and consultancy fees paid to Ernst & Young	<u>6,179</u>
Amounts paid/payable to Ernst & Young	<u><u>178,679</u></u>

Donations

ADHB did not make any donations during the year.

For and on behalf of the Board Members who authorised the issue of this annual report.



W. K. F. Brown
Chair

Dated:

STATEMENT OF SERVICE PERFORMANCE

The Statement of Service Performance (SSP) reflects operational intentions that are consistent with the District Strategic Plan and the Statement of Intent for the Auckland District Health Board (ADHB) and reports achievement against those intentions. In this manner the SSP demonstrates how the ADHB has progressed in achieving the Government's priorities for health within the funding available.

NATURE AND SCOPE OF ACTIVITIES

The ADHB is a major funder and provider of healthcare services. The ADHB funds and provides community based and secondary services to central Auckland, tertiary services to the Auckland region and range of tertiary services nationally.

The ADHB serves a large population of approximately 367,000 people who live in the ADHB area. This population represented approximately 9.8 percent of the total New Zealand population in 2001. The ADHB vision of 'Hei Oranga Tika Mo Te Iti Me Te Rahi Healthy Communities, Quality Healthcare' reflects a focus on the health of our population. This focus includes working with other agencies, organisations, iwi and community leaders to achieve our goals. We want the best possible health and independence for the district and region that can be achieved within our available resources.

The ADHB is responsible for improving the Auckland District population's health by focusing on those factors that most influence health. The ADHB has responsibility for collaborating and planning across a wide range of health and non-health sectors in order to influence the broader determinants of health. The ADHB achieves this through the following activities:

- Population needs analysis
- Planning and funding for services that meet the principles and priorities of the NZ Health Strategy and the NZ Disability Strategy
- Collaboration with other DHBs, Government agencies and non-Government entities
- Contribution to the development of good public health policy
- Strengthening community participation in health
- Building capability within the ADHB and community
- Improving service provision with regard to access, appropriateness and effectiveness of the services for Maori and Pacific people so as to reduce health inequalities

The needs of our population were identified in the Population Health Needs Assessment undertaken in 2001. This work utilised demographic data, epidemiology and community input to draw a profile of the local population and priority health needs. This assessment identified the following factors:

- Cardiovascular disease and cancer are the leading causes of death
- Diabetes is predicted to increase markedly over the next 10 years, especially among Maori and Pacific peoples
- Maori and Pacific children that live within the district have poor oral health compared to others
- There are disturbing increases in the incidence of disease among young children (tuberculosis, rheumatic fever, meningitis, cellulitis and gastro-enteritis) especially among Maori, Pacific peoples and people from refugee backgrounds
- About 20 percent of the population has a disability, and 3 percent have a severe disability
- Alcohol and illicit drug use is increasing with concerns about the use of these substances among young people, Maori and Pacific peoples
- Concern for the high youth suicide rates among males, particularly young Maori men
- Family violence (including domestic violence and child abuse) is recognised as a key social and health issue in society

The ADHB acknowledges Treaty of Waitangi obligations and is working to ensure Maori in the ADHB area experience good health. This process is assisted by the Memorandum of Understanding the ADHB has signed with Te Runanga o Ngati Whatua that outlines a number of partnership principles, processes for engagement and protocols. The ADHB is also working to reduce inequalities in the health status of Pacific and new migrant populations in the district. People on low incomes have poorer health status and this is associated with the inequalities in health for Maori, Pacific people and new migrants, particularly those people from refugee backgrounds.

The ADHB has developed four key goals to provide a focus for its activities as a funder and provider of healthcare services and these goals provide the framework for this SSP. The achievements associated with these goals in the 2003-04 year are reported here. The future programme of work related to these goals is set out in three documents, the District Strategic Plan, District Annual Plan and Statement of Intent. The four goals are:

Get control of our finances

The ADHB is incurring unacceptable losses and we need to do things very differently to stop these losses and develop a path to breakeven in consultation with the Crown.

The ADHB receives its funding in three segments referred to as output classes:

- Output one - DHB governance and funding administration - this output class received funding of approximately \$3 million and incurred costs of approximately \$3 million. There is no closing equity balance for output one.
- Output two - funding of services - this output class received funding of approximately \$391 million and incurred costs of approximately \$362 million. The closing balance of equity is (\$28.6) million.
- Output three - provision of health and disability support services - this output class received Crown funding that was augmented by other revenue to provide total funding of \$716 million. The cost of service provision and support costs was approximately \$719 million. The closing balance of equity is \$205.7 million.

The net effect of this revenue and expenditure profile was an operating surplus of \$26 million before interest, depreciation, taxation and capital charge.

Make the Change Programme happen

We need to speed up the move to standardise, consolidate and integrate our services to improve patient care and capture the required operational efficiencies by the completion of the programme. This will require collaboration across all health services to streamline care and to secure more cost-effective health gains. There were five major projects established to transform systems and processes in readiness for the move to the new facilities:

- Admit, Discharge and Transfer (ADT) Project - to smooth the patient flow to enable improvements to access and discharge from ADHB's services
- Surgical Process Project - to maximise the utilisation of theatres thereby reducing patient wait times for elective and acute surgery
- Outpatient and Clerical Project - assisting Ambulatory Services with the establishment of the new outpatient clinic with changes to roles, systems and management structures
- Clinical Rosters and Bed Management Project - to ensure that medical staff and bed resources are managed to meet the patients' needs
- Staff Roles and Responsibilities Project - to ensure that the responsibility for co-ordinating a patient's care throughout their healthcare experience with ADHB is managed by the appropriate healthcare professional and patient workloads are well managed with the right level of support

Finish the Building Programme

Having completed the construction and successful migration to the new Auckland City hospital and Greenlane Clinical Centre the Building Programme is now managing the refurbishment of the old Auckland hospital as a support building and the refurbishment of the old Green Lane hospital building as out-patient and day-surgery facilities. National Women's migrates to the Grafton site in October 2004, five months later than planned due to the finding of asbestos in the old Auckland Hospital (Support building). The removal of asbestos from refurbishment projects on both sites has added around 6 months to the programme.

The new Auckland City Hospital now offers acute medical and surgical inpatient services. ADHB had already opened a new laboratory and mortuary (LabPlus), and a new carpark building (Helipad Carpark) on the Grafton site. Refurbishment of the old acute mental health building has provided a greatly enhanced facility for psycho-geriatric patients. The Greenlane Clinical Centre will be completed in early 2005.

Lift the health performance of Aucklanders

The commentary on the nature and scope of activities above has already provided an indication of the challenges that are being managed for this goal. These challenges include:

- Reflecting our Treaty of Waitangi responsibilities within the framework of the NZPHD Act by establishing and maintaining strong relationships that inform funding decisions through a better understanding of the health needs of Maori
- Focusing on population health through analysis of needs and the further development of processes to inform funding decisions
- Reducing inequalities through analysis of needs and the use of priority setting criteria to inform funding decisions
- Managing continuums of care through initiatives that improve information flows between providers and assist the provision of care by primary care providers thereby reducing the level of acute admissions to hospitals
- Strengthening the primary care sector by prioritising funding for new initiatives, improving information and collaborating with other government agencies and groups to enable issues to be addressed at a more holistic level
- Improving quality and safety of services by maintaining and improving quality and risk management systems and engaging with other DHBs on key issues such as the management of inter district flows

The key achievements in the year to June 2004 are set out in the goal tables below and include situation analysis, decision making and action to implement programmes of work to improve the health of Aucklanders.

QUALITY OF ADHB PERFORMANCE

The ADHB focuses on ensuring the quality of the services it funds and provides. The ADHB collaborates with other DHBs and the Ministry of Health (MOH) in maintaining, assessing and planning for these services. The ADHB maintains appropriate risk and quality structures and related processes to support clinical governance. Clinical Governance provides a framework through which ADHB is accountable for continuously improving the quality of the services and safeguarding high standards of care. This structure helps ensure the ADHB meets MOH requirements in regard to health goals, regulatory requirements and quality improvement activities.

PROVIDER SELECTION

The ADHB applies the protocols agreed by Cabinet for provider selection that reflect the Government's objectives of supporting Maori and Pacific provider development needs and the needs for cost-effective use of scarce resources. The process reflects the Cabinet protocols and includes appropriate decision making processes where service agreements cover more than one DHB area. Providers are selected in one of three ways:

Preferred provider status

Preferred providers are chosen on a limited basis where there is a known provider of proven capability and it is known there is no other organisation readily available to provide the services. In these circumstances a tender process may not be necessary or appropriate. Some Maori providers may have preferred provider status for specific types of service delivery as part of a plan to develop providers.

Registration of interest

Registration of interest is a competitive process that includes advertising for the provider and is often used where it is unclear if there are any organisations able to or interested in the delivery of the service required.

Request for proposal

A request for proposal is a public tendering process most often used where there is no preferred provider and there are a number of organisations available to provide the service required. Proposals are called for and evaluated through a formal process.

FINANCIAL PERFORMANCE MEASURES

Financial performance for June 2004	Target	Actual	Actual
Measure	12 months to 30 June 2004	12 months to 30 June 2004	12 months to 30 June 2003
Return on Net Funds Employed (Operating Margin/Net Funds Employed x 100)	-25.10%	-25.21%	-31.26%
Operating Deficit to Revenue (Operating Deficit /Total Operating Revenue x 100)	-4.39%	-3.96%	-5.54%
Interest Cover * (Calculation as per bank covenant requirements)	≥ 2.00	1.56	-3.52
Debt to Debt plus Equity Ratio (Total Borrowings/Total Borrowings plus Equity x 100)	65.00%	64.07%	60.55%

* *Interest cover*: This is calculated based on the published interest figures and the deficit for the year adjusted for ADHB share of associated company profits, profit on sale of assets, taxation, interest paid and depreciation.

Financial Performance Measures: The financial targets are derived from the Budget approved by the Board and the Interest Cover ratio and Debt to Debt plus Equity Ratio as required by the banking covenants.

NON FINANCIAL MEASURES

Process and Efficiency	Purpose	Target	Actual	Actual
Measure		12 months to 30 June 2004	12 months to 30 June 2004	12 months to 30 June 2003
Occupancy Rate for Resourced Beds	Efficient utilisation of resources	85%	82%	81%
DRG-Based Average Length of Stay (ALOS)	Efficient utilisation of resources	3.00 days	3.10	2.99 days
Elective Daycase Surgery as a % of all Daycase Surgery (Procedures)	Move to more efficient setting for treatment	75%	79%	72.49%

DRG-Based Average Length of Stay: Average length of stay of all DRG-funded discharges. The source data for this information is the coded information as supplied by ADHB.

Elective Daycase Surgery as a % of all Daycase Surgery: ADHB has a high percentage of Elective Daycase Surgery. It is expected that this will remain stable over the year and should increase thereafter.

Patient and Quality	Purpose	Target	Actual	Actual
Measure		12 months to 30 June 2004	12 months to 30 June 2004	12 months to 30 June 2003
Customer Service Proportion of Satisfied Customer Survey Respondents	Improve quality of service	92%	93%	93.6%
Customer Service Proportion of Very Good Customer Survey Respondents	Improve quality of service	55%	51%	51.7%
Percentage of Complaints Resolved/Closed	Improve quality of service	60%	45%	52.9%
Hospital Acquired Blood Stream Infections (per thousand inpatient admissions)	Manage infection rates	6.50	6.80	6.10
Diabetes check rates	Improve management of diabetes	42%	34%	25%

Percentage of Complaints: Number of complaints closed within 30 days.

Hospital Acquired Blood Stream Infections: This rate has historically run at approximately 8 events per thousand inpatient admissions and the statistic for the last year is therefore lower than would ordinarily be expected. The statistics include patients who are readmitted with a blood stream infection who have previously received care within the ADHB. This produces a higher statistic than would otherwise be the case.

Diabetes rates: The rates are based on the annual report and estimates for the following twelve months prepared to 31 December each year rather than 30 June. An estimate is then made using these figures to cover the year to 30 June.

Organisational Health and Learning	Purpose	Target	Actual	Actual
Measure		12 months to 30 June 2004	12 months to 30 June 2004	12 months to 30 June 2003
Staff Turnover (voluntary)	Improve staff retention	18.00%	17.27%	15.5%
Sick Leave Rate	Manage staff health	2.6%	2.73%	2.95%
Workplace Injuries	Manage injury rates	5.5	7.68	-

Sick Leave Rate: is calculated as the total hours sick leave taken during the quarter divided by the total contracted employee hours in accordance with the balanced score card reports.

Workplace Injuries: is calculated as the number of lost days divided by the number of contracted Full Time Equivalents (FTEs). (NB – The ADHB Workplace injuries Target and Actual figures that have been supplied for 03/04 are Lost Time Frequency Injury Rates (LTFIR) calculated as the number of lost time injuries per million hours worked).

PERFORMANCE TARGETS AND OTHER MEASURES

	Goal	Measure to 30 June 2004	Performance to 30 June 2004									
1	Get control of our finances	<ul style="list-style-type: none"> Develop and successfully manage an agreed path to break even in the future Manage Full Time Equivalent (FTE) levels at or below budget levels Support regional and national processes for efficiency and better alignment of operational processes Develop management processes and reporting systems for Inter District Flows (IDFs) and agree monitor volume and access levels Develop and implement a strategy for regional and local management of referred services expenditure for laboratories and pharmaceuticals Manage debt and equity requirements in accordance with planned cash flow projections Secure appropriate Crown equity and debt financing to support all capital and deficit requirements for the next three years Support the national process to update the national price schedule 	<ul style="list-style-type: none"> The agreed path to break even was reflected in the 03/04 District Annual Plan (DAP). The financial result to 30 June 04 to achieve this shows an improved position for year 1 of our 4 year break even plan. Actual deficit of \$44,665 compared to a budget deficit of \$48,790 Actual FTEs at 30 June 04 of 6,858 compared to budget of 6,926 The CEOs of Auckland, Waitemata and Counties Manukau have committed to a list of regional projects where all DHBs will work on a collaborative basis IDFs reported by DHB to ADHB provider and six monthly to other DHBs ADHB has provided input to the national Referred Services Management Project <table border="1" data-bbox="989 1568 1468 1691"> <thead> <tr> <th></th> <th>Actual</th> <th>Budget</th> </tr> </thead> <tbody> <tr> <td>Debt</td> <td>315,889</td> <td>343,729</td> </tr> <tr> <td>Equity</td> <td>177,132</td> <td>194,396</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Given the revised 04/05 DAP this work is still in discussion with the MoH ADHB participated in preparation of the national price schedule 		Actual	Budget	Debt	315,889	343,729	Equity	177,132	194,396
	Actual	Budget										
Debt	315,889	343,729										
Equity	177,132	194,396										
2	Make the change programme happen	<ul style="list-style-type: none"> Manage the five key projects in accordance with project timelines and budget: ✓ Admit, Discharge and Transfer 	<ul style="list-style-type: none"> All projects were completed and handed over to the organisation The Focus for the project was to establish the 									

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<p>(ADT) Project - to smooth the patient flow to enable improvements to access and discharge from ADHB's services</p> <ul style="list-style-type: none"> ✓ Surgical Process Project - to maximise the utilisation of theatres thereby reducing patient wait times for elective and acute surgery ✓ Outpatient and Clerical Project - assisting Ambulatory Services with the establishment of the new outpatient clinic with changes to roles, systems and management structures ✓ Clinical Rosters and Bed Management Project - to ensure that medical staff and bed resources are managed to meet the patient's needs ✓ Staff Roles and Responsibilities Project - to ensure that the responsibility for co-ordinating a patient's care throughout their healthcare experience with ADHB is managed by the appropriate healthcare professional and patient workloads are well managed with the right level of support • Complete the integration process with the Building Programme's migration processes • Complete the accreditation process with Quality Health NZ and their survey programme 	<p>new emergency department and the assessment and planning unit and in addition look at improving discharge processes. All work was completed, some areas e.g. Gen Med have been very successful, other areas still need to tailor and embed new processes e.g. Gen. Surg. The ADHB operations manager is monitoring and coordinating any changes that need to be made</p> <ul style="list-style-type: none"> • The Patient Information Management System (PIMS) theatre management system has been implemented. Now getting utilisation data, utilisation has improved in main theatres to greater than 85%, still working with specific areas where management could be better. Line managers are accountable for this • This project has only been completed in part. The redesign of clerical staff roles as been implemented although there are some issues with this because end state locations aren't finalised. In addition there are some process issues with scheduling so a service by service approach is being taken to address this. There is still a project team working on this under the direction of the operational manager. In regards to the management structure the implementation of this is currently underway • This work is completed and handed over to the ADHB Operations Manager. Refinement of new processes continues but over all are working well • This work has been completed and handed over to the nurses leaders. A new integrated model of care has been implemented. Charge Nurses are managing to a daily Nursing Hour per Patient Day target A senior nursing review was also completed and linked into the nursing model of care • This was completed as far as possible. Migration is still occurring although at a slower rate and will continue to be supported until complete • Accreditation is complete with the exception of Rehab Plus and National Women's. Their surveys are due in July 04
3	Finish the building programme	<ul style="list-style-type: none"> • Maintain control of the project within budget and timetable • Ensure that stakeholders are appropriately involved in the process • Complete the migration programme to the new facilities: <ul style="list-style-type: none"> ✓ Auckland Hospital within the Grafton site 25 October 2003 ✓ Women's Services from the Greenlane site April 2004 ✓ Cardiac Services from the Greenlane site 23 December 2003 ✓ Greenlane Clinical Centre – initial October 2003, remainder March – December 2004 • Create efficiencies through pooling and sharing of equipment and resources between services 	<ul style="list-style-type: none"> • We are behind the original programme due to the discovery of Asbestos in the Support Building & Green Lane building 4. However we are now working to a revised programme • Stakeholders satisfied with progress • Migration completed without clinical risk or adverse outcomes • Migration completed without clinical risk or adverse outcomes • Migration delayed to October 2004 because of Asbestos contamination of Support Building • Migration completed without clinical risk or adverse outcomes • Migration on target • Standardisation of equipment undertaken during equipping of buildings

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
4	Lift the health performance of Aucklanders	<p>This section is divided into distinct areas that we believe will ultimately lift the health performance of the Auckland population:</p> <p>4.1 Reducing inequalities for Maori, Pacific peoples and New Migrants 4.2 Managing the Continuums of Care 4.3 Strengthening the Primary Care Sector 4.4 Improving quality and safety of services and service delivery</p>	
4.1	Reduce inequalities	<p>Maori Health</p> <ul style="list-style-type: none"> • Consolidate ADHB's relationship with Tihi Ora Maori Purchasing Organisation (MaPO) • Review of Maori Health (He Kamaka Oranga) completed • Tikanga Best Practice completed and implemented • Manage the roll out Whare Oranga Pasefika (one-stop-shop service at the new Green Lane Clinical Centre) • Maori Did Not Attend (DNA) initiative implemented through the ADHB change programme • Undertake a Maori health workforce profile of ADHB including Non Government Agencies (NGOs) to provide baseline data. Identify all Maori health professional undertaking post entry training and assist with access funding • Review of Manawanui Maori mental health service completed • ADHB Maori workforce and provider development plan implemented <p>Pacific Health</p> <ul style="list-style-type: none"> • Develop and implement the Joint Sector Initiative for high and complex needs children in partnership with the Strengthening Families Management Group (SFMG) 	<ul style="list-style-type: none"> • A Memorandum of Understanding between ADHB and Ngati Whatua has been ratified and actively implemented with the establishment of the ADHB Maori Health Advisory Committee (MHAC). There are 8 committee members with 4 appointed by Ngati Whatua and 4 from the ADHB. MHAC meetings include the CEO, the GM (Planning and Funding) and the GM (Maori Health) and the CEO of Tihiora MaPO • Review has been completed and implemented. All management staff have been appointed • Tikanga Best Practices are now ADHB policy and are available to all staff on-line. Staff training for Tikanga Best Practice is being developed • Capital funding for Whare Oranga is being sought as well as the appointment of a Project Manager for Service implementation • General policy and procedures put in place to manage all types of DNA. A project has been put in place for 2004/05 to ensure specific Maori health objectives are met • A comprehensive overview of a Maori health workforce profile has been completed. Collaborations with post-entry training establishments have been developed • The Manawanui Maori mental health review has been completed and the recommendations have been implemented. Manawanui has been reconfigured and is now operating as Maioha Tupuranga on the new Maori mental health site Whatua Kaimarie now located on Sutherland Road, Pt Chevalier • The ADHB are awaiting national plans for workforce and provider development which will be used as the basis for drafting regional plans. Some project work is being conducted in these two areas including Maori Primary Health Organisation (PHO) development and working collaborations with Hauora.com • A member of the Pacific Health Team continues to be actively involved in the a Joint Sector Initiative within the Onehunga area focusing at the high and complex needs of Pacific youth aged between 11- 18 with the objective of improving agency coordination for this specific population group. The project is supported by the SFMG and led by the High and Complex Need Unit of Child Youth and Family Service (CYFS) in Wellington. ADHB are an active member in the group in the evaluation and review work around establishing joint sector activities with the various agencies and health providers

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<ul style="list-style-type: none"> • Develop and implement an effective long term communications strategy to promote awareness and understanding of ADHB's purpose and how Pacific communities can contribute to the process • In partnership with the Pacific Community Co-ordinators develop an information strategy which will see the effective and responsive dissemination of information to Pacific communities, including church groups and providers of effective ADHB funded and provided health services to health issues affecting Pacific people • Strengthen public health programmes by providing support to the ADHB Public Health Unit, Pacific PHO and Pacific providers to ensure Pacific communities are aware of: <ul style="list-style-type: none"> ✓ the benefits of regular physical activity and good nutrition, and breastfeeding ✓ uptake of immunisations ✓ smoking cessation benefits and programmes ✓ injury prevention ✓ minimising harm from alcohol and gambling ✓ reducing risk behaviours, suicide, sexual and reproductive health, child abuse, domestic/sexual violence <p>New Migrant /Refugees Work with providers in the delivery of services to assist new migrant/refugee populations:</p> <ul style="list-style-type: none"> • Develop a regional Refugee Community Health Work Service (Public Health) in collaboration with other refugee services and government agencies e.g. Housing, WINZ • Develop health promotion/health education materials that target different ethnic groups residing in the Auckland District Health Board e.g. Well Child materials, pregnancy and parenting • Use involvement in Strengthening Families work group to raise refugee and new migrant issues and recommendations 	<ul style="list-style-type: none"> • This output involving the development and implementation of a Pacific communications strategy has been subsumed into the Pacific community coordinators role • A contract for the establishment of Pacific Community Coordinators service has been agreed with a provider after an initial Registration of Interest process. The objective of the Community Coordinators is to provide ADHB a voice in the community involving key Pacific groups and to also allow a mechanism for Pacific people to respond to ADHB's strategic intentions and initiatives. Signing of the contract is expected in July • Health Promotion Plans with ADHB's Pacific PHOs continue to be developed and resourced through the PHO capitation formula. Planning for the Meningococcal B programme (MeNZB) commenced. The GM Pacific continues to be an active member of the Regional Public Health Steering Group • Auckland Regional Public Health Service (ARPHS) Refugee Health is a member of the working party of the Immigration Settlement Strategy: The purpose of this process is to provide cabinet with information regarding the issues of refugee and migrant communities in Auckland. Improving health outcomes is among the objectives to be achieved • ARPHS Refugee Health is a member of the intersectoral resettlement forum which meets 2 monthly with representatives of the Refugee and Migrant Service, Refugees as Survivors, Health, Education, Housing and Ministry of Social Development services to plan for the resettlement needs of the new refugee quota intake and review the progress of the previous intake • ARPHS Refugee Health facilitates the asylum seeker interagency meeting to co-ordinate health care for newly arrived asylum seekers in the Auckland region • Development and pretesting of nutrition, dental and Smokefree resources for Somali, Ethiopian, Iranian, Arabic and Afghan communities • North Shore health and well being expo for refugee communities • ARPHS Refugee Health programme on

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
			<p>'Using the New Zealand Health system', provided through Access community radio to Afghan, Somali, Arabic, Ethiopian, Burmese and Farsi speaking communities</p> <ul style="list-style-type: none"> • Development of the Refugee Health Website www.refugeehealth.govt.nz providing health information and health education for health providers and communities • ARPHS Refugee Health and Muslim communities organised the "Working with Muslim Families" Conference April 13/14th 2004. The conference aimed to create understanding and awareness between Muslim communities and people who work in health, social, education and employment services. The conference addressed the health and social issues that face both new arrivals, in particular those from non-English speaking and refugee backgrounds • Well child programme including parenting skills, for women from refugee backgrounds provided at the Pan African Centre: Three Kings Somali women • ARPHS is working with the Drug and Drug Related Harm Working Group (an interagency group including CAYAD): to reduce drug use among youth from refugee backgrounds in the Auckland region • Developed and disseminated the 'Dental Health Services in New Zealand' pamphlets in partnership with the Waitemata District Health Board Dental Service which is translated into Arabic, Amharic, Somali, Pushto, Dari and Farsi. A resource to be used by resettlement agencies, Pre-school, school and tertiary education and health services and in conjunction with the Wellchild resource for refugee families • Somali Healthy Eating/Healthy action programme: A partnership between ARPHS, the Auckland Somali Community Association and ProCare. The programme includes physical activity and nutrition programmes for Somali women and young people • ARPHS refugee health is part of an interagency team that developed and manages the ON TRACC, Transcultural Care Centre. On TRACC is a new intersectoral service for children and young people from refugee backgrounds and their families with severe behaviour and/or mental health needs living in Central Auckland. The service is a joint contract operated by : <ul style="list-style-type: none"> • Kari Centre of the Auckland District Health Board ('ADHB') • ESOL, Refugee and Migrant Team in the Ministry of Education • Auckland City Special Education in the Ministry of Education • Royal Oak and Grey Lynn offices in the Department Of Child Youth And Family Services ('CYF') • Training for Community Child Health and Disability and the Te Puaruruhau (multi-agency child protection service) services in Care and Protection Issues in refugee communities • Development of Family Violence guidelines for working with refugee

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<p>Mental Health</p> <ul style="list-style-type: none"> • Restructure/reconfigure Regional Mental Health Services according to Mental Health Commission and Ministry of Health recommendations • Review data management systems and track improvement to service access • Development of, and implementation of quality monitoring framework • Implement Mental Health Commission Acute Services Review findings including the four Intensive Support Packages of Care, appointment of a Regional Director and develop the plan for regional Mental Health Service Coalition • Manage blueprint funding allocation with Ministry of Health requirements <p>Older People and with Disability</p> <ul style="list-style-type: none"> • Co-ordinate with Maori, Pacific people and new migrant providers to provide information and support for services to disabled people and families • Manage devolution of older person services including mitigating any associated risks • Develop a model for the integration of respite care with Needs Assessment Service Coordination (NASC) which meets clients' needs and start implementation • Changes to contracts to require providers to develop a plan to implement the NZ Disability Strategy are agreed and implemented • Develop guidelines in consultation with disability groups to assist providers meet the requirement to devise a NZ Disability Strategy Plan 	<p>communities as part of the ADHB Family Violence Project. Training provided to ADHB mental health, social work and child and family services</p> <ul style="list-style-type: none"> • The Regional Director role and Network North Coalition have been established. Work in the 2004/2005 year will continue to focus on strengthening sector integration, service planning, delivery and monitoring. The packages of care are well established and an evaluation of outcomes has been completed • Meetings between ADHB/NDSA have occurred with a view to improving reporting. A regional process lead by the NDSA has begun which aims to improve consistency in reporting across the region. This will be aligned with ADHB's Performance Improvement project • A Quality Monitoring Framework has been developed and is awaiting sign off from the regional funders group • The Non Government Organisation (NGO) Request for Proposal Process (RFP) process 03/04 was completed including Manawanui replacement services. Pacific Packages of Care was the only service where a successful NGO candidate was unable to be identified. Discussions are underway with ADHB provider arm regarding this service • A regional process for the application of Future Funding Track (FFT), consistent with the 03/04 process, has been applied for 04/05. All NGO providers have been informed of the FFTE price increase for their service for 04/05. The processing of the contract variations for 04/05 is underway • This is ongoing. The Maori and Pacific Disability Empowerment and Advocacy Services (DEAS) groups have representation on Disability Support Advisory Committee (DiSAC) • The Risk pool process has been outlined by the MoH and expenditure to be included and excluded. An ADHB risk register has been developed. The NDSA are representing ADHB on the Transition Advisory Group with the MoH to agree over and under funding issues • Completed 2003 • Completed 2003 and being implemented as contracts renewed • Guidelines completed 2003. A project is underway which seeks information from providers on their activities in implementing the NZ Disability Strategy
4.2	Manage continuums of care	Reduce The Incidence & Impact Of Diabetes	<ul style="list-style-type: none"> • The Diabetes manager is consulting with

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<ul style="list-style-type: none"> • Maintain and institutionally strengthen the Diabetes Leadership Group that works with all providers to develop and implement a Diabetes Strategic Plan • Develop a business case for diabetes projects within the primary investment funding allocation • Maintain the Local Diabetes Team (LDT) profile and reporting requirements to MOH • Contracted providers to have fully developed implementation plans including KPIs for monitoring of activities • Continue implementation of the Diabetes Get Checked Project in primary care sector Reduce The Incidence And Impact Of Cancer • Screening programmes [breast/cervical] are promoted and target all population groups, particularly those hard to reach groups of Maori, Pacific and New Migrant women • Annual renegotiation of contract for the National Cervical Screening Programme completed with Women's Health Services • Management of DNAs at cancer clinics of provider arm, with a focus on Maori • Develop, implement and evaluate palliative care services for adults • Identify research opportunities into basic mechanisms, novel therapies and clinical trials and appropriate funding sought 	<p>providers and a diabetes strategic plan will be completed by end of 2004</p> <ul style="list-style-type: none"> • Working with PHOs towards developing and implementing Chronic Care management programmes in diabetes • Diabetes manager attends all LDT meetings and is an active member involved in LDT subcommittee projects • MOH reporting requirements fulfilled and submitted on time • There has been an increased emphasis on appropriate implementation plans, outputs and monitoring as contracts have come up for renewal • <u>Reporting:</u> After discussions with the PHOs, they will now report data quarterly to both the Local Diabetes team and the ADHB instead of annually. This will enable earlier identification of any issues • <u>PHOs with Get Checked Problems:</u> Some previous problems have been resolved. However, some PHOs have had significant IT issues with the Get Checked process. Healthlink has been engaged to review the issues and are currently remedying the IT problems • <u>2005 Get Checked Process:</u> Diabetes manager providing input into this development process currently being undertaken by the MOH via Healthlink • Register services for the Northland and Auckland regions undertaken. This including the sending of targeted reports health care providers, the provision of smear history information and approved education material to health centres and enrolled women. Participated in regular meeting with the Auckland Independent Service Providers (Pasifika Healthcare, Well Women's Nursing Services and Wai Health) undertaking health promotion and screening tests targeting the hard to reach populations (in particular Maori, Pacific, Asian and new migrant populations) in the Auckland and Northland regions • Regional smear taking and education on women's health issues undertaken within the Auckland region by Well Women's Nursing Services • Oncology has a low DNA percentage. This is managed by the co-ordinated administration of patients along the continuum of care. This area has been strained during the last financial year, however is now strengthening. All staff are encouraged to maintain their knowledge of the Treaty of Waitangi • Development of processes for evaluating palliative care provision in the hospital to inform funding decisions; reduce inequalities; manage the continuum of care and flow of information into the community and reduce bedstay and admission rates where appropriate • In the ACH clinical department there has been a long history of good clinical research both industry-sponsored and from international cooperative research groups. In addition, when new drug inventions came

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<p>through research funding agencies</p> <p>Reduce The Incidence And Impact Of Cardiac Disease</p> <ul style="list-style-type: none"> • Procure Central Heart Failure Project continues to deliver project activities throughout 2004 in collaboration with cardiac services • Manage growth in acute and elective CTSU (paediatric/adult) and vascular volumes within allocated budget and within Ministry of health Guidelines for Elective Services • Optimise utilisation of cardio-surgical capacity within allocated budget 	<p>from the University they were preferentially directed to ACH Oncologists thus enabling access for New Zealand patients and keeping them at the cutting edge of modern oncology. There is enormous potential to improve cancer outcomes with an integrated cancer program across Auckland - the basis of this will include good research infrastructure and motivated public health, clinical and laboratory researchers. In Radiation Oncology we have continued to participate in a number of Australasian clinical trials (TROC = trans Tasman Radiation Oncology group) as well as other International trials (MRC = Medical Research Council in the UK) that are addressing important clinical questions such as the value of higher radiation dose in prostate cancer and the addition of new chemotherapy strategies to standard in head and neck cancer. We are also looking at the benefits of adjuvant radiation in melanoma and preoperative radiotherapy/chemotherapy for rectal cancer. Most of our studies are phase 3 randomised studies that are recognised as being much more powerful in determining the impact of new treatments compared to phase 2 non randomised studies. We continue follow-up of a large number of patients treated in studies that have completed their accrual. Our participation in these ongoing and previously completed studies plays a major role in the development and maintenance of high quality up to date treatment delivery for our patients</p> <ul style="list-style-type: none"> • Optimisation of CT Surgical Unit (CTSU) capacity utilisation has not been realised as hoped due to: migration, SSS issues and theatre staff shortages combined with capacity constraints until the move and the resignation of a surgeon. Acute adult volumes have increased significantly over the last 12 months • Vascular is non compliant with ESPI 5 - 112 patients have been given commitment to treat within 6 months but have not been treated within 6 months. Service is unable to match the volumes of varicose veins referrals accepted with its capability to complete the procedures • CTSU does not meet the following ESPI Performance Indicators: <ul style="list-style-type: none"> • ESPI 4 - Patients waiting without being provided with information on when they are likely to get surgery. There are rising numbers of complaints and enquiries from patients, from Ministry of Health and ADHB Complaints service • ESPI 5 – Thirty-nine patients given commitment to treat but not treated within 6 months • ESPI 6 - Seventy patients (48.6%) in Active Review not recorded as reviewed within 6 months • ESPI 8 - The CABG scoring tool has been adapted to prioritise patients against all the other procedures. A review of CABG prioritisation is taking place. Note that this is part of QUA03 Crown Funding Agreement responsibilities (Non-financial performance indicators) • There are plans to increase the level of service planning in cardiac - the intention of the funder to work with the services and the primary and population health sectors to plan long term for the provision of cardiac

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<ul style="list-style-type: none"> • Review cardiac services (cardiology, cardiothoracic and catheter laboratories) for region to inform purchasing, equity of services and health gain <p>Elective Services Primary and Secondary /Tertiary services work collaboratively through the Elective Services project to ensure:</p> <ul style="list-style-type: none"> • Extended waiting times beyond Ministry of Health Guidelines are notified to appropriate personnel and workout plans developed to manage same • Regular Steering Group meetings conducted to monitor contract volume management in tandem with waiting times for First Specialist Assessment (FSA) and elective services; discuss issues and management of same coupled with interface with the primary health sector • GP liaison work continues with individual and targeted services and GP services in the community, including cross boundary liaison work <p>Acute Care Management</p> <ul style="list-style-type: none"> • Sustain systems to reduce referrals to Auckland and Starship Hospitals Emergency Departments by 10% 	<p>services; including workforce, CAPEX and facility. That work will take some time and will need to consider world wide trends benchmarking and local drivers such as the Govts strategic health goals, the inequity of access to Maori and PI</p> <ul style="list-style-type: none"> • A Maori Health Audit is being undertaken to look at treatment and access to cardiac interventions. Cardiologists are reviewing case notes as part of this audit to determine differences, if any, in access and treatment plans for Maori • A contract for DES has been secured with 20% of patients receiving drug eluting stents in the cardiac investigation unit. This contract was negotiated within the cost of the previous stent contract • The smoking cessation contract with the MOH has been renegotiated for another 3 year term • The heart failure nurse business case has been approved, KPI's developed and we hope to have a nurse specialist recruited shortly. This will link in with current ProCare initiative • Concept of an Acute Chest Pain service in ED • Elective Services Monthly Report is completed each month providing data and monitoring trends by service on meeting Elective Service Performance Indicator's ESPI's) and circulated to relevant Service Managers, Quality Managers, ES Steering Group members and OA&S staff to inform and action remedies for trends. ORL actioned return of patients to GP with guidelines for care. Ophthalmology is required to prepare a work out plan and implement recommendations • Quarterly Steering Group meetings are held. Last meeting 5th May, ES Operational Meetings held monthly last held 24th June. Senior Manager new Chairman Nigel Murray GM Auckland City Hospital. Presentations from services on progress as issues are identified and addressed. Dyspepsia Project won supreme Award in NZ Health Innovation Awards rolled out to non-ProCare GP's this year as ES project • Targeted services by General Practitioner Liaison's (GPL's) in Ortorhino Laryngology (ORL) has achieved significant sustainable improvements in reducing FSA waiting volumes in ORL from 616 patients waiting to be seen > 6 months to 162 patients > 6 months and and GPL in General Surgery reduced surgical waiting times in Gen Surg targeting lap choles and hernias. GP Liaison moved from General Surgery to Neuroservices to implement waiting times improvements in this service. Adult Orthopaedics and Ophthalmology GP Liaisons are working with the large volumes of both in and out patients waiting times issues regional transfer of patients and have not been as successful to date • Because of poor data quality, it has been difficult to compare the programme against previous behaviour

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<p>compared to past referral behaviour</p> <ul style="list-style-type: none"> Sustain services at less than \$300 cost per patient Audit the programme to maintain standards and to ensure that entry conditions are maintained <p>Inter- & Intra-sectoral Collaboration</p> <ul style="list-style-type: none"> All appropriate healthcare professional staff undertake Strengthening Families training Plan and proceed to implementation of projects funded for high and complex need children for Maori, Pacific and New Migrants The Multi-Agency Centre [MAC] to provide an intersectoral approach to manage the abuse of children and young people. Involves the relocation of some services from Starship and other Police and CYFS offices in Auckland 	<ul style="list-style-type: none"> The direct clinical cost for patients in the Primary Options for Acute Care (POAC) programme is \$220 per patient The appropriateness of patients entering the programme has been confirmed at audit ADHB has maintained an active involvement in the core management group of Strengthening Families to oversee case management and to respond to high risk populations and special issues within Auckland Central Three, system 2 projects for children and youth with high and complex needs are underway with the support of the High and Complex Needs Unit in Wellington. Core agencies are working together to improve service delivery for families with high need. An evaluation of the three system 2 projects is underway Puawaitahi is the first of its kind in NZ for providing case-management of specialist investigation and treatment for abused children under one roof. Puawaitahi brings all the specialists involved in investigating and managing these cases into one building to effectively and swiftly address the needs of children and their families. Since opening in November 2002 the number of children has exceeded expectations with an average of six children a day suspected of suffering abuse. Around 1500 children were seen or treated at the centre during its first year, including "repeat" visitors. The centre has successfully met its aim to ensure there is a coordinated response to children and families in distress and to offer them care and support
4.3	Strengthen the primary care sector	<p>Primary Health Care Organisations</p> <ul style="list-style-type: none"> PHO development strategy implemented through full participation of primary providers including, GPs, Nurses, Pharmacists, Laboratories, LMC, etc Models for integrating primary, secondary care for people with multiple and complex needs, particularly children, young people and, older people reviewed Complete reviews regarding transport availability, culture and language barriers and model of care <p>Greater Auckland Collaboration</p> <ul style="list-style-type: none"> Maintain co-ordination, collaboration and co-operation for regional processes and programmes with neighbouring DHBs on issues agreed for, or where common interests exist 	<ul style="list-style-type: none"> ADHBs PHO establishment strategy is now complete. Six PHOs are established with the last going live on Waiheke Island April 1 2004 Work will proceed within the next few months to assess ADHBs current secondary care options in relation to the following PHO funded initiatives: <ul style="list-style-type: none"> Care Plus Chronic Care Mental Health PHO Services to Improve Access Plans (SIA) have been agreed, where services are developed to seek greater access of patients to primary care factoring in the mix and level of a PHOs population. For the 2004/ 2005 year, some of the focus is at the following key areas: <ul style="list-style-type: none"> After Hours Care Sexual and Reproductive Health Cardiovascular Disease Diabetes Management services The DHBs work together to coordinate on projects where there is common benefit e.g planning documents such as the health needs assessment, strategic and annual plans, the national prioritisation framework and the management of interdistrict flows
4.4	Improve quality and safety of services	<ul style="list-style-type: none"> Train services in the 2001 Accreditation Standards Achieve accreditation with Quality Health NZ 	<ul style="list-style-type: none"> Completed. Surveys will be all finished by end of July 04 Have achieved that in all areas but National Women's and Rehab Plus, there surveys are

	Goal	Measure to 30 June 2004	Performance to 30 June 2004
		<ul style="list-style-type: none"> • Credentialing requirements commenced/completed as per requirements • Recommendations Implemented from the Quality Health NZ Survey undertaken in Q3 of 2002–03 • Prepare for progress survey 2004 and full re-survey 2005 • Ongoing clinical and non-clinical risks are identified with appropriate action taken, and monitored • Staff awareness training at pre-employment and orientation, training of health and safety representatives, including monitoring • Quality plan developed with nominated delivery of care/service process identified for improvement and completed • All services develop and implement a safety focus programme that incorporates medico-legal requirements, accreditation standards, consumer rights, legislative compliance and risk management credentialing of all medical clinicians • Implement a plan for clinical pathways 	<p>due in July 04</p> <ul style="list-style-type: none"> • Credentialing is ongoing. Have completed 57 out of 78 district clinical services and are on track to complete the remainder by early 2005 • Completed • See notes above • Risk registers completed monthly by all services. Risks review by the Clinical Board, Executive team and Quality Committee of the ADHB Board • Illness and injury that may affect work for infectious diseases is part of the recruitment process managed by the Recruitment and HR Admin Centre (RAC). All new staff attends corporate orientation that includes Occupational Health & Safety (OH&S) induction. Health & Safety (H&S) Reps are required to attend a two-day approved training. All OH&S systems are monitored as part of regular review and update process • Each division has a quality plan which rolls up to the organisation wide plan. Due to the amount of change over the past two years most of the activity has been focused on clinical safety and migration • This is ongoing and incorporated in the Quality Plans • Several areas have developed Clinical Pathways however in the past year with moving into new facilities and changing of many of the patients processes new development has been less of a priority

CONTRACTED OUTPUTS

In the year to 30 June 2004 the ADHB provided a wide range of secondary and tertiary hospital services. The chart below provides a summary of the contracted outputs (output class 3).

Contracted Output	Measure/Unit	Target	Contract	Actual	Actual
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		12 months to 30 June 2004	12 months to 30 June 2004	12 months to 30 June 2004	12 months to 30 June 2003
Personal Health					
Total WIES (Inpatients)					
Medical Services	CWDs*	19,623	18,455	19,150	18,538
Surgical Services	CWDs	22,886	23,223	23,661	23,029
Cardiac Services	CWDs	23,755	23,618	23,103	23,418
Ambulatory Services	CWDs	3,623	3,623	3,533	3,545
Women's Services	CWDs	8,875	8,286	7,564	8,555
Children's Services	CWDs	19,705	19,705	19,651	19,726
	Total:	98,467	96,910	96,662	96,811
Total Attendances (Outpatients)					
Medical Services	Attendances ¹	169,240	168,771	162,785	162,031
Surgical Services	Attendances ²	48,573	40,263	42,687	50,575
Cardiac Services	Attendances ³	29,191	28,383	29,912	28,769
Ambulatory Services	Attendances ⁴	82,581	82,587	79,104	83,178
Clinical Support Services	Attendances ⁵	2020	22,400	17,875	2,008
Women's Services	Attendances	23,965	20,228	19,404	22,227
Children's Services	Attendances ⁶	87,810	79,279	78,617	86,265
	Total:	443,380	441,911	430,384	435,035
Emergency Department					
Adults	Attendances ⁷	43,790	43,790	47,023	42,503
Children	Attendances ⁸	31,068	31,068	28,760	28,359
	Total:	74,858	74,858	75,783	70,862
Maternity					
Total Births	Births	7,580	7,580	7,667	7,803
Mental Health					
Inpatient services	Available bed days	58,947	60,226	56,453	49,823
Outpatient services	Clinical FTEs	310	285	287	273

SSP Glossary of Acronyms

ACC	Accident Compensation Commission
ADHB	Auckland District Health Board
CABG	Coronary Artery Bypass Grafting

¹ Includes Adult ED attendances and A+ Links but not programmes

² Does not include programmes

³ Does not include programmes

⁴ Does not include programmes

⁵ Less services under this HBO for 02/03

⁶ Includes Child ED attendances and DSS but not programmes

⁷ Subset of Medical figures above

⁸ Subset of Child figures above

* Cost Weighted Discharges

CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFA	Crown Funding Agreement
CIS	Clinical Information System
CPHAC	Community & Public Health Advisory Committee
CYFS	Child Youth and Family Service
DES	Drug Eluding Stents
DHB	District Health Board
DHBNZ	District Health Boards of New Zealand
DiSAC	Disability Services Advisory Committee
DNA	Did Not Attend
DRG	Diagnosis Related Group
DSS	Disability Support Services
ED	Emergency Department
ESPI	Elective Service Performance Indicator
FTE	Full Time Equivalent
GM	General Manager
GP	General Practitioner
HBO	Hospital Business Organisation
HR	Human Resources
HSDP	Health Services Delivery Plan (now known as the Building Programme)
IDF	Inter District Flow
IPA	Independent Practitioners' Association
IS	Information Systems
ISLA	Internal Service Level Agreement
KPI	Key Performance Indicators
MAC	Multi-Agency Centre
MaPO	Maori Purchasing Organisation
MHINC	Mental Health Information National Collection
MoH	Ministry of Health
NASC	Needs Assessment Service Co-ordination
NICU	Neonatal Intensive Care Unit
NDSA	Northern District Support Agency
NGO	Non Government Organisations
NZHS	New Zealand Health Strategy
NZPHD Act	New Zealand Public Health and Disability Act
ORL	Orthorhinolaryngology
PBF	Population Based Funding
PHARMAC	Pharmaceutical Management Agency
PHO	Primary Health Organisation
RSP	Regional Service Planning
Section 88	Section enabling certain providers to make claim fee for service claims
SLA	Service Level Agreement

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

**Group
Budget**

Group Actual

Parent Actual

	Notes	2004 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Total operating revenue	2	1,112,493	1,128,718	897,095	1,126,031	897,536
Share of net surpluses of associates	6	0	132	660	0	0
Total operating expenses		1,161,283	1,173,513	947,459	1,172,229	947,125
Total operating deficit before taxation	3	(48,790)	(44,663)	(49,704)	(46,198)	(49,589)
Taxation	4	0	0	0	0	0
Net deficit for the year		(48,790)	(44,663)	(49,704)	(46,198)	(49,589)

The accompanying notes form an integral part of these financial statements.

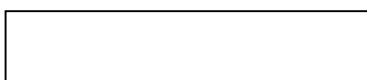
**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Group Budget	Group Actual		Parent Actual	
		2004	2004	2003	2004	2003
		\$000	\$000	\$000	\$000	\$000
Equity at beginning of the year		159,017	159,017	85,541	151,291	77,700
Net deficit for the year		(48,790)	(44,663)	(49,704)	(46,198)	(49,589)
		110,227	114,354	35,837	105,093	28,111
Equity Injection		84,169	62,778	123,180	62,778	123,180
Equity at end of the year		<u>194,396</u>	<u>177,132</u>	<u>159,017</u>	<u>167,871</u>	<u>151,291</u>

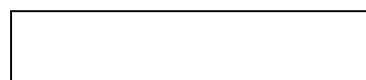
**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	Notes	Group Budget	Group Actual		Parent Actual	
		As at 30/06/04 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
Equity						
Public equity		545,237	523,846	461,068	523,846	461,068
Accumulated deficit	7 (i)	(358,445)	(355,721)	(309,655)	(355,975)	(309,777)
Donations and bequests	7 (ii)	7,604	9,007	7,604	0	0
Total Equity		<u>194,396</u>	<u>177,132</u>	<u>159,017</u>	<u>167,871</u>	<u>151,291</u>
Represented by:						
Current Assets						
Cash and bank balances	8	6,921	28,910	24,780	28,910	24,780
Receivables and prepayments	9	85,548	91,191	86,117	90,958	85,903
Inventories	10	5,965	7,793	5,912	7,793	5,912
Total Current Assets		<u>98,434</u>	<u>127,894</u>	<u>116,809</u>	<u>127,661</u>	<u>116,595</u>
Non-Current Assets						
Cash, bank balances and investment bonds	8	5,873	9,711	8,148	743	710
Property, Plant and Equipment	11	615,528	544,303	469,846	544,303	469,846
Investment in subsidiary	5	0	0	0	0	1
Investments in associates	6	121	254	122	1	1
Total Non-Current Assets		<u>621,522</u>	<u>554,268</u>	<u>478,116</u>	<u>545,047</u>	<u>470,558</u>
Total Assets		<u>719,956</u>	<u>682,162</u>	<u>594,925</u>	<u>672,708</u>	<u>587,153</u>
Current Liabilities						
Payables and accruals	12	168,705	176,573	178,562	176,380	178,516
Borrowings	13	825	41,656	123,133	41,656	123,133
Funds Held in Trust		710	743	710	743	710
Total Current Liabilities		<u>170,240</u>	<u>218,972</u>	<u>302,405</u>	<u>218,779</u>	<u>302,359</u>
Non-Current Liabilities						
Payables and accruals	12	12,866	11,825	12,614	11,825	12,614
Borrowings	13	342,454	274,233	120,889	274,233	120,889
Total Non-Current Liabilities		<u>355,320</u>	<u>286,058</u>	<u>133,503</u>	<u>286,058</u>	<u>133,503</u>
Total Liabilities		<u>525,560</u>	<u>505,030</u>	<u>435,908</u>	<u>504,837</u>	<u>435,862</u>
Net Assets		<u>194,396</u>	<u>177,132</u>	<u>159,017</u>	<u>167,871</u>	<u>151,291</u>

For and on behalf of the Board Members who authorised the issue of these financial statements.



W. K. F. BROWN
Chair



V. J. SALMON
Chair Audit Committee

Dated:

Dated:

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Group Budget	Group Actual		Parent Actual	
		2004	2004	2003	2004	2003
		\$000	\$000	\$000	\$000	\$000
Cash Flows from Operating Activities						
Cash was provided from:						
Provision of health services		1,094,610	1,118,298	872,895	1,116,057	872,231
Interest received		1,220	1,898	2,837	1,472	2,363
		<u>1,095,830</u>	<u>1,120,196</u>	<u>875,732</u>	<u>1,117,529</u>	<u>874,594</u>
Cash was applied to:						
Employee costs		496,961	491,486	465,779	491,489	465,779
Other operating costs		605,171	647,291	413,116	646,150	410,995
Interest paid		23,300	12,820	4,526	12,820	4,526
		<u>1,125,432</u>	<u>1,151,597</u>	<u>883,421</u>	<u>1,150,459</u>	<u>881,300</u>
Net cash inflow / (outflow) from operating activities		<u>(29,602)</u>	<u>(31,401)</u>	<u>(7,689)</u>	<u>(32,930)</u>	<u>(6,706)</u>
Cash Flows from Investing Activities						
Cash was provided from:						
Proceeds from sale of fixed assets		17,500	19,023	36	19,023	36
Payments received from associates		0	0	2,560	0	1,171
		<u>17,500</u>	<u>19,023</u>	<u>2,596</u>	<u>19,023</u>	<u>1,207</u>
Cash was applied to:						
Purchase of fixed assets		186,042	112,600	189,121	112,600	189,121
Interest capitalised on purchase of fixed assets		5,416	3,974	7,432	3,974	7,432
		<u>191,458</u>	<u>116,574</u>	<u>196,553</u>	<u>116,574</u>	<u>196,553</u>
Net cash (outflow) from investing activities		<u>(173,958)</u>	<u>(97,551)</u>	<u>(193,957)</u>	<u>(97,551)</u>	<u>(195,346)</u>
Cash Flows from Financing Activities						
Cash was provided from:						
Proceeds from capital contributed		84,169	62,778	123,180	62,778	123,180
Proceeds from loans raised		99,257	71,867	91,582	71,867	91,582
Net cash inflow from financing activities		<u>183,426</u>	<u>134,645</u>	<u>214,762</u>	<u>134,645</u>	<u>214,762</u>
Movement in cash and bank balances						
Add opening balance		32,928	32,928	19,812	25,490	12,780
Net cash inflow / (outflow)		<u>(20,134)</u>	<u>5,693</u>	<u>13,116</u>	<u>4,163</u>	<u>12,710</u>
Closing bank balance	8	<u>12,794</u>	<u>38,621</u>	<u>32,928</u>	<u>29,653</u>	<u>25,490</u>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Budget	Group Actual		Parent Actual	
	2004	2004	2003	2004	2003
	\$000	\$000	\$000	\$000	\$000
RECONCILIATION OF REPORTED OPERATING DEFICIT AFTER TAXATION WITH NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES					
Reported net deficits for the year	(48,790)	(44,663)	(49,704)	(46,198)	(49,589)
Add non-cash items:					
Depreciation and impairment loss	48,067	43,351	28,799	43,351	28,799
Associates	0	(132)	(660)	0	0
Add items classified as investing activities:					
Net loss/(gain) on disposal of fixed assets	(18,151)	(8,766)	208	(8,766)	208
Add movements in working capital items:					
(Increase) Decrease in receivables	506	(4,510)	(23,758)	(4,492)	(23,645)
(Increase) Decrease in inventories	(53)	(1,881)	(21)	(1,881)	(21)
Increase (Decrease) in payables	(11,181)	(14,833)	37,407	(14,977)	37,502
Increase (Decrease) in funds held in trust	0	33	40	33	40
Net cash inflow/(outflow) from operating activities	<u>(29,602)</u>	<u>(31,401)</u>	<u>(7,689)</u>	<u>(32,930)</u>	<u>(6,706)</u>

The accompanying notes form an integral part of these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Note

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The financial statements included in this report are for the reporting entity the Auckland District Health Board and the Group comprising ADHB and the Auckland District Health Board Charitable Trust and associates.

Measurement Base

The accounting principles recognised as appropriate in the measurement and reporting of financial performance and financial position on a historical cost basis are followed by ADHB, with the exception that certain assets specified below have been stated at market value.

Going concern

The financial statements, which comply with the requirements of the Financial Reporting Act 1993 and the Public Finance Act 1989, are prepared on the basis that the ADHB is a going concern. The Minister of Health and the Minister of Finance have provided a Letter of Comfort to the Board that it is appropriate for the financial statements for the year ended 30th June 2004 to be prepared on a going concern basis.

In this Letter of Comfort the Ministers state: "This Letter of Comfort ("Letter") is provided to enable the Board of the Auckland District Health Board ("Board") to satisfy itself, for the purposes of the 2003/04 financial statements, that it is appropriate for the Board to prepare those financial statements on a going concern basis.

This Letter is provided for that purpose, and is not a guarantee or indemnity, nor is it intended to create any legal liability on behalf of the Crown.

The Government is committed to working with the Board in its endeavours to maintain the financial viability, including banking covenant financial ratios, of the Auckland District Health Board ("ADHB"). The Government acknowledges that financial support by way of adjustment to its capital structure may be required and the Crown will provide such support where necessary to maintain viability. This Letter applies from the date of receipt until twelve months from the date of the signed audit opinion. We expect that Auckland DHB will take all reasonable steps to minimise expenditure for the duration of the period of support, and to meet all targets in its approved District Annual Plan.

In view of this assurance, we expect that the Board will not enter into any commitments for new capital projects greater than that specified in the approved District Annual Plan. We also expect that the Board will not enter into any commitments for capital projects of greater than \$1 million without first obtaining Ministerial approval, supported by justification for the request. The \$1 million criterion does not apply to HSDP related expenditure, which has already been approved.

"We will not unilaterally withdraw this letter without prior consultation with you".

Budget figures

The budget figures are those approved by the Board. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

Specific Accounting Policies

The following particular accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

(a) Goods and Service Tax (GST)

All items in the financial statements are exclusive of GST with the exception of receivables and payables which are stated with GST included. The net amount of GST payable is included as part of payables in the Statements of Financial Position. In the statements of cash flows, GST on receipts and GST on payments are offset to present a net amount of GST paid and included as an operating expense. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

(b) Basis of consolidation

Subsidiary

The consolidated financial statements include those of ADHB and the Auckland District Health Board Charitable Trust. The Auckland District Health Board Charitable Trust is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. The ADHB Charitable Trust is consolidated as ADHB has the power to appoint and remove Trustees. All significant inter-entity transactions are eliminated on consolidation.

Associates

Associates are entities in which ADHB holds an interest in the equity and over which ADHB exercises significant influence but does not control. The interest in associates is reflected in the consolidated financial statements on an equity accounting basis, which involves recognising ADHB's share of the associate's surplus or deficit in the consolidated Statement of Financial Performance and ADHB's share of the net assets of the associate in the consolidated Statement of Financial Position. Investments include shares in associates valued at cost, ADHB's share of the retained post-acquisition changes in reserves of associates and loans to associates. ADHB's share of the retained post-acquisition changes in reserves of associates are included in the consolidated financial statements only.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

**Note
1**

STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Employee entitlements

Employee entitlements include liabilities for salary and wages, annual leave, long service leave and retirement gratuities accrued to employees for services rendered up to balance date. In determining the value of employee entitlements, salary and wages and annual leave are calculated on an actual entitlement basis whilst the other entitlements are calculated on an actuarial basis at current rates of pay.

(d) Taxation

Auckland DHB is a public authority under New Zealand Public Health and Disabilities Act 2000 and is exempt from Income tax under section CB3 of the Income Tax Act 1994.

(e) Foreign currency

Transactions denominated in foreign currencies (other than forward contracts) are translated at the rate of exchange ruling at the transaction date. Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in the contracts. At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange differences arising from the translations are recognised in the statement of financial performance.

Where a foreign monetary asset is designated as a hedge of a transaction denominated in a foreign currency, the exchange difference arising from their translations are recognised in the statement of financial performance.

(f) Accounts receivable

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

(g) Inventories

Inventories are valued on the basis of the lower of cost, determined on a first-in first-out basis, and net realisable value. This valuation includes allowances for slow moving and obsolete inventories.

(h) Leases

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the lower of fair value of the leased property, and the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised in the statement of financial position and the leased assets are depreciated on a straight line basis over the period the entity is expected to benefit from their use.

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

(i) Revenue recognition policy

Ministry of Health contract revenue and interest income are recognised on an accrual basis. Other operating revenue is recognised on invoice or receipt for delivery of service, whichever is earlier.

Donations and bequests received are treated as revenue on receipt, in the statement of financial performance. These funds are administered by the Auckland District Health Board Charitable Trust.

Donations and bequests from third party trusts are recognised as revenue only when actually received.

(j) Funds held in trust

Funds held on behalf of patients and the Ngati Whatua Trust Board are treated as a non-current liability "Funds held in trust" and are distributed to them as required.

(k) Research projects

Research costs are recognised in the statements of financial performance as incurred. Grants received in respect of research projects are recognised in the statements of financial performance when the requirements under the grant agreement have been met or upon receipt if there is no requirement to return funds.

(l) Financial instruments

As a guardian of public money, ADHB must be risk averse and seek to minimise exposure arising from its treasury activity. ADHB is not authorised by Treasury policy to enter into any transaction, which is speculative in nature. Financial instruments carried on the Statement of Financial Position includes cash and bank balances, receivables, payables and borrowings. These instruments are generally carried at their estimated fair value.

Investments in bonds are recognised at market value at balance date. Gains or losses on the investments are recognised in the Statement of Financial Performance. ADHB is also party to financial instruments that are not recognised in the financial statements. These include interest rate swaps and forward exchange contracts. Their primary purpose is to reduce exposure to fluctuations in foreign currency exchange rates and interest rates. Any gains or losses arising from exposure to these instruments are offset against the related gains or losses on the assets or liabilities being hedged. The net differential paid or received on interest swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Note

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Property Plant and Equipment

There are eight classes of fixed assets:

- | | |
|---|---------------------------------------|
| - Freehold land | - Leasehold land |
| - Plant, equipment, computer software, vehicles | - Work in progress |
| - Freehold buildings | - Leased plant and computer equipment |
| - Building Fitout | - Property intended for sale |

Following the enactment of the New Zealand Public Health & Disabilities Act 2000 the property, plant and equipment has been transferred to the Auckland District Health Board effective from the 01 January 2001. Therefore these assets are valued at the cost at which they were purchased from the Crown as at 1 July 1993, adjusted by subsequent additions at cost, disposals and depreciation.

Work in progress, which is not depreciated, is the cost of direct material, direct labour and direct overhead of capital works projects unfinished at balance date. When a project is finished the total cost of that project is transferred to buildings and/or plant and equipment.

It is ADHB policy to capitalise borrowing costs as part of the cost of an asset. It does this by applying a capitalisation rate to expenditures on the acquisition, construction or production of assets that require a substantial period of time to get them ready for their use.

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairment in value is recognised immediately in the Statement of Financial Performance. If the recoverable amount of an asset is less than the carrying amount, the item is written down to its recoverable amount. The write down of an asset recorded at historical cost is recognised as an expense in the Statement of Financial Performance.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred. On assets that are not revalued the reversal is recognised in the Statement of Financial Performance. On revalued assets the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

Gains and losses on disposal of property, plant and equipment are recognised as revenues or expenses in the Statement of Financial Performance.

Properties intended for sale are carried at the lower of cost and net realisable value.

(n) Depreciation

Depreciation of property, plant and equipment, other than land and work in progress, is calculated on a straight line basis so as to allocate the cost of the assets, less their estimated residual values, over their useful lives as follows:

Freehold buildings	10 to 60 years
Plant, equipment, computer software and vehicles	2 to 20 years
Building Fitout	5 to 20 years
Leased plant and equipment	4 to 8 years

(o) Changes in accounting policies

There have been no changes in accounting policies during the year.

All accounting policies have been applied on a basis consistent with previous years.

(p) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
2 REVENUE				
Patient Care Revenue	1,042,515	828,475	1,042,515	828,475
Interest received – other	1,472	2,363	1,472	2,363
Interest received – Charitable Trust	426	474	0	0
Donations and Bequests	2,261	474	0	0
Gain on disposal of assets	8,765	0	8,765	0
Gain on disposal of investment	0	0	0	660
Other revenue	73,411	65,309	73,279	66,038
Total Revenue	<u>1,128,850</u>	<u>897,095</u>	<u>1,126,031</u>	<u>897,536</u>
3 OPERATING DEFICIT BEFORE TAXATION				
After charging/(crediting) :				
Mental Health Revenue	(3,858)	(2,089)	(3,858)	(2,089)
Remuneration of auditor				
- audit fees	172	150	172	150
- other services (assurance and consultancy fees)	6	119	6	119
Depreciation				
Freehold buildings	5,147	2,334	5,147	2,334
Building fit-out	12,158	7,099	12,158	7,099
Plant, equipment, computer software, vehicles	25,868	19,364	25,868	19,364
Lease plant and computer equipment	39	43	39	43
Total depreciation	<u>43,212</u>	<u>28,840</u>	<u>43,212</u>	<u>28,840</u>
Employee costs	492,061	469,363	492,061	469,363
Loss on disposal of assets	0	208	0	208
Board Members' fees	347	347	346	347
Impairment loss/(gain) on buildings (Note 11)	139	(41)	139	(41)
Interest expense	13,398	4,260	13,398	4,260
Finance costs	129	196	129	196
Foreign currency loss/(gain)	(15)	206	(15)	206
Rental and operating lease costs	10,215	8,918	10,215	8,918
Research costs	5,326	5,302	5,326	5,302
Bad debts written off	2,438	1,597	2,438	1,597
Increase (decrease) in estimated doubtful debts	(333)	(803)	(333)	(803)
Capital charge (note 14)	17,354	13,869	17,354	13,869
4 TAXATION				

Auckland DHB is a public authority under the New Zealand Public Health and Disability Act 2000 and is exempt from Income Tax under Section CB 3 of the Income Tax Act 1994.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Parent Actual	
	2004	2003
	\$000	\$000
5 INVESTMENT IN SUBSIDIARY		
Shares in subsidiary company (at cost)	0	1
<i>Name of subsidiary (Principal activity)</i>	% Interest held	% Interest held
ADHB Charitable Trust	100	100
The balance date is 30 June		
The Board has the power to appoint and remove Trustees.		
<i>Within the year, the following dormant companies were removed from the Companies Office Register.</i>		
Labplus Limited	0	100
Auckland Hospital Limited	0	100
Green Lane Hospital Limited	0	100
National Women's Hospital Limited	0	100
Starship Children's Hospital Limited	0	100

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
6 INVESTMENTS IN ASSOCIATES				
<i>Results of associates</i>				
Share of post acquisition surplus written back on liquidation	132	660	0	0
Share of taxation	0	0	0	0
Share of net surpluses of associates	132	660	0	0
Share of distributions received during the year	0	(1,389)	0	0
Carrying amount at the beginning of the year	122	2,022	0	0
Loans to associates repaid during the year	0	(1,171)	0	0
Cost of investments sold during the year	0	0	0	0
Carrying amount at end of year	254	122	0	0
<i>Represented by:</i>				
Shares in associates (unlisted at cost)	1	1	1	1
Share of post-acquisition retained surpluses	253	121	0	0
Loans to associates	0	0	0	0
	254	122	1	1

Interest is charged on the loan to associates at market rates, which are revised on a quarterly basis. The weighted average was 10.00% p.a. (30/06/03: 10.00%).

<i>Name of associates (Principal activity)</i>	% Interest held	% Interest held
Biomed Investments Ltd (In Liquidation) is a holding company for Investments in medical and laboratory supply companies.	50	50
Northern Clinical Training Network Limited (co-ordinates trainee medical personnel)	40	40
Northern DHB Support Agency Limited (management of a number of regional contracts on behalf of the Auckland region DHBs.)	33	33
Treaty Relationship Company Limited (joint venture for health initiatives with local iwi)	50	50
Westkids Limited (provides paediatric services in the community in West Auckland)	50	50

All associates have balance dates of 30 June

ADHB do not have a share in any contingent liabilities or capital commitments of the associates

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
7 EQUITY				
(i) Accumulated deficits				
Opening balance	(309,655)	(259,337)	(309,777)	(260,188)
Operating deficit after deducting capital charge	(44,663)	(49,704)	(46,198)	(49,589)
Transfer to donations and bequests (Note 7(ii))	(1,403)	(614)	0	0
	<u>(355,721)</u>	<u>(309,655)</u>	<u>(355,975)</u>	<u>(309,777)</u>
(ii) Donations and bequests				
Opening balances	7,604	6,990	0	0
Transfer from accumulated deficits (Note 7(i))	1,403	614	0	0
	<u>9,007</u>	<u>7,604</u>	<u>0</u>	<u>0</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
8 CASH, BANK BALANCES AND INVESTMENT BONDS				
<i>Current assets</i>				
Cash at bank	4,662	2,083	4,662	2,083
Short term deposits	24,248	22,697	24,248	22,697
	<u>28,910</u>	<u>24,780</u>	<u>28,910</u>	<u>24,780</u>
<i>Non-current assets</i>				
Bank balances (restricted)	4,129	2,985	743	710
Investment Bonds (at market)(restricted)	5,582	5,163	0	0
	<u>9,711</u>	<u>8,148</u>	<u>743</u>	<u>710</u>
	<u>38,621</u>	<u>32,928</u>	<u>29,653</u>	<u>25,490</u>
Interest is receivable on short term deposits at year-end interest rate of 5.75% (30/6/2003 5.25%)				
Trust Funds				
Trust funds are restricted exclusively for the purposes of a charitable nature and within New Zealand.				
9 RECEIVABLES AND PREPAYMENTS				
Accounts receivable	79,419	77,973	79,419	77,793
Provision for doubtful debts	(1,327)	(1,660)	(1,327)	(1,660)
	<u>78,092</u>	<u>76,313</u>	<u>78,092</u>	<u>76,313</u>
Prepayments	3,151	1,044	3,151	1,044
Amounts receivable from associates	40	0	40	0
Other receivables	9,908	8,760	9,675	8,546
	<u>91,191</u>	<u>86,117</u>	<u>90,958</u>	<u>85,903</u>
10 INVENTORIES				
Pharmaceuticals	71	5	71	5
Surgical and medical supplies	7,684	5,872	7,684	5,872
Other supplies	38	35	38	35
	<u>7,793</u>	<u>5,912</u>	<u>7,793</u>	<u>5,912</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
11 PROPERTY, PLANT and EQUIPMENT				
<i>Gross carrying amount</i>				
Freehold land (<i>at cost</i>)	3,454	3,454	3,454	3,454
Leasehold land (<i>at cost</i>)	173	173	173	173
Freehold buildings (<i>at cost</i>)	288,104	133,430	288,104	133,430
Building fitout (<i>at cost</i>)	233,702	111,811	233,702	111,811
Plant, equipment, computer software, vehicles (<i>at cost</i>)	225,558	171,910	225,558	171,910
Leased plant & computer equipment (<i>at cost</i>)	6,470	6,470	6,470	6,470
Work in progress (<i>at cost</i>)	44,995	263,095	44,995	263,095
Property intended for sale (<i>at cost</i>)	536	1,178	536	1,178
	<u>802,992</u>	<u>691,521</u>	<u>802,992</u>	<u>691,521</u>
<i>Accumulated depreciation</i>				
Freehold buildings	(34,182)	(29,109)	(34,182)	(29,109)
Impairment loss – buildings	(295)	(156)	(295)	(156)
Building fitout	(95,103)	(86,891)	(95,103)	(86,891)
Plant, equipment, computer software, vehicles	(123,814)	(100,774)	(123,814)	(100,774)
Leased plant & computer equipment	(4,926)	(4,344)	(4,926)	(4,344)
Property intended for sale	(369)	(401)	(369)	(401)
	<u>(258,689)</u>	<u>(221,675)</u>	<u>(258,689)</u>	<u>(221,675)</u>
<i>Net carrying value</i>				
Freehold land	3,454	3,454	3,454	3,454
Leasehold land	173	173	173	173
Freehold buildings	253,627	104,165	253,627	104,165
Building fitout	138,599	24,920	138,599	24,920
Plant, equipment, computer software, vehicles	101,744	71,136	101,744	71,136
Leased plant & computer equipment	1,544	2,126	1,544	2,126
Work in progress	44,995	263,095	44,995	263,095
Property intended for sale	167	777	167	777
Total carrying amount of fixed assets	<u>544,303</u>	<u>469,846</u>	<u>544,303</u>	<u>469,846</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
11 PROPERTY, PLANT AND EQUIPMENT (continued)				
Capitalised interest at balance date included in WIP and Property Plant & Equipment.				
Freehold buildings	16,078	12,147	16,078	12,147
Plant, equipment	1,168	1,125	1,168	1,125
	<u>17,246</u>	<u>13,272</u>	<u>17,246</u>	<u>13,272</u>

Valuation Information

Following the enactment of the New Zealand Public Health and Disabilities Act 2000 the fixed assets have been transferred to the Auckland District Health Board effective from the 01 January 2001. These assets are valued at the cost at which they were purchased from the Crown, adjusted by subsequent additions at cost, disposals and depreciation.

The disposal of surplus land and buildings is subject to due process with regard to the New Zealand Public Health and Disabilities Act 2000, including Ministerial approval, Public Works Act 1981, S.40, the mechanism for protection of Maori interests in Crown owned land and any other interests registered on the title or under any other applicable legislation (e.g. Reserves Act 1977).

The Board commissioned a valuation of the freehold land and buildings and fit out set out above by Telfer Young as at 30 June 2003. The Board has used this valuation as a basis for assessing the fair value of those assets as \$396m (2003:\$133m). The valuation exercise is indicative as there are issues to be resolved surrounding restrictive covenants over key parcels of land which affect ADHB's ability to sell that land. The valuation exercise is not complete as there are issues to be resolved surrounding restrictive covenants over key parcels of land which affect ADHBs ability to sell that land.

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairment in value is recognised immediately. The impairment loss provision has been increased by \$138,785 in this financial year (30/6/03 impairment written back \$41,047).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
12 PAYABLES AND ACCRUALS				
<i>Current</i>				
Trade payables and accruals	71,690	85,701	71,690	85,704
Provisions	682	3,017	682	3,017
PAYE and GST	15,296	9,545	15,296	9,545
Employee entitlements	60,217	59,676	60,217	59,676
Amounts payable to associates	4,252	3,511	4,252	3,511
Other payables and accruals	24,436	17,112	24,243	17,063
	<u>176,573</u>	<u>178,562</u>	<u>176,380</u>	<u>178,516</u>
<i>Non-current</i>				
Employee entitlements	<u>11,825</u>	<u>12,614</u>	<u>11,825</u>	<u>12,614</u>
 PROVISIONS				
Litigation Provision				
Opening balance	1,192	3,325	1,192	3,325
Additional provisions made during year	0	0	0	0
Charged against provision for the year	(8)	(208)	(8)	(208)
Unused amounts reversed during year	(1,184)	(1,925)	(1,184)	(1,925)
Closing balance	<u>0</u>	<u>1,192</u>	<u>0</u>	<u>1,192</u>
Provisions have been previously made for legal issues before the ADHB. On the grounds of legal and commercial sensitivity the details have not been disclosed. Provisions previously held have now been released as it is believed the costs of the litigation are unlikely to be material.				
Redundancy Provision				
Opening balance	1,825	1,195	1,825	1,195
Additional provisions made during year	333	2,009	333	2,009
Charged against provision for the year	(1,476)	(1,379)	(1,476)	(1,379)
Closing balance	<u>682</u>	<u>1,825</u>	<u>682</u>	<u>1,825</u>
Total provisions	<u>682</u>	<u>3,017</u>	<u>682</u>	<u>3,017</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at	As at	As at	As at
	30/06/04	30/06/03	30/06/04	30/06/03
	\$000	\$000	\$000	\$000
13 BORROWINGS				
<i>Current</i>				
Short term bank loans	0	122,527	0	122,527
Crown Financing Agency	41,000	0	41,000	0
Loans from UDC	0	9	0	9
UDC Finance Lease	656	597	656	597
	<u>41,656</u>	<u>123,133</u>	<u>41,656</u>	<u>123,133</u>
<i>Non-current</i>				
Crown Financing Agency	154,000	0	154,000	0
UDC Finance Lease	233	889	233	889
15 year note issue	50,000	50,000	50,000	50,000
10 year note issue	70,000	70,000	70,000	70,000
	<u>274,233</u>	<u>120,889</u>	<u>274,233</u>	<u>120,889</u>
Borrowings are repayable:				
Less than one year	41,000	122,527	41,000	122,527
One to two years	154,000	0	154,000	0
Two to five years	0	0	0	0
Over five years	120,000	120,000	120,000	120,000
	<u>315,000</u>	<u>242,527</u>	<u>315,000</u>	<u>242,527</u>
Finance leases are repayable:				
Less than one year	656	606	656	606
One to two years	233	656	233	656
Two to five years	0	233	0	233
Over five years	0	0	0	0
	<u>889</u>	<u>1,495</u>	<u>889</u>	<u>1,495</u>
<i>Interest rates</i>	% pa	% pa	% pa	% pa
Short term bank loans	5.30-6.05	5.48-5.55	5.30-6.05	5.48-5.55
Crown Financing Agency	5.45-6.10	-	5.45-6.10	-
UDC Finance lease	9.45	9.45	9.45	9.45
Bonds	7.75	7.75	7.75	7.75

ADHB borrows funds based on covenants and a negative pledge deed. This includes the covenant that security cannot be given over assets of ADHB without prior written consent of the lender.

Finance leases were established prior to the enactment of New Zealand Public Health and Disabilities Act 2000.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
Banking facilities	Limit available	Limit available	Limit available	Limit available
The following banking facilities are available to ADHB:				
UDC Secured	Nil	7,500	Nil	7,500
ASB Uncommitted	Nil	2,500	Nil	2,500
Revolving Cash Facilities:				
Crown Financing Agency	195,000	0	195,000	0
Westpac	0	25,000	0	25,000
ASB	65,000	25,000	65,000	25,000
BNZ	0	25,000	0	25,000
ANZ	0	100,000	0	100,000
Total revolving cash facility	<u>260,000</u>	<u>175,000</u>	<u>260,000</u>	<u>175,000</u>
14 CAPITAL CHARGE	<u>17,354</u>	<u>13,869</u>	<u>17,354</u>	<u>13,869</u>

All DHBs are required to pay a capital charge to the Crown based on their shareholders' funds. The charge is set at 11 percent on shareholders' funds.

15 CONTINGENT LIABILITIES

Interpretation of the Resident Medical Officer's MECA

A class of employees have claimed that ADHB have incorrectly interpreted a clause in the contract governing their employment. The hearing process is proceeding and document exchanges are to be completed by 17 September 2004 with the Employment Relations Authority ("ERA") who will rule on the interpretation of the contract. It is the view of the Board members that, depending on the ruling of the ERA, a settlement may be made with the employees

There are a number of inherent uncertainties that affect the possible exposure that ADHB faces. The uncertainties include the outcome itself and if unfavourable, identifying exactly which employees are affected and how any settlements may be impacted by a negotiation process with employees or their representatives. Accordingly the Board members do not believe that a reliable estimate of the potential liability can be made and no amounts have been accrued as at 30 June 2004 relating to any potential settlement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04 \$000	As at 30/06/03 \$000	As at 30/06/04 \$000	As at 30/06/03 \$000
16 COMMITMENTS				
(i) Capital commitments				
Approved and contracted	40,551	50,493	40,551	50,493
Approved and to be contracted	14,975	540	14,975	540
	<u>55,527</u>	<u>51,033</u>	<u>55,527</u>	<u>51,033</u>
Term classification of commitments				
Less than one year	54,813	50,503	54,813	50,503
One to two years	714	530	714	530
Two to five years	0	0	0	0
Over five years	0	0	0	0
	<u>55,527</u>	<u>51,033</u>	<u>55,527</u>	<u>51,033</u>
(ii) Operating lease commitments	<u>21,143</u>	<u>26,971</u>	<u>21,143</u>	<u>26,971</u>
Term classification of commitments				
Less than one year	14,029	21,225	14,029	21,225
One to two years	4,501	3,609	4,501	3,609
Two to five years	2,297	2,137	2,297	2,137
Over five years	316	0	316	0
	<u>21,143</u>	<u>26,971</u>	<u>21,143</u>	<u>26,971</u>
17 TRANSACTIONS WITH RELATED PARTIES				
Associates identified in note 6 are related parties. The transactions with associates during the year:				
Sales to associates	374	1,051	374	1,051
Interest received on loans to associates	0	0	0	0
Purchases from associates	2,758	2,870	2,758	2,870

These transactions were made on commercial terms and conditions and at market rates.

No related party debts have been written off or forgiven during the year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Group Actual		Parent Actual	
	As at 30/06/04	As at 30/06/03	As at 30/06/04	As at 30/06/03
	\$000	\$000	\$000	\$000
18 FINANCIAL INSTRUMENTS				
Credit Risk				
To the extent ADHB has a receivable from another party there is a credit risk in the event of non-performance by that counter party. Financial instruments which potentially subject ADHB to credit risk principally consist of bank balances, receivables, foreign currency forward rate agreements and swaps.				
ADHB manages its exposure to credit risk and limits the amount of credit exposure to any financial institution. The maximum exposure is disclosed in the fair value of financial assets and liabilities.				
The ADHB receives 94.51% (30/06/03 94.44%) of its revenue from the Crown through the Ministry of Health. Accordingly the Board does not consider there is any risk arising from the concentration of credit with respect to accounts receivable.				
Concentrations of credit risk				
Ministry of Health owed ADHB \$68.595 million (30/06/03: \$68.605 million) as at 30 June 2004. This Ministry of Health has substantially cleared the debt by (02/07/04) and the Board Members of ADHB believe the balance, after provisions, is fully recoverable.				
Fair values				
Ministry of Health debt	68,595	68,605	68,595	68,605
The carrying amount of cash, bank balances, receivables and payables reflect their fair values. The carrying amount of all other borrowings reflects their fair values.				
Fair values of financial assets and liabilities				
Cash and bank balances	38,621	32,928	29,653	25,490
Receivables	88,040	85,073	87,807	84,859
Payables	(135,605)	(140,927)	(135,412)	(140,881)
Borrowings (non-current)	(283,328)	(131,532)	(283,328)	(131,532)
Borrowings (current)	(41,656)	(123,133)	(41,656)	(123,133)
Restricted funds held in trust	(710)	(710)	(710)	(710)
	<u>(334,638)</u>	<u>(278,301)</u>	<u>(343,646)</u>	<u>(285,907)</u>
Off Balance Sheet financial instruments				
Foreign exchange forward contracts	67	956	67	956
Interest rate swaps	6,538	5,535	6,538	5,535
	<u>6,605</u>	<u>6,491</u>	<u>6,605</u>	<u>6,491</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

18 FINANCIAL INSTRUMENTS (continued)

Interest rate risk and currency risk

Interest rate risk:

ADHB adopts a policy of spreading its interest rate exposure between fixed and floating rates. Interest rate swaps are used to achieve the appropriate mix of interest rate exposures as set out in the board's treasury policy.

Foreign currency risk:

At balance date, the group had entered into foreign exchange contracts to purchase USD \$1.870m (30/06/03 \$1.831m) maturing in November 04 and December 04. The unrealised exchange gain based on the difference between contract rates and balance date exchange rates was \$67,953.

	Weighted Average Interest Rate %	GROUP Maturity Periods				Total
		0 - 1	1 - 2	2 - 5	Over 5	
		\$000	\$000	\$000	\$000	\$000
Interest Rate Repricing Schedule						
As at 30 June 2004						
Monetary Assets						
Cash and bank balances	4.85%	33,039	0	0	0	33,039
Investment bonds	7.38%	2,862	2,720			5,582
Total Monetary Assets		<u>35,901</u>	<u>2,720</u>	<u>0</u>	<u>0</u>	<u>38,621</u>
Monetary Liabilities						
Crown Financing Agency	5.98%	41,000	154,000	0	0	195,000
Bonds	7.75%	0	0	0	120,000	120,000
Finance leases	9.45%	656	233	0	0	889
		<u>41,656</u>	<u>154,233</u>	<u>0</u>	<u>120,000</u>	<u>315,889</u>
Off Balance Sheet Items (Interest Rate Derivatives)						
Contract Value		15,000	30,000	55,000	210,000	310,000
Monetary Assets						
As at 30 June 2003						
Cash and bank balances	5.00%	27,765	0	0	0	27,765
Investment bonds	7.28%	1,131	2,939	1,093	0	5,163
Total Monetary Assets		<u>28,896</u>	<u>2,939</u>	<u>1,093</u>	<u>0</u>	<u>32,928</u>
Monetary Liabilities						
Short term bank loans	5.50%	122,527	0	0	0	122,527
Bonds	7.75%	0	0	0	120,000	120,000
Finance leases	9.45%	606	656	233	0	1,495
		<u>123,133</u>	<u>656</u>	<u>233</u>	<u>120,000</u>	<u>244,022</u>
Off Balance Sheet Items (Interest Rate Derivatives)						
Contract Value		15,000	15,000	90,000	175,000	295,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

18 FINANCIAL INSTRUMENTS (continued)

	Weighted Average Interest Rate %	PARENT Maturity Periods				Total
		0 – 1	1 - 2	2 - 5	Over 5	
		\$000	\$000	\$000	\$000	\$000
Interest Rate Repricing Schedule						
As at 30 June 2004						
Monetary Assets						
Cash and bank balances	4.83%	29,653	0	0	0	29,653
Total Monetary Assets		<u>29,653</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,653</u>
Monetary Liabilities						
Crown Financing Agency	5.98%	41,000	154,000	0	0	195,000
Bonds	7.75%	0	0	0	120,000	120,000
Finance leases	9.45%	656	233	0	0	889
		<u>41,656</u>	<u>154,233</u>	<u>0</u>	<u>120,000</u>	<u>315,889</u>
Off Balance Sheet Items (Interest Rate Derivatives)						
Contract Value		15,000	30,000	55,000	210,000	310,000
 Monetary Assets						
As at 30 June 2003						
Cash and bank balances	5.00%	25,490	0	0	0	25,490
Investment bonds		0	0	0	0	0
Total Monetary Assets		<u>25,490</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,490</u>
Monetary Liabilities						
Short term bank loans	5.50%	122,527	0	0	0	122,527
Bonds	7.75%	0	0	0	120,000	120,000
Finance leases	9.45%	606	656	233	0	1,495
		<u>123,133</u>	<u>656</u>	<u>233</u>	<u>120,000</u>	<u>244,022</u>
Off Balance Sheet Items (Interest Rate Derivatives)						
Contract Value		15,000	15,000	90,000	175,000	295,000

19 SEGMENTAL REPORTING

ADHB only operates in the area of the health and disability support services industry in the Auckland region.

20 MAJOR VARIATIONS FROM BUDGET

The ADHB recorded a net deficit of \$ 44.7m compared with a budgeted deficit of \$ 48.8m. The variance from budget is not considered to be significant.

21 EVENTS SUBSEQUENT TO BALANCE DATE

There are no known events subsequent to balance date.

REPORT OF THE AUDITOR-GENERAL