MIDCENTRAL DISTRICT HEALTH BOARD

Te Pae Hauora o Ruahine o Tararua

Part One Board Papers

28 June 2022

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Contents

Agenda and karakia

28 June 2022

MidCentral District Health Board

Board Meeting

Venue: Board Room, Gate 2 Heretaunga Street, Palmerston North

When: Tuesday 28 June 2022, from 11.30am

PART ONE

Members

Brendan Duffy (Board Chair), Heather Browning, Vaughan Dennison, Lew Findlay, Norman Gray, Muriel Hancock, Materoa Mar, Karen Naylor, Oriana Paewai, John Waldon, Jenny Warren.

Apologies

In attendance

Kathryn Cook, Chief Executive; Jeff Brown, Incoming Interim District Lead; Kelvin Billinghurst, Chief Medical Officer; Debbie Davies, Interim General Manager, Strategy, Planning and Performance; Celina Eves, Executive Director, Nursing and Midwifery; Gabrielle Scott, Executive Director, Allied Health and Interim General Manager, Quality and Innovation; Tracee Te Huia, General Manager, Māori Health; Shivarn Stewart, Communications Team Leader; Margaret Bell, Board Secretary.

In attendance (part meeting)

Items 3.2, 3.3, 4.1, 4.2 Neil Wanden, General Manager, Finance and Corporate Services; Darryl Ratana, Deputy Chief Financial Officer

Please contact the Board Secretary if you require a print copy – email boardsupport@midcentraldhb.govt.nz before noon on the working day prior to the meeting

1. KARAKIA 11.30

He Karakia Timata

Kia hora te marino	May peace be widespread
Kia whakapapa pounamu te moana	May the sea be smooth like greenstone
He huarahi ma tātou I te rangi nei	A pathway for us all this day
Aroha atu, aroha mai	Give love, receive love
Tātou I a tātou I ngā wa katoa	Let us show respect for each other
Hui e taiki e	

2. ADMINISTRATIVE MATTERS 11.35

2.1. Apologies

2.2. Late items

2.3. Register of Interests Update

2.4. Minutes of Board meeting held on 10 May 2022, Part One

2.5. Matters arising

2.6. Verbal report from Board Chair

2.7. Manawhenua Hauora – Verbal report from Manawhenua Hauora Chair

3. PERFORMANCE REPORTING 11.45

3.1. Chief Executive's Report

3.2. Financial Update – May 2022

3.3. Finance Report – April 2022

4. DISCUSSION/DECISION PAPERS 11.55

4.1. External Audit Engagement Letter and Audit Plan

4.2. Enable New Zealand – Annual Reporting Requirements

5. INFORMATION PAPERS

Information papers for the Board to note

No items

6. GLOSSARY OF TERMS

7. LATE ITEMS

8. EXCLUSION OF THE PUBLIC

Recommendation

That the public be **excluded** from this meeting in accordance with the Official Information Act 1982, section 9 for the following items for the reasons stated.

Item	Reason	Reference
'In committee' minutes of the previous Board meeting	For reasons set out in the agenda of 10 May 2022	
SPIRE Project Update	To carry out without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	9(2)(j)
Enable New Zealand Contracting Arrangements Approval	To carry out without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	9(2)(j)

Administrative matters

28 June 2022

Apologies

Any apologies to be recorded?

Late items

Opportunity to advise any late items to be discussed at the meeting

Register of Interests: Summary, 26 April 2022 (Full Register of Interests available on Stellar Platform/Board/Board Reference Documents)		
Board Members		
Name	**Date**	**Nature of Interest / Company/Organisation**
Browning, Heather	4.11.19	Director – HB Partners Limited
		Member – MidCentral Governance Group Mana Whaikaha
		Board Member and Chair, HR Committee – Workbridge
	26.7.20	Director and Shareholder – Mana Whaikaha Ltd
	23.10.20	Member – Te Aho o Te Kahu (Cancer Control Agency) Consumer Reference Group
	9.2.21	Project Manager to lead Mana Whaikaha out of the Ministry of Health; stood down from appointed role of Deputy Chair of the MidCentral Governance Group for the MidCentral prototype
		Resigned as Director of Mana Whaikaha Ltd – effective from December 2020
	12.7.21	Appointed to the Support and Consultation for End of Life Choice in New Zealand (SCENZ) Group – a statutory part-time role within the Ministry of Health.
	27.3.22	Project manager role with the Ministry of Health ended late 2021.
		Resumed role as Director of Mana Whaikaha Ltd in August 2021 (temporary).
Duffy, Brendan	3.8.17	Chair and Commissioner – Local Government Commission
		Member – Representation Commission
		Chairperson – Business Kapiti Horowhenua Inc (BKH)
	17.8.21	Trustee – Eastern and Central Community Trust
	16.12.21	Chairperson – Horowhenua Health and Wellbeing Hub Stakeholder Advisory Group
Dennison, Vaughan	4.2.20	Councillor – Palmerston North City Council
	9.2.21	Member of Palmerston North City Council Infrastructure Committee
	14.9.21	Employee – Homes for People, Kaitiaki, Public Relations
		Director – Social Impact Property, Property and Support Services
		Partner – Dennison Rogers-Dennison, Accommodation Services
		Trustee – Manawatū Whanganui Disaster Relief Fund
		Chair – Camp Rangi Woods Trust
		Board Member – Softball New Zealand
		Patron – Manawatū Softball Association
		Wife is a Partner – Dennison Rogers-Dennison, Accommodation Services
		Wife is an employee – Homes for People, Kaitiaki, Support Worker
		Wife is an employee – HealthCare NZ, Community Support Worker
		Father is Managing Director, Exclusive Cleaning Services
	26.4.22	Wife ceased employment with HealthCare NZ in January 2022
Findlay, Lew	1.11.19	President, Manawatu Branch and Director Central District - Grey Power
		Councillor – Palmerston North City Council
		Member – Abbeyfield
	16.2.21	Vice President Manawatū Branch and Board Member of Grey Power New Zealand

Register of Interests: Summary, 26 April 2022 (Full Register of Interests available on Stellar Platform/Board/Board Reference Documents)		
Gray, Norman	10.12.19	Employee – Wairarapa DHB
		Branch Representative – Association of Salaried Medical Specialists
Hancock, Muriel	4.11.19	Sister is casual employee (Registered Nurse, ICU) – MidCentral DHB
		Volunteer, MidCentral DHB Medical Museum
	30.9.20	Sister-in-law is employed as a registered nurse at Whakapai Hauora
	19.11.21	Sister-in-law works as a COVID-19 vaccinator for MidCentral DHB
	1.2.22	Sister-in-law no longer works for Whakapai Hauora
Mar, Materoa	16.12.19	Upoko Whakarae Te Tihi O Ruahine Whānau Ora Alliance
		Chair – EMERGE Aotearoa
		Matanga Mauri Ora Ministry of Health Mental Health and Addiction
		Chair, 'A Better Start – E Tipu Rea', National Science Challenge, Liggins Institute, University of Auckland
	11.2.20	Member of MDHB Cluster
		Member of local Child and Youth Mortality Review Group (CYMRG)
	5.8.20	Member of MDHB's Māori Alliance Leadership Team (MALT)
	13.7.21	Member – Te Ahu Whenua Māori Land Trust
	17.8.21	Member, Māori Provider Expert Reference Group for Transitional Health Unit
Naylor, Karen	6.12.10	Employee – MidCentral DHB
		Member and Workplace Delegate – NZ Nurses Organisation
	9.10.16	Councillor – Palmerston North City Council
Paewai, Oriana	1.5.10	Member – Te Runanga o Raukawa Governance Group
		Chair – Manawhenua Hauora
	13.6.17	Co-ordinating Chair – Te Whiti ki te Uru (Central Region DHB MRBs)
		Member Nga Manu Taiko, a standing committee of the Council – Manawatū District Council
		Member – Te Tihi o Ruahine Whānau Ora Alliance
		Board Member – Cancer Society Manawatū
	30.8.18	Appointed Member – Massey University Council
	13.4.21	Trustee – Manawatū/Whanganui Children's Health Charitable Trust Board
	27.7.21	Member – Governance Board, Mana Whaikaha
	9.11.21	No longer a Board Member – Cancer Society Manawatū
		No longer a member of Nga Manu Taiko, a standing committee of the Manawatū District Council
	9.2.22	Co-Chair, Regional Skills Leadership Group, Manawatū-Whanganui
Waldon, John	22.11.18	Co-director and co-owner – Churchyard Physiotherapy Ltd
		Co-director and researcher – 2 Tama Limited
		Manawatu District President – Cancer Society
		Executive Committee Central Districts (rep for Manawatu, 1 of 2) – Cancer Society
	9.2.21	Has a contract with UCOL
	14.12.21	No longer contracted to UCOL

Register of Interests: Summary, 26 April 2022 (Full Register of Interests available on Stellar Platform/Board/Board Reference Documents)		
		Appointed as Research Advisor Māori to Massey University (commencing 17 January 2022)
Warren, Jenny	6.11.19 12.2.21 1.7.21 15.10.21 4.11.21 9.11.21 19.11.21	Team Leader Bumps to Babies – Barnardos New Zealand Consumer Representatives National Executive Committee – National On Track Network Pregnancy and Parenting Education Contractor – Palmerston North Parents' Centre Member of Locality Advisory Group for both Tararua and Ōtaki/Horowhenua for the Primary Maternity Project Enhancing NZ Clinical Trials – member of Consumer Focus Group (run by the Liggins Institute with funding from the Ministry of Health and Health Research Council) No longer Team Leader Bumps to Babies – Barnados New Zealand No longer Pregnancy and Parenting Education Contractor – Palmerston North Parents' Centre No longer a member of the Locality Advisory Group for Tararua and Ōtaki/Horowhenua for the Primary Maternity Project Contract with Horowhenua Life to the Max Contract with The Horowhenua Company
Committee Members		
Allan, Simon (FRAC)	2.6.20	Deputy Chair – Manawatu Branch of Cancer Society MDHB Rep – THINK Hauora Palliative Care Advisory Panel (Ministry of Health advisory body) Director of Palliative Care – Arohanui Hospice Chair of Board – Manawatu Badminton Association
Hartevelt, Tony (FRAC)	14.8.16 14.8.16 14.8.16 7.10.19 14.10.21	Independent Director – Otaki Family Medicine Ltd Elder son is Director, Global Oncology Policy based at Head Office, USA – Merck Sharpe & Dohme (Merck) (NZ operations for Global Pharmaceutical Company) Younger son is news director for Stuff.co.nz – Fairfax Media Independent Chair, PSAAP's Primary Care Caucus – Primary Health Organisational Service Agreement Amendment Protocol Resigned as Independent Chair of the Primary Care Caucus for PSAAP negotiations
Paewai, Stephen (HDAC)	24.11.21	Trustee – THINK Hauora Member of MDHB's Consumer Council (Interim Chair from November 2021) Member of THINK Hauora's Clinical and Digital Governance Committee Beneficiary of Rangitane o Tamaka nui a Rua Inc Society Trustee – Te Tahua Trust Trustee – Te Ohu Tiaki o Rangitane Te Ika a Maui Trust Director – Rangitane o Te Ika a Maui Board member – Tararua REAP Member – Lottery Community Manawatū/Whanganui Wife is an employee of MCI and Associates, accounting practice Brother-in-law is a senior manager, ACC

Register of Interests: Summary, 26 April 2022 (Full Register of Interests available on Stellar Platform/Board/Board Reference Documents)		
Management		
Cook, Kathryn	13.4.21	Nil
Ambridge, Scott	20.8.10	Nil
Amoore, Anne	23.8.04	Nil
Anjaria, Keyur	17.7.17	Wife is a user of the Needs Assessment and Service Co-ordination Service – MDHB
Bell, Margaret	28.7.20	Nil
Billinghurst, Kelvin	6.8.20	Fellow of the Royal College of Medical Administration (RACMA) Coordinator for the Indigenous Health Programme – RACMA Member of the Rural Policy Advisory Group – RACMA Fellow of the Australasian College of Health Service Managers (ACHSM)
Brogden, Greg	16.2.16	Nil
Brown, Jeff	1.3.22	Nil
Davies, Deborah	18.5.18	Member, Alliance Leadership Team – Central PHO Daughter is an employee and works within hospital services – MidCentral DHB
Eves, Celina	20.4.20	Trustee – Palmerston North Medical Trust
Fenwick, Sarah	13.8.18	Nil
Hansen, Chiquita	9.2.16 3.3.21	Employed by MDHB and seconded to Central PHO 8/10ths – MidCentral DHB CEO – Central PHO Employed by THINK Hauora as Chief Executive and seconded to MidCentral DHB as Interim General Manager, Strategy, Planning and Performance 6/10ths *(until 30 September 2021)* Husband is employed by MidCentral DHB Executive member of General Practice New Zealand (GPNZ) Executive member of Health Care Home Collaborative
Hardie, Claire	13.8.18 13.8.18 13.8.18	Member – Royal Australian & NZ College of Radiologists Trustee – Palmerston North Hospital Regional Cancer Treatment Trust Inc Member, Medical Advisory Committee – NZ Breast Cancer Foundation
Horgan, Lyn	1.5.17 18.5.18	Sister is Coroner based in Wellington – Coronial Services Member, Alliance Leadership Team – Central PHO
Miller, Steve	18.4.17 26.2.19 6.3.19 1.10.19	Director. Farming business – Puriri Trust and Puriri Farm Partnerships Board Member, Member, Conporto Health Board Patient's First trading arm – Patients First Member, Alliance Leadership Team, Member, Information Governance Group – Central PHO Chair – National DHB Digital Investment Board
Ratana, Darryl	29.5.19	Nil
Russell, Greig	3.10.16	Minority shareholder – City Doctors Member, Education Committee – NZ Medical Council

Register of Interests: Summary, 26 April 2022 (Full Register of Interests available on Stellar Platform/Board/Board Reference Documents)		
Scott, Gabrielle	Dec 2019	Son is a permanent MDHB employee and works within Digital Services
Tanner, Steve	16.2.16	Nil
Te Huia, Tracee	13.7.21	Member of the No Ngā Hau e whā branch of the Māori Women's Welfare League
Wanden, Neil	February 2019	Nil
Williamson, Nicki	March 2020	Nil
Zaman, Syed	1.5.18	Nil

MidCentral District Health Board

Board Minutes

Meeting held on 10 May 2022 from 9.00am

Board Room, Gate 2 Heretaunga Street, Palmerston North (and Zoom)

PART ONE

Members

Brendan Duffy (Board Chair), Heather Browning (Zoom), Vaughan Dennison, Lew Findlay (Zoom), Norman Gray (Zoom), Muriel Hancock (Zoom), Materoa Mar, Karen Naylor, Oriana Paewai (Zoom), John Waldon, Jenny Warren (Zoom).

Apologies

Oriana Paewai, Materoa Mar and Lew Findlay for part of the meeting.

In attendance

Kathryn Cook, Chief Executive; Tracee Te Huia, General Manager, Māori Health; Shivarn Stewart, Communications Team Leader; Margaret Bell, Board Secretary.

In attendance (part meeting)

Scott Ambridge, Operations Executive, Te Uru Rauhī, Mental Health and Addiction Services; Keyur Anjaria, General Manager, People and Culture; Celina Eves, Executive Director, Nursing and Midwifery; Sarah Fenwick, Operations Executive, Te Uru Pā Harakeke, Healthy Women, Children and Youth; Tracy Haddon, Operations Director, Pae Ora Paiaka Whaiora, Māori Health Directorate; Darryl Ratana, Deputy Chief Financial Officer; Gabrielle Scott, Executive Director, Allied Health (and Interim General Manager, Quality and Innovation); Neil Wanden, General Manager, Finance and Corporate Services.

Media – 1

1. KARAKIA

The meeting opened with the organisational karakia.

2. ADMINISTRATIVE MATTERS

2.1. Apologies

Oriana Paewai and Materoa Mar had advised they would be late joining the meeting as they were participating in a virtual whakawhanaunatanga hui arranged by Health New Zealand and the Māori Health Authority for the successful prototypes, including the Horowhenua locality.

Lew Findlay advised he would need to leave the meeting early.

2.2. Late items

No items.

2.3. Register of Interests Update

In relation to items for discussion at this meeting

Karen Naylor

Agenda item 4.1 Chief Executive's Report; para 3.1.8 – Nurses Pay Equity Bargaining Update (previously declared interest as NZ Nurses Organisation Member and Workplace Delegate)

2.4. Minutes of the Board meeting held on 29 March 2022, Part One

It was resolved that:

> *the Part One minutes of the 29 March 2022 Board meeting be approved as a true and correct record.*
>
> *(Moved Vaughan Dennison; seconded John Waldon)*

2.5. Minutes of the Special Board meeting held on 5 April 2022, Part One

It was resolved that:

> *the Part One minutes of the Special Board meeting held on 5 April 2022 be approved as a true and correct record.*
>
> *(Moved Vaughan Dennison; seconded Muriel Hancock)*

2.6. Matters arising from previous minutes

No discussion.

The General Manager, Finance and Corporate Services joined the meeting.

2.7. Verbal report from the Board Chair

Nothing to report.

2.8. Minutes of the Finance, Risk and Audit Committee meeting held on 26 April 2022, Part One

It was resolved that the Board:

note the unconfirmed Part One minutes of the Finance, Risk and Audit Committee meeting held on 26 April 2022.

(Moved John Waldon; seconded Vaughan Dennison)

2.9. Manawhenua Hauora Chair's Report

It was agreed to defer this item until the Manawhenua Hauora Chair was present at the meeting.

3. STRATEGIC FOCUS

No items.

The Deputy Chief Financial Officer and the General Manager, People and Culture joined the meeting.

4. PERFORMANCE REPORTING

4.1. Chief Executive's Report

The Chief Executive presented this report, which was taken as read. She noted that since the report was written, the NZ Nurses Organisation had voted to take the matter of pay equity to the Employment Relations Authority for a determination on a claim for full back pay.

Board members commented on the positive initiatives noted in the report, including the thank you vouchers to staff for their work since COVID-19 reached communities; the Heartlands Lions Club's recognition of staff who worked on the dedicated COVID-19 ward; the partnership between Pūhoro and MidCentral District Health Board (MDHB); visits to the region by the Minister of Health and the Associate Minister of Health; and the Living our Values Awards.

A Board member believed media coverage of the release of the Ombudsman's report didn't strike a balance that showed what was being done to mitigate the issues and expressed concern over the impact that had on staff. The Chief Executive acknowledged the comments made by the Ombudsman and confirmed that everything possible was being done to address the issues raised.

It was resolved that the Board:

note the update of key local, regional and national matters.

(Moved Jenny Warren; seconded Heather Browning)

4.2. **Financial Report – March 2022**

The General Manager, Finance and Corporate Services and the Deputy Chief Financial Officer presented this report, which was taken as read. They noted that the operating result for April was $0.352m favourable to budget, with a deficit of $2.6m after exceptional items.

It was resolved that the Board:

note that at its April meeting, the Finance, Risk and Audit Committee endorsed this report for the Board's consideration

note that the month operating result for March 2022 is a deficit before one-off items of $2.190m, which is $1.601m favourable to budget

note that year to date for March 2022 is a deficit before one-off items of $3.772m, which is $3.601m favourable to budget

note that year to date March 2022, a COVID-19 related contribution of $0.066m and Holidays Act compliance project costs of $4.527m have been incurred. Including these results in a year to date deficit after exceptional items of $8.234m, which is $4.389m favourable to budget

note that the year-end forecast is for an outturn $1.41m better than budget

note that the total available cash and equivalents of $36.911m as of 31 March 2022 is sufficient to support liquidity requirements

approve the March 2022 financial report.

(Moved Vaughan Dennison; seconded Muriel Hancock)

The Operations Executive, Te Uru Rauhī and the Operations Director, Pae Ora Paiaka Whaiora joined the meeting.

4.3. **Finance Report – February 2022**

The General Manager, Finance and Corporate Services and the Deputy Chief Financial Officer presented this report, which was taken as read.

It was resolved that the Board:

note that at its April meeting, the Finance, Risk and Audit Committee endorsed this report for the Board's consideration

note that the month operating result for February 2022 is a surplus before one-off items of $1.737m, which is $2.283m favourable to budget

note that the year to date result for February 2022 is a deficit before one-off items of $1.582m, which is $1.999m favourable to budget

note that year to date for February 2022 COVID-19 related contribution of $0.066m and Holidays Act costs of $3.639m have been incurred. Including these results in a year to date deficit after exceptional items of $5.156m, which is $3.092m favourable to budget

note that the total available cash and equivalents of $35.537m as of 28 February 2022 is sufficient to support liquidity requirements

approve the February 2022 financial report.

(Moved Vaughan Dennison; seconded Muriel Hancock)

The General Manager, Finance and Corporate Services left the meeting.

The Interim General Manager, Quality and Innovation joined the meeting.

4.4. **Sustainability Plan**

The Interim General Manager, Quality and Innovation and the Deputy Chief Financial Officer presented this report, which was taken as read.

It was resolved that the Board:

note that at its April meeting, the Finance, Risk and Audit Committee endorsed this report for the Board's consideration

note the progress in the implementation of the Sustainability Plan

note the Sustainability Plan benefits monitoring dashboard and trend analysis

note the February 2022 report indicates savings of $374,868 year to date

approve the Sustainability Plan report.

(Moved John Waldon; seconded Heather Browning)

The Deputy Chief Financial Officer and Interim General Manager Quality and Innovation left the meeting.

4.5. Health, Safety and Wellbeing

The General Manager, People and Culture presented this report, which was taken as read.

It was resolved that the Board:

note the quarterly Health, Safety and Wellbeing report

note that the Health, Safety and Wellbeing report was endorsed by the Finance, Risk and Audit Committee (FRAC) at its meeting on 26 April 2022 for consideration by the Board, on the understanding that a report focused on bullying and harassment in the workplace be provided at the next FRAC meeting.

(Moved Karen Naylor; seconded Muriel Hancock)

4.6. Workforce Update

The General Manager, People and Culture presented this report, which was taken as read. He noted the reporting period was from 1 July to 31 December 2021 during which time there was uncertainty around the transition to Health New Zealand (Health NZ) and the COVID-19 Vaccination Order, which caused anxiety for some staff. Details of the new health structure were being shared with staff as they became available. A review of the exit interview process needs to be undertaken to make it less formal and would consider allowing people to name their own categories as a reason for leaving to provide more meaningful data.

In response to questions around bullying and harassment, the Chief Executive noted that staff could report any behaviours that concerned them through Speaking up For Safety and the Promoting Professional Accountability programme. These reports could be made anonymously and were addressed immediately. The Organisational Leadership Team would continue to monitor reports of bullying and harassment while the reporting framework to Health NZ was clarified.

It was resolved that the Board:

note the Workforce Update

note the challenges and opportunities being undertaken to address workforce concerns identified within the report.

(Moved Jenny Warren; seconded Lew Findlay)

The General Manager, People and Culture left the meeting.

4.7. Te Mātāpuna o te Ora Service Review

The Operations Executive, Te Uru Rauhī and the Operations Director, Pae Ora Paiaka Whaiora presented this report, which was taken as read.

The Board Chair noted this was a great example of work being done to respond to challenges across the region, with a focus on providing mental health support in the community to prevent the need for hospitalisation. The paper set out the background, the work that has been done and a clear vision of what will be delivered, including for example an increase in staffing in Tararua and Horowhenua (from 30 to 50 FTE). He offered thanks and congratulations to everyone involved.

Board members commented that the building of a new mental health facility was important, but work done in the community was equally important as it provided a pathway to healing and support.

It was resolved that the Board:

note the first year's progress towards realising Te Mātāpuna o te Ora

note the updated risk register and programme plan for the next 12 months

note the updated financial analysis

approve the increased funding of $1.569m (made up of 8.80 DHB FTE) and Non-Government Organisation provider funding (targeting iwi and peer-led services)

note that all financial and FTE changes have been incorporated into the 2022/2023 budget (subject to approval by Health New Zealand)

note the change in treatment of digital software development

approve the Chief Executive to enter commercial lease arrangements for the Horowhenua and Palmerston North hubs (subject to completion of due diligence).

(Moved Heather Browning; seconded Karen Naylor)

The Operations Executive, Te Uru Rauhī and the Operations Director, Pae Ora Paiaka Whaiora left the meeting.

Board members Oriana Paewai and Materoa Mar rejoined the meeting.

The General Manager, Finance and Corporate Services, the Executive Director, Nursing and Midwifery and the Operations Executive, Te Uru Pā Harakeke, Healthy Women, Children and Youth joined the meeting.

5. DISCUSSION/DECISION PAPERS

No items

2 ADMINISTRATIVE MATTERS (continued)

2.9 Manawhenua Hauora Chair's Report

Oriana Paewai, Manawhenua Hauora Chair provided a verbal update on Manawhenua Hauora activities, including plans for the Board to Board hui on 16 May.

It was resolved to:

note the Manawhenua Hauora Chair's report.

(Moved Oriana Paewai; seconded Materoa Mar)

6. INFORMATION PAPERS

6.1. Combined Medical Staff Association and Executive Action Plan

The Chief Executive presented this report, which was taken as read.

It was resolved that the Board:

note the Combined Medical Staff Association (CMS) and Executive Action Plan.

(Moved Muriel Hancock; seconded Heather Browning)

6.2. Nursing Workforce Update

The Executive Director, Nursing and Midwifery presented this report, which was taken as read.

In response to a question, she advised that following the disestablishment of the Board at the end of June, Care Capacity Demand Management (CCDM) would continue to be reported to the Safer Staffing Workplace Unit on a quarterly basis, through to Technical Advisory Services and then to Health NZ.

It was resolved that the Board:

note the Nursing Workforce Report.

(Moved Vaughan Dennison; seconded Karen Naylor)

6.3. Midwifery Workforce Update

The Operations Executive, Te Uru Pā Harakeke presented this report, which was taken as read. She advised that the Te Papaioea Birthing Centre had reopened this week and would be staffed from 7am Monday to 5.30pm Friday for primary birthing and postnatal stays for women who had birthed at the centre. A Board member noted that a Facebook post regarding the extended hours had already received 460 'likes'.

It was resolved that the Board:

note the current midwifery workforce position

note the key updates to the Midwifery Action Plan.

(Moved Vaughan Dennison; seconded John Waldon)

The media representative and the Executive Director, Nursing and Midwifery left the meeting.

6.4. MDHB and Manawhenua Hauora Combined Work Plan – six-monthly review

The General Manager, Māori Health presented this report, which was taken as read.

It was resolved that the Board:

note the progress made against the MidCentral District Health Board (MDHB) and Manawhenua Hauora Combined Work Plan 2021/22

note this is the final report to the Board on the Combined Work Plan between Manawhenua Hauora and MDHB.

(Moved Materoa Mar; seconded Heather Browning)

6.5. Board's Work Programme

The report was taken as read. It was agreed to reschedule the next Health and Disability Advisory Committee and Finance, Risk and Audit Committee meetings to be held on the same day as the final Board meeting (28 June 2022).

It was resolved that the Board:

note the Board's annual work programme

note that a meeting of the Finance, Risk and Audit Committee and of the Health and Disability Advisory Committee will be held on 28 June 2022.

(Moved Brendan Duffy; seconded Materoa Mar; Karen Naylor voted against)

7. GLOSSARY OF TERMS

8. LATE ITEMS

No discussion.

9. DATE OF NEXT MEETING

Tuesday, 28 June 2022 – Board Room, MidCentral District Health Board, Gate 2 Heretaunga Street, Palmerston North *(subject to any COVID-19 restrictions)*.

10. EXCLUSION OF PUBLIC

It was resolved:

that the public be excluded from this meeting in accordance with the Official Information Act 1982, section 9 for the following items for the reasons stated:

Item	***Reason***	***Ref***
'In Committee' minutes of the previous Board meetings	For reasons set out in the agenda of 29 March 2022 and 5 April 2022, including ratification of resolutions	
Replacement of Mammography Machines	To carry out without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	9(2)(j)
MAPU/EDOA Construction Project Update	To carry out without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	9(2)(j)
SPIRE Project Update	To carry out without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	9(2)(j)
Transfer to Enable New Zealand Limited – progress report	To protect information which is subject to an obligation of confidence To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials	9(2)(ba) 9(2)(f)(iv)
Te Awa – Clinical Digital and Technology Modernisation Programmes	To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials	9(2)(f)(iv)
Health Sector Reforms – Transition Plan for MDHB	To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials	9(2)(f)(iv)

Board only time	No decision sought	
'In Committee' minutes of the previous Finance, Risk and Audit Committee meeting	**For reasons set out in the agenda of the meeting held on 26 April 2022**	

(Moved Vaughan Dennison; seconded John Waldon)

Part One of the meeting closed at 11.05am

Confirmed this 28th day of June 2022

………………………………………………..

Board Chair

MidCentral District Health Board

- Schedule of Matters Arising, 2021/22 as at 13 May 2022

Matter	Raised	Scheduled	Responsibility	Form	Status
Review of car parking arrangements PNH, including readdressing all carpark feedback and suggestions (Dec 21: traffic engineering review will be carried out after detailed building plans completed for acute mental health unit and Acute Services Block)	April 17	Ongoing	N Wanden	Report	Scheduled
COMPLETED					
Future Quality and Safety Walk-round reports to include details of actions and any themes	May 21	May 22	~~J Catherwood~~ G Scott	Report	No longer required
Update website to show correct wait times for surgery	March 22	May 22	D Davies	Update at end of this schedule	Completed
Ensure letters to patients explain the reasons for any expected delays for surgery	March 22	May 22	G Scott	Update at end of this schedule	Completed
Provide further details of CAFS/Youthline service, including consideration of the needs of Māori	Dec 21	Feb 22	S Ambridge	Report	Completed
Provide an update on Allied Laundry’s water usage, mitigation strategies and impacts of the proposed Three Waters Reform	Nov 21	~~Dec 21~~ Feb 22	N Wanden	Report	Completed
Future Non-financial Monitoring Performance quarterly reports on adolescent oral health to show how the inequity was being addressed and whether it had improved	Sept 21	Dec 21	D Davies J Long	Report	Completed
Provide an update on colonoscopy wait times for the next quarter, particularly for non-urgent and surveillance colonoscopies	Sept 21	Dec 21	D Davies J Long	Report	Scheduled – March 2022 HDAC
Advise what percentage of Māori responded to maternity consumer surveys completed in October	Nov 21	Dec 21	S Fenwick	Report	Completed
Discuss process for receiving reports from CMS	Sept 21	Nov 21	B Duffy	Board only	Completed
Advise Board members of the process for conducting annual Board evaluation (on work programme for November 2021)	Sept 21	Nov 21	B Duffy	Board only	Completed
Key findings of maternity services culture survey to be loaded to Stellar (under 2021 documents)	Nov 21	Nov 21	S Fenwick M Bell	Report	Completed
Include updates on MDHB’s plan to transition to Health New Zealand on the work programme	Sept 21	Nov 21	M Bell	Report	Completed

Matter	Raised	Scheduled	Responsibility	Form	Status
Internal audit report – Māori Health Equity Review to be included on the agenda for a future MDHB and Manawhenua Hauora Board hui	April 21	~~Aug 21~~	T Te Huia	Report to Manawhenua Hauora	Superseded
Prepare new costings for Horowhenua Respite Facility – email to Board members for approval	Aug 21	Sept 21	V Caldwell S Ambridge	Email	Completed
Report on process for calculating fees for Council members in line with Cabinet Fees Framework	Aug 21	Sept 21	J Catherwood M Bell	Report	Completed
Write to the Ministry of Health to highlight issues faced by migrant GPs in gaining residency	Aug 21	Sept 21	C Hansen	Letter	Completed – response received
Report on options for Enable New Zealand in the health reforms – FRAC meeting then Board	July 21	Sept 21	M Riwai	Report	Completed – 7 Sept FRAC; Sept Board
Summary of discussion from Medical Workforce Workshop held 6 July 2021 to be loaded on Stellar	Aug 21	Aug 21	M Bell	Upload Stellar	Completed
Discuss recruitment of a person with lived experience of disability to become a member of HDAC with the Consumer Council chair	Dec 20	~~Feb 21~~ ~~May 21~~ Aug 21	B Duffy	Report	Not proceeding – impact of health system reforms
Present a draft health sector reforms transition plan for MDHB	July 21	Aug 21	V Caldwell	Report	Completed
Provide more detailed commentary about incidents in Health, Safety and Wellbeing dashboard reports, including how they are being addressed	May 21	Aug 21	K Anjaria	Report	Completed
Include details on workforce shortages in the Health, Safety and Wellbeing report if data is available	May 21	Aug 21	K Anjaria	Report	Completed
Provide breakdown by service area for incidents of staff shortages, including location, what was being recorded, why it was being recorded and what was being done to address the issue	Feb 21	~~May 21~~ Aug 21	K Anjaria	Report	Completed
Write letter of congratulations to former Board member, Barbara Cameron, on receiving QSM in Queen's Birthday Honours	July 21	July 21	B Duffy	Letter	Completed
Check on wheelchair access for Alcohol and Other Drug services – from walk-round March 2020	May 21	July 21	J Catherwood	Verbal update	Completed
Send calendar invitations for long service awards ceremonies to Board members	May 21	June 21	M Bell	Meeting invite	Completed

Verbal report from the Board Chair

The Board Chair will provide an update on recent activities

Manawhenua Hauora Chair's report

The Manawhenua Hauora Chair will provide a verbal update

Performance reporting

28 June 2022

Printed from Stellar by
Margaret Bell <margaret.bell@midcentraldhb.govt.nz>

For:

	Approval
	Endorsement
X	Noting

To	Board
Author	Kelsey Tanner, Executive Assistant to the Chief Executive
Endorsed by	Kathryn Cook, Chief Executive
Date	16 June 2022
Subject	**Chief Executive's Report**

Key questions the Board should consider in reviewing this paper:

- Does the report provide a useful update on local, regional and national matters?
- Are there any additional matters that should be included as routine items in future updates?

RECOMMENDATION

It is recommended that the Board:

- **note** the update of key local, regional and national matters.

Strategic Alignment

This report is aligned to the DHB's strategy and key enabler, 'Stewardship'.

1. PURPOSE

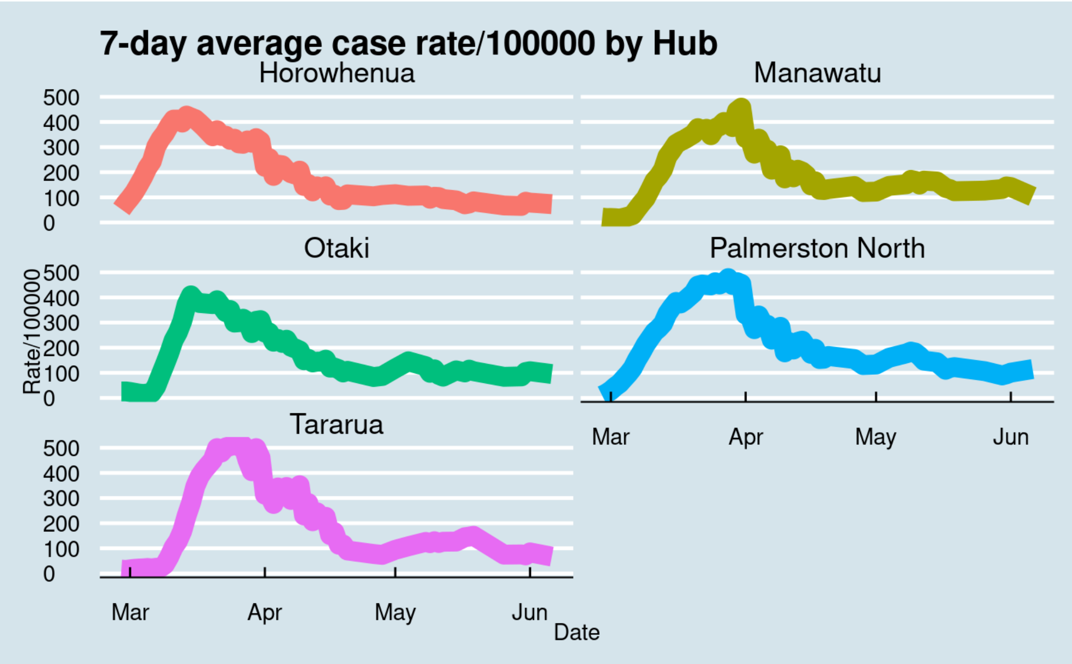
To provide the Board with an update of key local, regional and national matters. No decision is required.

2. LOCAL MATTERS

2.1 Managing COVID-19 in the Community

COVID-19 daily case rates in recent weeks show a steady downward decline. This decline is not expected to continue moving into the winter months with the opening of international borders. Case numbers continue to show a regular weekly fluctuation (higher earlier in the week and lowest over weekends). The seven-day rolling average is now consistently under 250, with stable hospital admissions. This trend is seen across all localities and all ethnicities and reflects the regional and national picture.

Table 1: Seven-day average case rate by locality hub



The district and locality hubs continue to function with reduced hui, and a directive has been received from the Ministry of Health (the Ministry) to maintain this capacity through winter. The central coordination hub kōrero is pivoting to review and address winter care requirements, with resources being confirmed with contracted providers such as iwi and Māori providers through to December 2022.

The public health team has substantially returned to business as usual whilst maintaining a focus on support for higher risk environments for COVID-19 cases such as Aged Residential Care (ARC) facilities and residential care, along with large exposure events (faith-based organisations and places of employment).

2.1.1 COVID-19 testing

Testing remains a critical strategy in the management and understanding of COVID-19. Over 95 percent of tests are conducted by Rapid Antigen Tests (RATs) outside of the formal testing sites, many of which now include community organisations. While the demand for PCR testing had reduced, recently there has been an increase in PCR requirements across the rohe. The provisional reinfection guidelines are being reviewed to inform components of the future testing requirements. The district's approach continues to focus on locality access to PCR, supervised RATs and provision of RATs supported through the GP, pharmacy and iwi provider networks. These providers continue to make significant contributions to testing while also delivering vaccinations and care in the community services for those who are unwell at home.

2.1.2 Vaccination

Vaccination remains a core focus of the mahi to continue to minimise the effects of Omicron across the rohe. Engagement and progress has been significantly low in the past two months, mirroring the national picture. A revised vaccination programme plan has been in progress. Further enquiry is underway to support initiatives that may increase engagement and delivery.

While the capacity available across general practice and iwi providers was significantly reduced during the Omicron surge, these have returned to previous capacity levels.

MidCentral District Health Board (MDHB) has routinely supported iwi and Māori providers to maintain vaccination approaches across the district. This support has been by way of providing vaccinator and administrator staff, vaccination clinic equipment, vaccination (including the unvaccinated) data for the district, and support with vaccination clinic logistics, including planning and promotion.

Table 2: Total vaccination doses delivered as at 7 June

Total doses	402,577	1st doses	146,764	2nd doses	144,733
3rd doses	1,113	Booster	96,551	Replacement	8

As we look ahead to the transition under the health system reform, MDHB is looking to align resources (including existing staff) to various iwi and Māori providers across localities to support their vaccination approaches to continue. This will support the efforts of iwi and Māori providers with vaccinations to continue and also extend across other vaccinations. It will also support community preparedness for winter illnesses and other potential outbreaks including COVID-19, Respiratory Syncytial Virus (RSV) and influenza. A whānau vaccination approach will continue to be applied by iwi and Māori providers with the inclusion of other wrap-around services that providers offer.

2.1.3 Equity

The introduction of the first COVID-19 antiviral medicine has seen the locality hubs working collaboratively to support equitable prescribing of this medicine. The latest national data shows that prescribing is exceeding the proposed percentage of uptake for priority populations.

The appetite for COVID-19 vaccinations across communities appears to be low at present, which is consistent across the country. We are aware there are many factors influencing this including ineligibility due to the stand-down period post a COVID-19 infection.

Iwi and Māori providers continue to promote vaccinations and develop new and innovative approaches, including incentivisation, to increase uptake. The introduction of influenza and MMR (measles, mumps and rubella) vaccines at iwi and Māori-led clinics has stimulated some interest in vaccinations across communities. However this has not necessarily had a positive impact on COVID-19 primary course and booster doses.

Iwi and Māori clinics are now looking to focus on other aspects of health care services, such as blood pressure and blood glucose monitoring, skin infections and wound care to engage whānau, followed by discussions about vaccinations as part of the engagement. As these providers are equipped to offer a broad range of services and have vaccines on hand in vaccine fridges, it is an opportunity to focus on other areas of need in communities and potentially stimulate increases in vaccination uptake as a result of whānau having other health ailments addressed at the same time. This approach requires a transdisciplinary workforce who have a range of competencies.

As iwi and Māori providers have well developed relationships with schools in their respective areas, providers will continue to collaborate with schools in their respective localities to offer vaccination (and other health and Whānau Ora services) opportunities. These providers, with the support of the DHB, have previously sought Public Health Nurse guidance before entering schools to offer COVID-19 vaccinations early in the programme, therefore current procedures for vaccinating in schools will be maintained.

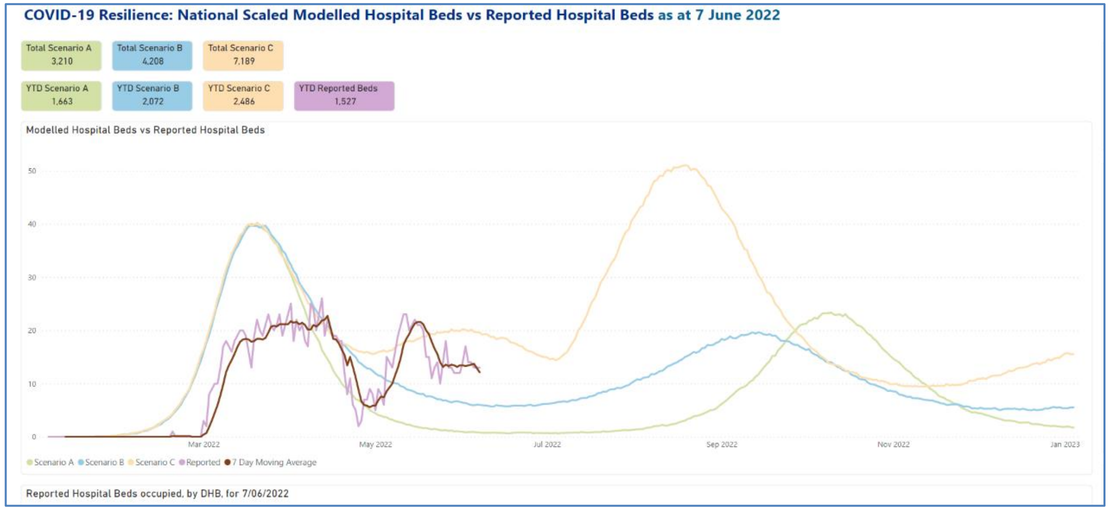
As COVID-19 vaccination rates have reduced, iwi and Māori providers are being supported to offer incentives of their choosing to encourage vaccination uptake through the school holidays and beyond. This is resulting in the whole of whānau vaccination approaches being promoted including extensions to include influenza and childhood immunisations. This has iwi and Māori providers working with the Ministry of Health and the Ministry of Education, supported by Te Puni Kōkiri and schools as a means to increase vaccination uptake amongst tamariki and whānau.

A range of work activities is underway for future planning and management. These include understanding the impact on the vaccination programme for those already infected with COVID-19 (less than 90 days since infection) and therefore ineligible for vaccination. Strategies and approaches are also being considered for the longer-term use of the existing workforce particularly extending kaimahi to administer additional vaccines. The increased primary health care options across localities through the increased provision of services being provided by iwi and Māori providers will further support the access to essential health care services for communities, therefore supporting equity of health outcomes across communities.

2.1.4 Transitioning coordination to winter planning and delivery

Winter planning continues across the district. Case numbers for respiratory conditions are likely to increase due to changes in behaviour, older people having greater exposure to diseases, open borders, and waning immunity. RSV, influenza (especially influenza A), COVID-19 and a plethora of respiratory related conditions among children and adults are predicted to increase during the winter months. While this will be business as usual at the primary care level, substantial pressures are anticipated on hospital services (ED and inpatient admissions). Nasal swabs for PCR tests now have a respiratory panel of the three viral infections (RSV, COVID-19 and influenza) listed at the testing site and for patients coming into the Emergency Department of Palmerston North Hospital. It is demonstrating a steady increase in influenza cases across the district.

Table 3: MDHB scaled hospital bed admissions vs reported hospital bed admissions



The graph shows the daily (purple) and the seven-day average (dark brown) for hospital admissions for COVID-19. The other lines (orange, blue and green) reflect hospital admissions under three different scenarios as modelled by Technical Advisory Services (TAS) for MDHB. It includes all winter related illnesses along with COVID-19 for MDHB.

The strongest prevention for winter illnesses remains with influenza vaccinations. Currently, 64 percent of the eligible population (of 40,633 total eligible) have received their vaccinations, with the majority of these occurring through primary care.

2.1.1. COVID-19 Vaccination Order

In light of the current Omicron outbreak, MDHB continues to encourage all staff to take their booster vaccinations in line with the timeline applicable to them to ensure that they remain compliant with the vaccination order.

2.1.2. Respirator fit testing

The DHB continues to offer fit testing to all staff, contractors, tenants, other DHBs, iwi providers and aged residential care facilities. As the programme has been in place for over a year, the process being undertaken is to re-test staff who were tested a year ago, in line with best-practice guidelines.

2.2 **Financial Update**

The MDHB result for May 2022 is a surplus before one-off items of $3.371m and is $7.578m favourable to budget. Both net revenue and expenditure are favourable to budget for the month by $1.394m and $7.488m, respectively. The year to date result is a deficit of $3.030m, which is $11.530m favourable to the budget. A year to date COVID-19 related contribution of $0.083m and Holidays Act costs of $4.910m have been incurred. This results in a year to date deficit of $7.857m when these one-off items are included. The impairment of digital assets will negatively impact the year-end result. Despite this, there is a confidence that the annual budget is achievable.

2.3 **Safe Haven Café**

The Safe Haven Café opened on 1 June in Palmerston North. It is run by Mana o te Tangata at their 601 Featherston Street premises, a five-minute drive from the DHB. The café will offer a peer-led, caring and social drop-in space for whānau whaiora from all cultural backgrounds, dealing with mental health distress after-hours. It will offer an alternative to presenting to ED for those not in an active crisis or needing admission.

Operating hours will be from 5pm to 10pm Fridays, from 3pm to 10pm on Saturdays and from 3pm to 10pm on Sundays. A clinician from MDHB’s Crisis Resolution Service will be available on-site, to offer support where needed.

The service is an important part of and will work closely with all other Te Mātāpuna o te Ora services. Referrals may be made from any of these existing services, or whānau whaiora may drop in on their own accord.

People who have attended the café so far commented that they would have normally gone to the Emergency Department. The Police are looking at ways to utilise the café as an alternative for those who may be presenting in distress.

2.4 **Fatigue Survey**

Fatigue is an ongoing challenge for the DHB’s staff. On Monday 23 May, a survey was launched for all MDHB staff. This research is completely anonymous and aims to better understand issues of fatigue and its impact on work patterns.

The survey is being conducted by the Fatigue Management and Minimisation Steering Group – a collaborative initiative between health sector unions, DHBs and the Massey University Sleep/Wake Research Centre. An independent researcher from Massey University, who has expertise in fatigue management, is carrying out this survey. Results from the survey will be published in a report available later in the year outlining the key findings.

2.5 **Coronial Inquest**

The Coroner's inquest into the death of a patient on the Mental Health Unit in 2014 concludes in the week of 13 June. Substantial evidence has been presented by various DHB staff along with numerous reports and reviews over the years. Many improvements involving staff, processing and systems have been implemented over the years. A current Board approved programme of rebuilding the inpatient mental unit and implementing a new community model of care is currently underway.

2.6 **Major Capital Building Projects**

2.6.1 SPIRE (Surgical Procedural Interventional Recovery Expansion)

The SPIRE project is progressing with the construction work associated with Stage 1. As the construction of Stage 1 progresses, further issues have been found within Block A. These have required additional man hours to address, and the project is currently behind schedule.

Planning for the commissioning of Stage 1 and the associated decanting process is underway. Planning is also underway for Stage 2 construction, including establishing the rooftop plant space. This includes investigation of ceiling spaces to identify early any remedial work which may be required.

The current overall construction programme is six months longer than envisaged due to the delays experienced. Programme workshops are underway to identify opportunities to bring this back.

2.6.2 Acute Mental Health Unit

The Acute Mental Health inpatient facility is in the final design stage, being detailed design. This is expected to be completed in September 2022.

Following the completion of the earlier design phase, Developed Design, the design work was paused while the project’s scope, programme and costs were reassessed to ensure alignment of the funding envelope and revised cost estimates. This work was done with the support of the Ministry’s Health Infrastructure Unit and discussions continue. A buildability review was commissioned to identify early any potential improvements in both the construction programme and cost.

In line with the outcome of the buildability review, early procurement of the timber required for this building will now get underway. A procurement approach for securing a main contractor is being finalised before going to market.

2.6.3 *Medical Assessment Planning Unit (MAPU)/Emergency Department Observation Area (EDOA)*

The first stage of the MAPU/EDOA facility was completed on the programme. This was the establishment of the foundation, in-ground works and car parking. The new mobility parks at the front of the hospital are more usefully located than those displaced by the project and are being well utilised.

The building frame is now being erected, together with the link corridor which will join the building with the hospital. The project remains on track for a mid-December 2022 completion date.

3. REGIONAL MATTERS

3.1. **Central Regional (CR) Chief Executives (CE) meeting**

The CR CEs met in person on Tuesday 7 June for their final meeting and the Interim District Directors were invited to join the meeting via Zoom. The following items were discussed.

3.1.1. Regional Programme Updates

The CR CEs were provided with an update on the regional programmes including the Regional Partnership Group, CE Frailty Priority Programme and Cardiology. The Regional Partnership Group and Cardiology provided progress updates. The CR CEs noted the Frailty Priority Programme paper and discussed the next steps to support the implementation of the programme within the region.

3.1.2. Regional Partnership Group

The Central Region Partnership Group (RPG) presented to the CR CEs the Regional Work Plan for 2022/23. This plan was developed to guide the initial focus of the central region work programme in the absence of regional guidance or a draft Health New Zealand Plan. The plan proposes a focus on existing regional programmes and clinical networks, outbreak response, national immunisation, winter resilience and planned care taskforces. Feedback was sought from the CR CEs and incoming interim District Directors on the proposed focus.

4. NATIONAL MATTERS

4.1. Multi-Employer Collective Agreement Bargaining and Pay Equity Updates

4.1.1. FIRST Union

The DHB has a Single Employer Collective Agreement (SECA) with the FIRST Union, covering pharmacists. The offer made by the DHB, which aligned with guidelines from the Ministry, has been rejected by the union. MDHB's offer was similar to that offered to the Public Service Association (PSA) for their members covered by the Allied Health, Technical and Scientific Officers, as that Multi Employer Collective Agreement (MECA) covers pharmacist roles across a number of other DHBs. Now that a revised offer has been made to the PSA regarding the Allied Health, Technical and Scientific Officers, MDHB will be seeking the Ministry's endorsement to make this offer to pharmacists covered by the SECA with FIRST Union.

4.1.2. Medical physicists

Six DHBs, including MDHB, employ medical physicists within their Cancer Treatment Services. An offer to settle this MECA was made at the end of October 2021 to the Association of Professional and Executive Employees (APEX), the union representing these employees. The offer made by the DHB has been rejected and facilitation to resolve matters has been unsuccessful. APEX has continued to issue notices of strike action to all six DHBs covering various periods and dates, with the latest strike notice being for the period up to 26 June 2022.

Contingency plans are in place to minimise the impact on service delivery. DHBs are continuing to explore options to settle this MECA which includes a further offer being made similar to that offered to Allied Health, Technical and Scientific Officers. DHBs have now sought to bring the facilitation to a conclusion and asked that the facilitator make a recommendation to settle this bargaining. Both parties have presented their respective positions to the facilitator and the DHBs await the outcome which is expected in the coming weeks.

4.1.3. Association of Salaried Medical Specialists (ASMS)

Mediated bargaining has continued with the ASMS union (which covers senior medical officers). Formal facilitation has now taken place and the outcome of this will be advised to DHBs shortly.

4.1.4. Allied Health, Public Health and Scientific Officers

Negotiations with the PSA over this MECA has been underway since last year. Previous offers made by DHBs had been ejected by PSA members, and the PSA issued strike notice across all DHBs for various periods from March to May. A revised offer was made to the PSA at the end of May with the PSA indicating they are taking this offer out to members and would recommend that it is accepted. DHBs await further information from the PSA as to their intended ratification process and timelines.

4.1.5. Pay equity bargaining – New Zealand Nurses Organisation (NZNO)

Negotiations over pay equity for nurses and midwives has concluded with an agreement being reached between NZNO and the DHBs over a proposed settlement. However, since this time the NZNO has balloted members regarding the backdating of the pay equity settlement to 31 December 2019, rather than a lump sum payment that has been offered by the DHBs. NZNO members voted in favour of taking the matter to the Employment Relations Authority and the outcome of this is not yet known.

4.1.6. Pay equity bargaining – Admin and Clerical

Negotiations over pay equity for admin and clerical staff has concluded, with the agreement being ratified by PSA members. DHBs are now working to implement the outcome of the pay equity settlement as soon as possible. National timelines are being developed to ensure all DHBs implement the settlement at the same time.

4.1.7. Other pay equity claims

Pay equity work continues with MERAS (midwives), APEX and PSA (Allied Health and Scientific roles). Detailed information about the many professional groups covered by this claim is being sought from DHBs and staff in the roles.

4.2. **Health Reform Update**

The Budget announcement on Thursday 19 May had a significant focus on healthcare and revitalising the health system. Funding for Health New Zealand (Health NZ) will include $1.8 billion in Year One and an additional $1.3 billion in Year Two. The $1.8 billion will be available to cover:

- DHB final deficits at the end of the 2021/22 financial year
- demographic changes for a growing and aging population
- improvements to health services as the shift is made to nationwide planning.

There were also funding announcements for community and locality healthcare, growing our national workforce, and developing a nationwide IT system. Staff forums were held via Zoom to communicate updates from Health NZ and the Māori Health Authority (MHA).

4.3. **New Interim National, Regional and District Directors**

On Thursday 26 May, Margie Apa, CE of interim Health NZ announced the new interim national, regional and district leaders who will lead the transition into Health NZ.

The central region, which includes Hawke's Bay, Whanganui, Capital and Coast, Hutt Valley, Wairarapa and MidCentral districts will have an Interim Regional Director, this will be Russell Simpson. On Wednesday 1 June a staff forum was held to discuss the update released and to allow staff to ask any questions.

5. ORGANISATIONAL LEADERSHIP TEAM AND STAFFING MATTERS

5.1. Organisational Change

In order to ensure sustained and continued leadership of the DHB following the transition to Health NZ from 1 July 2022, Dr Jeff Brown will act in the role of Interim District Director. In this role, Dr Jeff Brown will have all authority and delegation of a Chief Executive.

The organisational change proposal that was aimed to ensure that MDHB continues to have consistent leadership was finalised this week. All feedback was duly considered and the final decision document was released to affected staff and unions yesterday. The decisions are being released to all staff today. Key changes that were confirmed are:

- creating a Chief Operating Officer function
- sustained leadership of the Quality and Innovation functions
- reorganisation and strengthening of the Acute and Elective Services directorate's third tier leadership structure.

Other operational decisions that have been confirmed are also contained within the paper.

In addition to the confirmed changes, it is also proposed that the leadership functions of the Public, Primary and Community Health directorate and the Strategy, Planning and Performance directorate are merged. This proposal is currently being consulted upon and a final decision on this will be made once feedback on this has been received and duly considered.

BOARD REPORT

For:

	Approval
	Endorsement
X	Noting

To	Board
Author	Darryl Ratana, Deputy Chief Financial Officer
Endorsed by	Neil Wanden, General Manager, Finance and Corporate Services
Date	16 June 2022
Subject	**Financial Update – May 2022**

Key questions the Board should consider in reviewing this paper:

- Is the current financial performance and trend in performance sustainable?
- Is there critical financial information that you need for governance that is not included in this report?
- Is the DHB sufficiently able to trade solvently?

RECOMMENDATION

It is recommended that the Board:

- **note** this report was presented to the Finance, Risk and Audit Committee for noting
- **note** that the month operating result for May 2022 is a surplus before one-off items of $3.371m, which is $7.578m favourable to budget
- **note** that the year-to-date result for May 2022 is a deficit before one-off items of $3.030m, which is $11.530m favourable to budget
- **note** that year to date for May 2022 COVID-19 related contribution of $0.083m and Holidays Act costs of $4.910m have been incurred. Including these results in a year-to-date deficit after exceptional items of $7.857m, which is $13.120m favourable to budget
- **note** that the total available cash and equivalents of $32.183m as of 31 May 2022 is sufficient to support liquidity requirements
- **note** that this is an interim financial report and that a full report will go to the Health NZ Board for consideration.

Strategic Alignment

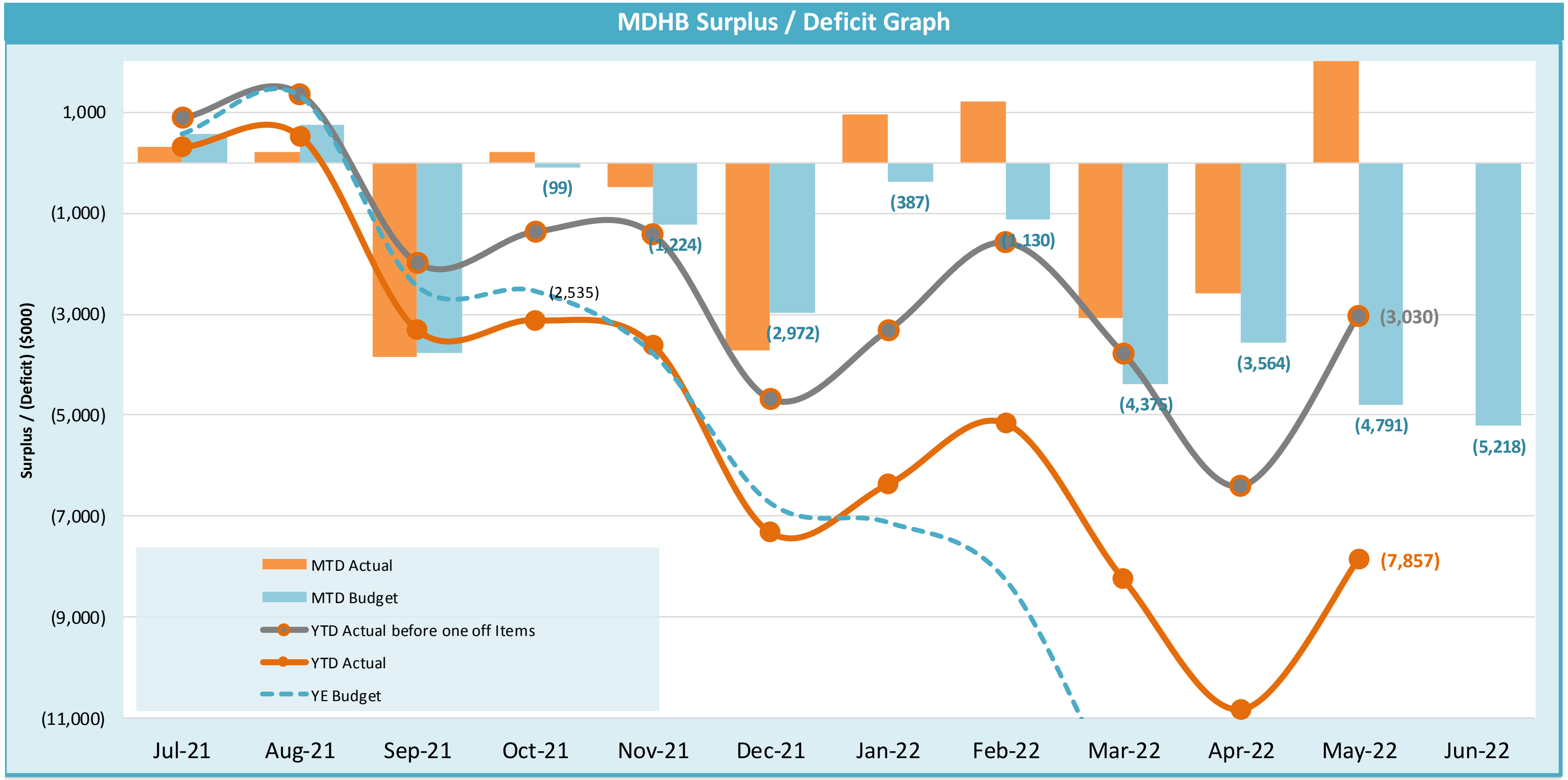
This report is aligned to the DHB's strategy and key enabler 'Stewardship'.

1. PURPOSE

This report is provided for information and consideration by the Board. No decision is required. This is an update paper, and a full finance report will be provided to Health New Zealand for consideration.

2. FINANCIAL PERFORMANCE

The MidCentral District Health Board (MDHB) result for May 2022 is a surplus before one-off items of $$3.371m and is $7.578m favourable to budget. Net revenue for the month is $1.394m favourable to budget, and expenditure is $6.094m favourable. The year-to-date result is a deficit of $3.030m, which is $11.530m favourable to budget. A year-to-date COVID-19-related contribution of $0.083m and Holidays Act costs of $4.910m have been incurred. This results in a year-to-date deficit of $7.857m when these one-off items are included.



The Statement of Financial Performance is shown in the following table. Costs relating to the Holidays Act and COVID-19 are disclosed separately to view the underlying performance easily.

$000	May 2022			Year to date			Year End		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Net Revenue	**65,804**	**64,410**	**1,394** ✔	**727,354**	**708,206**	**19,148** ✔	**791,343**	**772,680**	**18,663** ✔
Expenditure									
Personnel	24,352	25,095	744 ✔	258,318	252,657	(5,662) !	283,185	278,061	(5,124) !
Outsourced Personnel	1,129	432	(697) ✖	11,406	4,097	(7,309) ✖	12,916	4,685	(8,231) ✖
Sub -Total Personnel	25,481	25,528	47 ✔	269,724	256,753	(12,971) ✖	296,101	282,746	(13,355) !
Other Outsourced Services	2,215	2,245	30 ✔	27,957	24,719	(3,238) ✖	30,475	27,066	(3,409) ✖
Clinical Supplies	5,088	5,514	426 ✔	58,525	59,872	1,347 ✔	64,183	65,534	1,351 ✔
Infrastructure & Non-Clinical	8,287	8,147	(140) !	79,740	82,840	3,100 ✔	87,937	91,009	3,072 ✔
Provider Payments	21,573	27,303	5,730 ✔	297,339	300,985	3,646 ✔	327,682	328,288	606 ✔
Total Operating Expenditure	**62,642**	**68,736**	**6,094** ✔	**733,286**	**725,169**	**(8,116)** !	**806,378**	**794,643**	**(11,735)** !
Operating Surplus/(Deficit)	**3,162**	**(4,327)**	**7,488** ✔	**(5,932)**	**(16,963)**	**11,031** ✔	**(15,035)**	**(21,963)**	**6,928** ✔
Enable NZ Contribution	209	119	90 ✔	2,902	2,402	499 ✔	3,267	2,768	499 ✔
Surplus/(Deficit) Before One-Off Items	**3,371**	**(4,207)**	**7,578** ✔	**(3,030)**	**(14,561)**	**11,530** ✔	**(11,768)**	**(19,195)**	**7,427** ✔
Holidays Act	(414)	(583)	169 ✔	(4,910)	(6,417)	1,507 ✔	(5,412)	(7,000)	1,588 ✔
Covid-19	7	0	7 ✔	83	(0)	83 ✔	91	(0)	91 ✔
Surplus/(Deficit)	**2,963**	**(4,791)**	**7,754** ✔	**(7,857)**	**(20,977)**	**13,120** ✔	**(17,090)**	**(26,195)**	**9,105** ✔

FTE									
Medical	363.3	384.8	21.5 ↓	362.7	379.4	16.7 ↓	363.0	380.4	17.4 ↓
Nursing	1,136.5	1,176.8	40.3 ↓	1,120.2	1,134.6	14.4 ↓	1,124.0	1,138.1	14.1 ↓
Allied Health	403.5	448.1	44.6 ↓	419.5	442.2	22.7 ↓	421.3	442.7	21.5 ↓
Support	27.0	33.3	6.3 ↓	29.0	33.4	4.4 ↓	29.0	33.4	4.3 ↓
Management / Admin	469.5	496.2	26.7 ↓	466.4	486.1	19.7 ↓	467.5	487.0	19.4 ↓
Operating FTE	**2,399.8**	**2,539.2**	**139.4** ↓	**2,397.8**	**2,475.6**	**77.8** ↓	**2,404.9**	**2,481.5**	**76.7** ↓
Enable NZ	144.4	115.4	(29.0) ↑	124.4	115.4	(9.0) ↑	123.7	115.4	(8.3) ↑
Holidays Act	2.7	5.0	2.4 ↓	3.5	5.0	1.5 ↓	3.9	5.0	1.1 ↓
Covid-19	53.1	31.3	(21.8) ↑	79.0	69.6	(9.5) ↑	82.3	66.1	(16.2) ↑
Total FTE	**2,599.9**	**2,690.8**	**90.9** ↓	**2,604.7**	**2,665.6**	**60.8** ↓	**2,614.7**	**2,668.0**	**53.3** ↓

The Ministry of Health (the Ministry) advised that planned care revenue will be paid up to budget for the second half of 2021/22 in recognition of the impacts of Omicron. Consequently, $3.401m of planned care revenue has been recognised to reflect the year-to-date result of the Ministry's decision.

Further favourable revenue relates to the following positive outcomes across the DHB. These include:

- Unplanned (acute) activity and minor procedures in Te Uru Arotau - Acute and Elective Specialist Services ($0.732m)
- ACC revenue for activity in Te Uru Whakamauora – Healthy Ageing and Rehabilitation Services ($0.326m)
- Continuation of Pay Equity receipts to reflect the additional payments to nursing and midwifery staff ($0.467m).

These favourable variances were partially offset by the timing of funding for community provider payments. The payments were significantly below budget and resulted in a lower level of revenue to fund those payments.

Significant variances in operating expenditure for the month are highlighted below:

- FTEs are 2,600 and remain below budget by 91 for the month and 61 FTE year to date. FTEs have dropped by 20 since last month to continue the trend of stagnating recruitment. As a comparison, FTEs have increased by only one since July 2021. When Enable NZ is excluded, FTEs have dropped by 33 over the same period.
- Personnel costs (excluding Outsourced Personnel) are adverse by $0.744m due to favourable FTEs. The variance primarily relates to allied health and medical staff, which are $0.542m and $0.438m favourable, respectively. The favourable variance is muted by pay equity payments to nurses and midwives of $0.465m.
- Lower medical staff FTEs of 22 for the month are being supplemented by locums that are $0.478m adverse to budget. As with previous months, adverse locum costs reside in Te Uru Rauhī – Mental Health and Addictions. The remaining adverse outsourced personnel costs relate to several Digital and Software as a Service (SaaS) projects.
- Other Outsourced Services are close to budget for the month with adverse radiology costs of $0.42m offset by favourable outsourced expenditure elsewhere.
- Favourable Clinical Supplies were impacted by pharmaceuticals ($0.108m) and patient consumables ($0.385m). Higher than anticipated pharmaceuticals was driven by infliximab and respiratory drugs. Favourable patient consumables was the result of adjustments for donated COVID-19 stock issued by the Ministry.
- Infrastructure and Non-Clinical costs are $0.140m adverse to budget, with the fundamental cause of this variance being contracted hotel, cleaning and meal costs ($0.045m) and professional fees ($0.134m) related to Saas projects.

One-off items include the Holidays Act and COVID-19 expenditure.

- Holidays Act expenditure for the month includes a $0.375m increase in the provision, with the remainder being project costs. Project costs are lower than anticipated in the budget leading to a favourable variance for the month and year to date.
- COVID-19 expenditure for the month includes $2.278m of costs offset by funding received for immunisation, surveillance and isolation.

Year-end forecast

The year-end forecast projects a deficit of $17.090m, which is a $9.105m improvement on the budget.

- The forecast excludes the impact of impairment due to the approved webPAS SaaS business case and SaaS version of the Miya Operations Centre Management system. Both will trigger an impairment of the existing assets that total $8.934m.
- The risk of further financial impacts due to Omicron has diminished with the Ministry’s decision to fund planned care up to budget for the second half of 2021/22.
- The forecast is optimistic regarding the filling of staff vacancies. In reality, this remains a significant challenge in the current environment.
- SaaS information system implementations will impact the Corporate and Professionals Services budget. These projects were initially envisioned as asset purchases and therefore budgeted as capex. However, a SaaS preference will result in unbudgeted operational expenditure.

For:

X	Approval
	Endorsement
	Noting

To	Board
Author	Darryl Ratana, Deputy Chief Financial Officer
Endorsed by	Neil Wanden, General Manager, Finance and Corporate Services
Date	16 June 2022
Subject	**Finance Report – April 2022**

Key questions the Board should consider in reviewing this paper:

- Is the current financial performance and trend in performance sustainable?
- Are the variations from budget sufficiently well explained and reasonable?
- Is there key financial information that you need for governance not included in this report?
- Is the DHB able to trade solvently?

RECOMMENDATION

It is recommended that the Board:

- **note** this report was presented to the Finance, Risk and Audit Committee for endorsement.
- **note** that the month operating result for April 2022 is a deficit before one-off items of $2.629m, which is $0.352m favourable to budget
- **note** that the year-to-date result for April 2022 is a deficit before one-off items of $6.401m, which is $3.953m favourable to budget
- **note** that year-to-date April 2022, a COVID-19 related contribution of $0.077m and Holidays Act costs of $4.496m have been incurred. Including these results in a year-to-date deficit after exceptional items of $10.820m, which is $5.367m favourable to budget
- **note** that the total available cash and equivalents of $30.385m as of 30 April 2022 is sufficient to support liquidity requirements
- **approve** the April 2022 financial report.

Strategic Alignment This report is aligned to the DHB's strategy and key enabler, 'Stewardship'.

1. REPORT AT A GLANCE

The operating result for April 2022 is a deficit before one-off items of $2.629m, which is $0.352m favourable to budget.

Favourable to Budget | Close to, or on Budget | Adverse to Budget

Month to Date

Measure	Value	Budget Variance	%
Surplus/(Deficit)	($2.6m)	$0.352m	11.8%
FTEs	2,404	139	5.5%
Capex	$3.1m	$2.8m	47.5%
Cash & Deposits Movement	($5.7m)	$1.5m	20.8%

Favourable unplanned care, minor procedures and IDFs offsets displaced planned care funding.

FTEs remain below budget despite an increase of 26 FTE since last month.

Nursing costs and locum costs continue to be over budget. Locums heavily used in MHAS. Nursing includes pay equity offset by related revenue.

Increasing energy costs results in adverse variance despite an increase in budget

Capital approvals during the month were not significant, expenditure on approved items maintained pace.

Year to Date

Measure	Value	Budget Variance	%
Surplus/(Deficit)	($6.4m)	$3.95m	38.2%
FTEs	2,398	72	2.9%
Capex	$29.9m	$37.1m	55.4%
Cash & Deposits	$30.4m	$20.9m	219.9%
Current Ratio	1.02	0.21	

Lower than expected Planned care has been topped by the MoH (1st Qtr) or offset by Unplanned Care. Further top-ups have been announced (3rd and 4th Qtr.)

FTEs are below budget with little growth across the year.

Pay Equity payments have been offset by revenue.

Heavy reliance noticable in outsourced staff and services.

Capital expenditure is lagging behind budget YTD.

Potential Budget Risks

Seven Risks in Total.

- **Five** Low Risks
- **One** Medium (on watch) Risks
- **One** Medium (Concern) Risk
- **No** High Risk

Year End

Measure	Value	Budget Variance	%
Surplus/(Deficit)	($16.3m)	$2.9m	(14.8%)
FTEs	2,411	71	3.0%
Capex	$36.2m	$49.5m	57.8%
Cash & Deposits	$10.8m	$10.0m	1322.8%
Current Ratio	1.00	0.19	

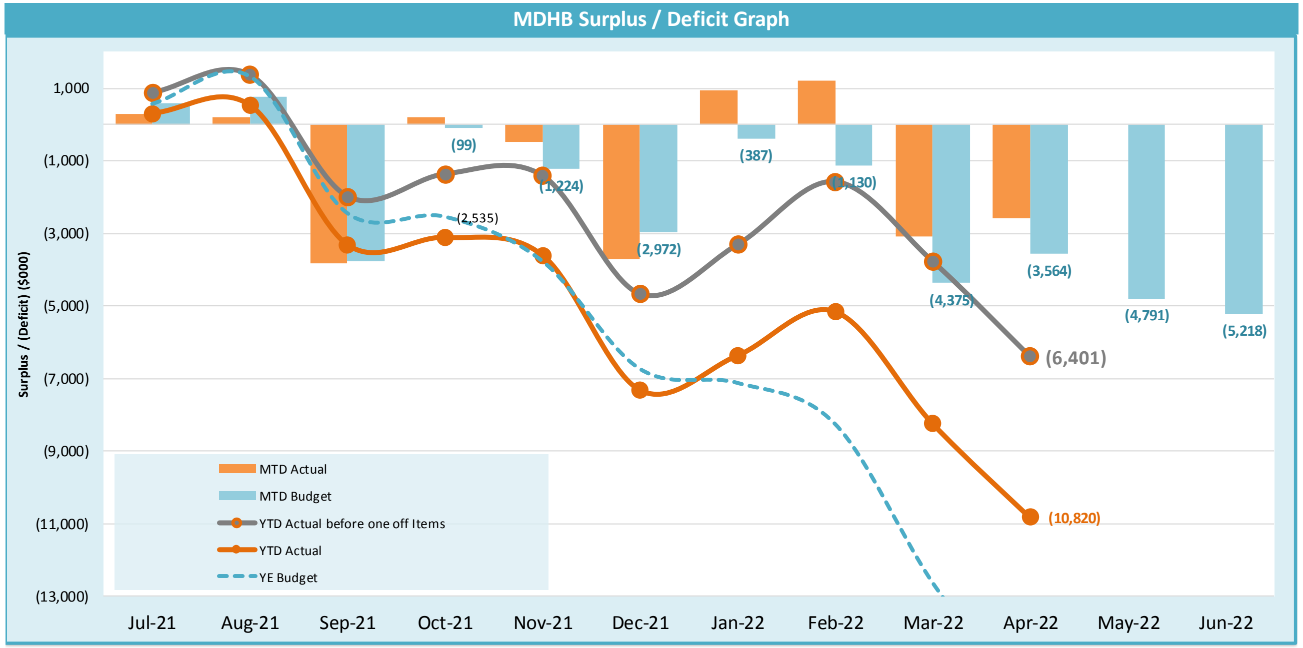
The forecast operating deficit before one-off items is favourable to budget.

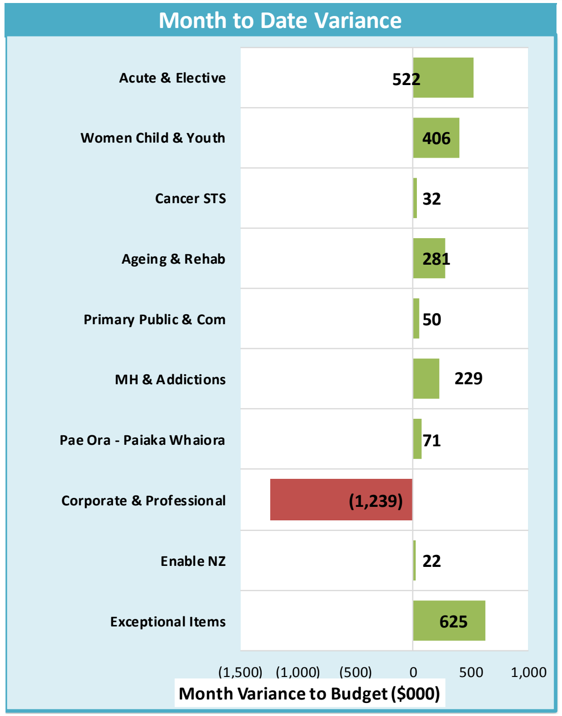
Including one-off items, forecast indicates a year-end deficit that is $4.5m favourable to budget.

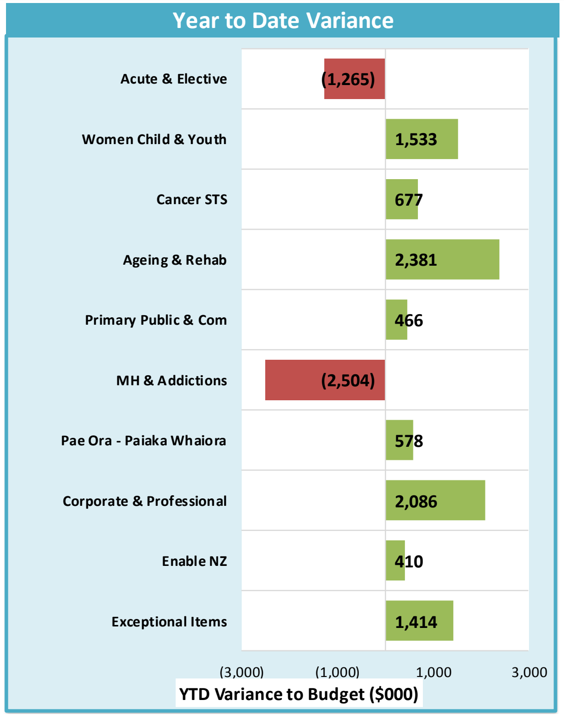
There is confidence that the full result will outperform the budget and it is likely that most known asset impairments will be covered.

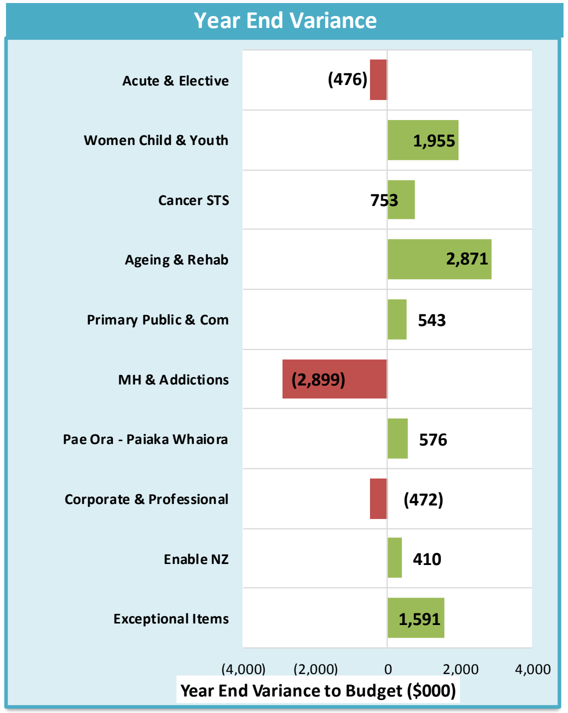
Vacancies are proving difficult to fill and timing of SaaS implementations are likely to be delayed.

The adverse capital expenditure variance to budget is due to approved items that attract additional and unbudgeted MoH funding.


MDHB Surplus / Deficit Graph
Surplus / (Deficit) ($000)
1,000
(1,000)
(3,000)
(5,000)
(7,000)
(9,000)
(11,000)
(13,000)
(99)
(387)
(1,224)
(1,130)
(2,535)
(2,972)
(3,564)
(4,375)
(4,791)
(5,218)
(6,401)
(10,820)
MTD Actual
MTD Budget
YTD Actual before one off Items
YTD Actual
YE Budget
Jul-21
Aug-21
Sep-21
Oct-21
Nov-21
Dec-21
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22


Month to Date Variance
Acute & Elective 522
Women Child & Youth 406
Cancer STS 32
Ageing & Rehab 281
Primary Public & Com 50
MH & Addictions 229
Pae Ora - Paiaka Whaiora 71
Corporate & Professional (1,239)
Enable NZ 22
Exceptional Items 625
(1,500) (1,000) (500) 0 500 1,000
Month Variance to Budget ($000)


Year to Date Variance
Acute & Elective (1,265)
Women Child & Youth 1,533
Cancer STS 677
Ageing & Rehab 2,381
Primary Public & Com 466
MH & Addictions (2,504)
Pae Ora - Paiaka Whaiora 578
Corporate & Professional 2,086
Enable NZ 410
Exceptional Items 1,414
(3,000) (1,000) 1,000 3,000
YTD Variance to Budget ($000)


Year End Variance
Acute & Elective (476)
Women Child & Youth 1,955
Cancer STS 753
Ageing & Rehab 2,871
Primary Public & Com 543
MH & Addictions (2,899)
Pae Ora - Paiaka Whaiora 576
Corporate & Professional (472)
Enable NZ 410
Exceptional Items 1,591
(4,000) (2,000) 0 2,000 4,000
Year End Variance to Budget ($000)

2. FINANCIAL COMMENTARY

Adverse variances are in brackets unless stated otherwise.

2.1 Financial performance

The MidCentral District Health Board (MDHB) result for April 2022 is a deficit before one-off items of $2.629m, which is $0.352m favourable to budget. Net revenue is favourable to budget for the month by $1.277m while operating expenditure is adverse by $0.947m. The year-to-date result is a deficit before one-off items of $6.401m, which is $3.953m favourable to budget.

In the year to date a COVID-19 related contribution of $0.077m and Holidays Act costs of $4.496m have been incurred. This results in a year-to-date deficit of $10.820m when these one-off items are included.

Both Omicron and information technology implementations will negatively impact the year-end result. Despite this, there is confidence that the annual budget is achievable, as indicated by the year-end forecast of $21.754m.

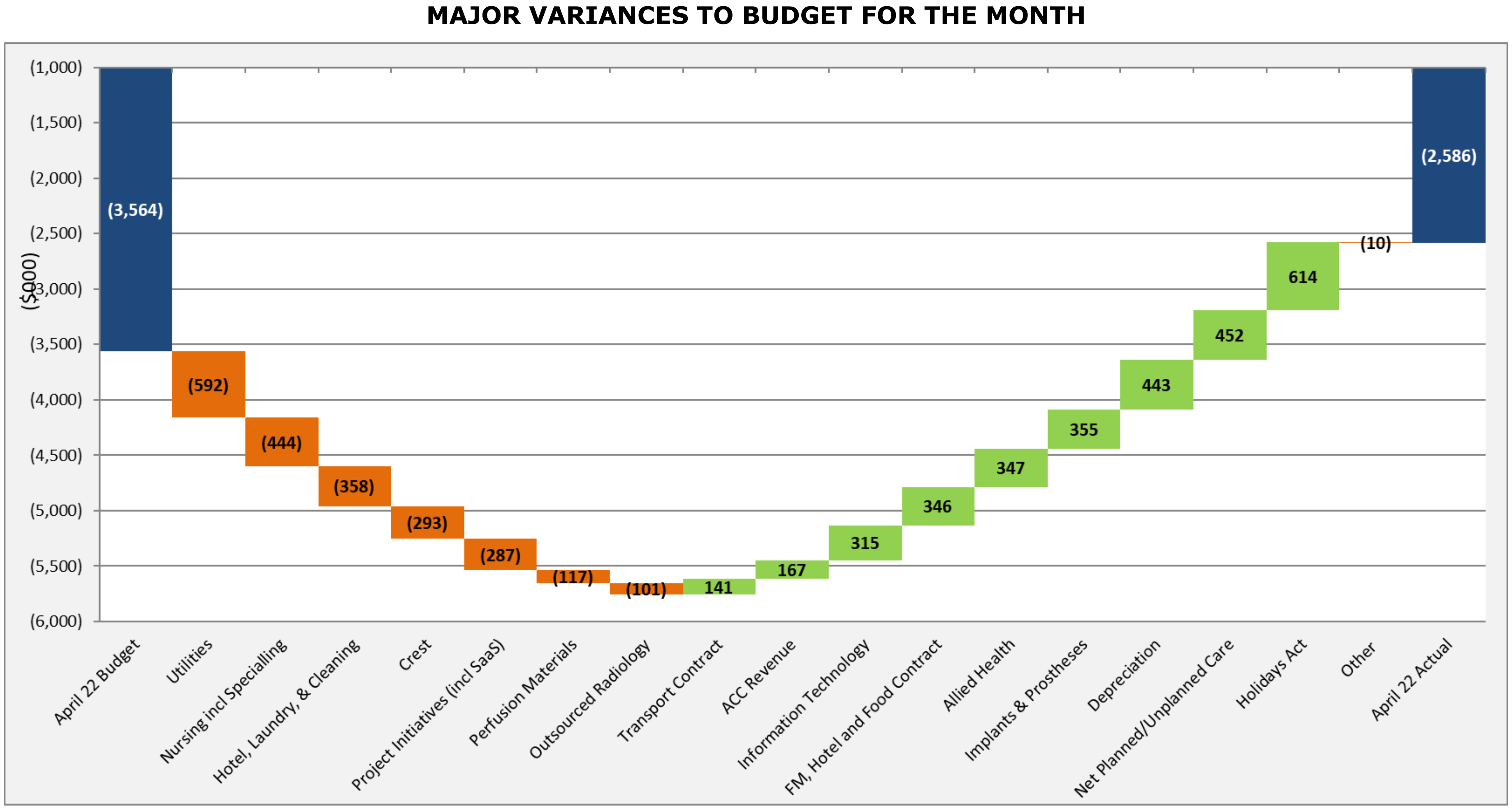
The Statement of Financial Performance is shown in the following table.

$000	April 2022			Year to date			Year End		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Net Revenue	**65,537**	**64,260**	**1,277** ✔	**661,550**	**643,796**	**17,753** ✔	**789,499**	**772,680**	**16,819** ✔
Expenditure									
Medical	6,841	7,352	511 ✔	68,395	69,798	1,403 ✔	82,351	85,338	2,987 ✔
Nursing	9,812	9,476	(335) !	101,826	90,634	(11,191) ✖	122,821	110,673	(12,148) ✖
Allied Health	3,041	3,388	347 ✔	30,984	33,456	2,472 ✔	37,757	40,912	3,155 ✔
Support	145	168	24 ✔	1,480	1,685	205 ✔	1,897	2,044	147 ✔
Management / Admin	3,008	3,220	212 ✔	31,281	31,988	707 ✔	38,291	39,094	803 ✔
Personnel	22,847	23,605	758 ✔	233,967	227,561	(6,405) !	283,117	278,061	(5,056) !
Outsourced Personnel	1,240	433	(807) ✖	10,277	3,664	(6,612) ✖	13,142	4,685	(8,456) ✖
Sub -Total Personnel	24,087	24,037	(49) !	244,243	231,226	(13,017) ✖	296,259	282,746	(13,513) !
Other Outsourced Services	3,455	2,268	(1,187) ✖	25,742	22,474	(3,268) ✖	30,675	27,066	(3,609) ✖
Clinical Supplies	4,975	5,680	704 ✔	53,438	54,358	920 ✔	64,605	65,534	929 ✔
Infrastructure & Non-Clinical	8,046	8,077	31 ✔	71,454	74,693	3,239 ✔	87,825	91,009	3,184 ✔
Provider Payments	27,750	27,303	(447) !	275,766	273,682	(2,085) !	329,657	328,288	(1,369) !
Total Operating Expenditure	**68,312**	**67,365**	**(947)** !	**670,643**	**656,433**	**(14,210)** !	**809,021**	**794,643**	**(14,378)** !
Operating Surplus/(Deficit)	**(2,775)**	**(3,105)**	**330** ✔	**(9,093)**	**(12,636)**	**3,543** ✔	**(19,522)**	**(21,963)**	**2,441** ✔
Enable NZ Contribution	146	124	22 ✔	2,693	2,283	410 ✔	3,177	2,768	410 ✔
Surplus/(Deficit) Before One-Off Items	**(2,629)**	**(2,981)**	**352** ✔	**(6,401)**	**(10,353)**	**3,953** ✔	**(16,345)**	**(19,195)**	**2,850** ✔
Holidays Act	31	(583)	614 ✔	(4,496)	(5,833)	1,337 ✔	(5,501)	(7,000)	1,499 ✔
Covid-19	11	0	11 ✔	77	(0)	77 ✔	91	(0)	91 ✔
Surplus/(Deficit)	**(2,587)**	**(3,564)**	**978** ✔	**(10,820)**	**(16,187)**	**5,367** ✔	**(21,754)**	**(26,195)**	**4,441** ✔

FTE									
Medical	362.2	389.7	27.5 ⬇	362.7	378.8	16.2 ⬇	363.0	380.4	17.4 ⬇
Nursing	1,131.4	1,175.0	43.7 ⬇	1,118.6	1,130.4	11.8 ⬇	1,126.2	1,138.1	11.8 ⬇
Allied Health	414.4	447.4	33.0 ⬇	421.1	441.6	20.5 ⬇	424.3	442.7	18.4 ⬇
Support	27.9	33.4	5.5 ⬇	29.2	33.4	4.2 ⬇	29.2	33.4	4.1 ⬇
Management / Admin	467.9	497.2	29.3 ⬇	466.1	485.1	19.0 ⬇	468.3	487.0	18.7 ⬇
Operating FTE	**2,403.7**	**2,542.8**	**139.1** ⬇	**2,397.6**	**2,469.3**	**71.7** ⬇	**2,411.1**	**2,481.5**	**70.5** ⬇
Enable NZ	140.9	115.4	(25.5) ⬆	122.4	115.4	(7.0) ⬆	121.2	115.4	(5.9) ⬆
Holidays Act	2.5	5.0	2.5 ⬇	3.6	5.0	1.4 ⬇	4.4	5.0	0.6 ⬇
Covid-19	72.4	50.7	(21.7) ⬆	81.6	73.4	(8.2) ⬆	87.9	66.1	(21.9) ⬆
Total FTE	**2,619.6**	**2,713.9**	**94.3** ⬇	**2,605.2**	**2,663.0**	**57.8** ⬇	**2,624.6**	**2,668.0**	**43.4** ⬇

✔ Favourable to Budget
! Unfavourable to Budget but within 5%
✖ Unfavourable to Budget outside 5%
⬇ FTE Below Budget
➔ FTE Higher than Budget but within 5%
⬆ FTE Higher than Budget

Major variances to budget for the month drove the result as indicated in the graph below.



The favourable revenue relates to a number of positive outcomes across the DHB. The most notable include:

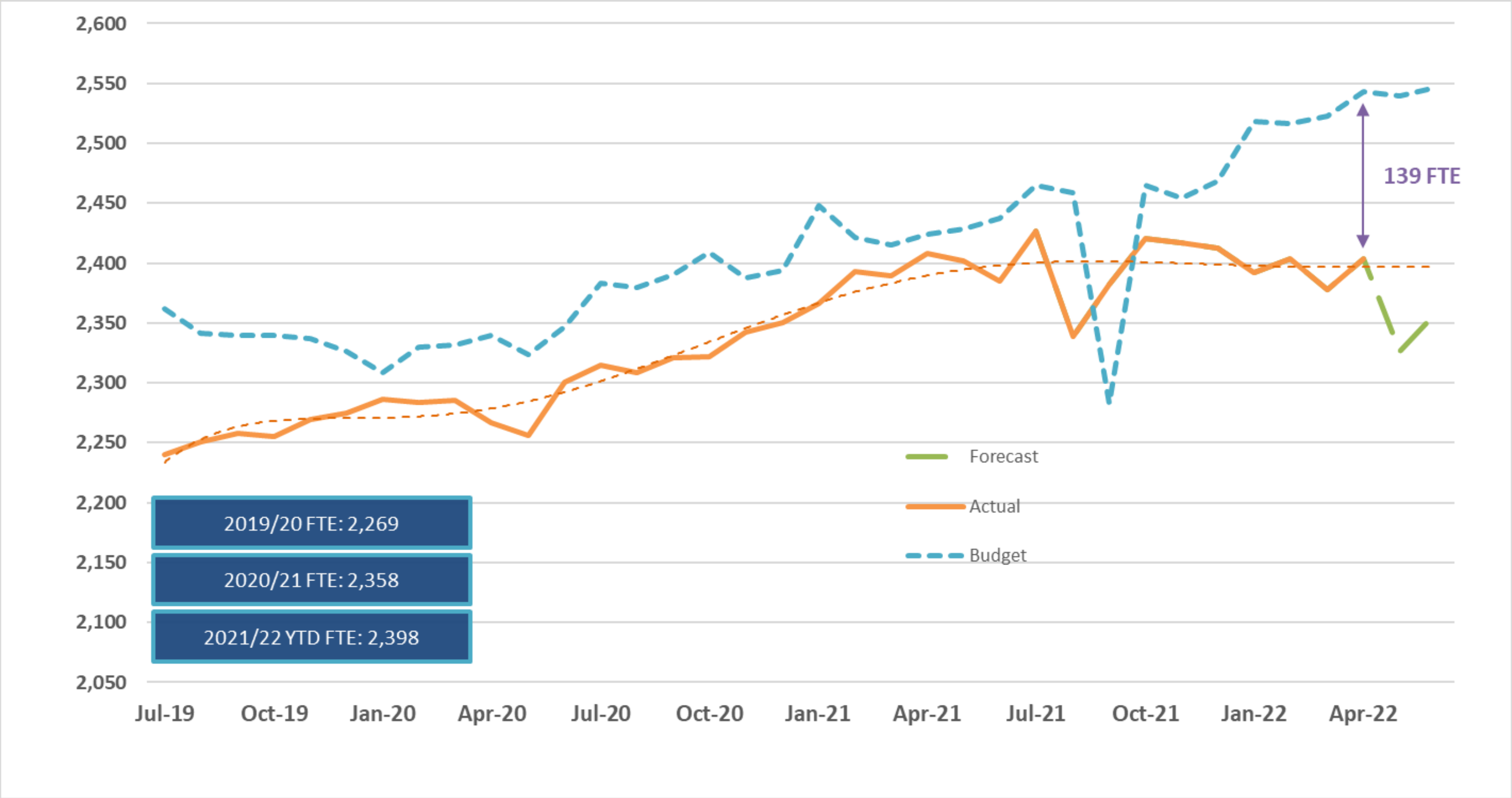
- Unplanned (acute) activity and minor procedures are $0.457m favourable to budget. This is offset by planned care revenue that is $0.683m adverse to budget. The Ministry of Health (the Ministry) has advised that planned care will be paid up to budget for the second half of 2021/22 in recognition of the impacts of Omicron.
- Favourable inter-district flow income ($0.337m) and Ministry revenue to cover COVID-19 stock purchases ($0.184m) were also received during the month.

- ACC revenue in Te Uru Whakamauora – Healthy Ageing and Rehabilitation Services of $0.249m reflecting increased contract prices for non-acute inpatient rehabilitation activity
- Unbudgeted funding received for nursing and midwifery pay equity settlements of $0.467m. Funding will continue to offset the ongoing additional cost of pay equity.

Full-time Equivalent staffing (FTE) for the month is as follows:

- FTEs are 94 below budget for the month and 58 below budget for the year. Except for medical staff, COVID-19, and Enable NZ, FTEs are below or unchanged from levels experienced in July 2021. The change in this group is a net decrease of 29 FTE, with the most noticeable decline seen in nursing staff (14 FTE).
- The following FTE graph excludes COVID-19 activities and Enable NZ. It highlights the increasing gap between budget and actual FTE over the past 12 months. It also shows that FTE levels remain stagnant during this period despite the desire to recruit additional staff. As a comparison, the annual increase in staff for the two years preceding April 2021 was 84 FTE.

TOTAL EMPLOYED FTES BY MONTH



- The budget acknowledged both the desire to increase and the difficulty in finding suitably skilled staff. Consistent with previous years, the budget assumed staff would gradually increase as the year progressed. In hindsight, 2021/22 FTE targets have proven to be ambitious. Given the current labour shortages across New Zealand, FTE growth is likely to be subdued.
- Medical staff have increased since July 2021; however, they remain below budget by 16 FTE for the year. Te Uru Arotau – Acute and Elective Specialist Services are eight below budget due to radiologist vacancies. A further six vacancies exist in Te Uru Rauhī – Mental Health and Addiction Services and are being covered by locums.
- While COVID-19 staff levels are above budget by 22 FTE, these are funded with revenue that is also unbudgeted. The variance reinforces the difficulty in planning for the uncertainties of pandemic impacts when the budget was constructed. Staff have increased throughout the year and are now 27 FTE more than at the start of the year. Most of these are nursing roles (15 FTE), with the remainder mainly administrative.
- Enable NZ staffing is 26 FTE above budget for the month, and this is being driven by unbudgeted ACC contracts secured in the second quarter of this year.

Significant variances in operating expenditure for the month are highlighted below.

- Personnel costs (excluding Outsourced Personnel) are favourable by $0.758m for the month. The majority relates to medical, allied health, and administration staff to a lesser degree. For medical staff, radiology and psychiatry vacancies play a significant part. Favourable allied health variances run across all Clusters except for Te Uru Rauhī, which are close to budget. Favourable administration staff are primarily attributed to the Professional and Executive Enabler.
- Outsourced Personnel costs are adverse by $0.807m, with $0.504m related to the use of locums. As with previous months, adverse locum costs reside in Te Uru Rauhī and total $0.300m. They also feature in Rheumatology and Internal Medicine.
- The remaining variance in Outsourced Personnel is attributable to nurse specialling and administration staff that are $0.108m and $0.273m adverse to budget. Nurse specialling incurred $0.184m for the month. Outsourced administration staff feature in Digital Services and various software implementation projects.
- Other Outsourced Services are $1.187m adverse to budget for April. Adverse radiology costs ($0.201m), subcontracting to Crest ($0.393m) and costs from Hawke’s Bay DHB to support cancer treatment ($0.325m) contribute to this variance and are the leading causes.
- Favourable Clinical Supplies were impacted by implants and prostheses usage within Theatre ($0.355m), pharmaceuticals ($0.126m), depreciation ($0.140m) and instruments and equipment costs ($0.085m). A significant portion of these variances is in Te Uru Mātai Matengau – Cancer Treatment, Screening and Support, which had lower cancer treatment drug usage and lower equipment maintenance costs for the month. Favourable pharmaceuticals also resulted from less than anticipated use of infliximab in Te Uru Arotau.
- Infrastructure and Non-Clinical costs were close to budget for the month. Depreciation for facilities and information technology accounted for $0.410m of this variance. Furthermore, operational information technology costs were $0.315m favourable for the month, most of which were software maintenance. This is offset by unbudgeted Software as a Service (SaaS) initiatives at

various implementation stages and rising expenditure on energy as a result of new utility contracts with less favourable pricing than previous arrangements.

- The 2021/22 budget had a 30 percent increase in information technology operating expenditure. While costs have increased since last year, they have not reached levels anticipated in the budget resulting in significant favourable variances. This has provided 'budget cover' for technology projects originally conceived as capital expenditure but implemented as SaaS. The cost of SaaS projects for the month was $0.287m, including $0.148m of information system costs and $0.147m of contracted professional services.

One-off items include the Holidays Act and COVID-19 expenditure.

- COVID-19 expenditure for the month included $4.682m of costs offset by funding received for immunisation, surveillance, and isolation. Revenue was favourable to budget by $3.769m offset by a corresponding adverse variance against expenditure.
- Holidays Act-related costs are $0.614m favourable to the budget for the month. The Holidays Act is a national issue faced by all DHBs, and the expectation is that this will require separate funding to remediate. The Government has signalled that it will provide this funding once all DHBs are in a position to rectify it. Ernst Young is reviewing the current provision as part of the year-end process to ensure national consistency among DHBs.

2.2 Financial performance by service

The statement of 'Net Revenue and Expenditure by Service' is shown in the table below.

$000	April 2022			Year to date			Year End		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Acute & Elective Specialist Services	(14,852)	(15,374)	522 ✔	(148,511)	(147,246)	(1,265) !	(178,953)	(178,476)	(476) !
Healthy Women, Children and Youth	(3,141)	(3,547)	406 ✔	(32,370)	(33,903)	1,533 ✔	(39,224)	(41,179)	1,955 ✔
Cancer Screening, Treatment & Support	(3,962)	(3,994)	32 ✔	(38,360)	(39,037)	677 ✔	(46,529)	(47,282)	753 ✔
Healthy Ageing & Rehabiliation	(9,315)	(9,597)	281 ✔	(92,783)	(95,165)	2,381 ✔	(111,653)	(114,524)	2,871 ✔
Primary, Public & Community	(5,518)	(5,568)	50 ✔	(55,426)	(55,891)	466 ✔	(66,617)	(67,160)	543 ✔
Mental Health & Addictions	(3,638)	(3,866)	229 ✔	(40,792)	(38,288)	(2,504) ✖	(49,206)	(46,307)	(2,899) ✖
Pae Ora - Paiaka Whaiora	(914)	(985)	71 ✔	(9,313)	(9,892)	578 ✔	(11,310)	(11,886)	576 ✔
Corporate & Professional Services	38,615	39,876	(1,261) !	408,961	407,285	1,676 ✔	484,570	485,452	(882) !
Enable NZ	96	74	22 ✔	2,193	1,783	410 ✔	2,577	2,168	410 ✔
Surplus/(Deficit) Before One-Off Items	**(2,629)**	**(2,981)**	**352** ✔	**(6,401)**	**(10,353)**	**3,953** ✔	**(16,345)**	**(19,195)**	**2,850** ✔
Exceptional Items	42	(583)	625 ✔	(4,419)	(5,833)	1,414 ✔	(5,409)	(7,000)	1,591 ✔
Surplus/(Deficit)	**(2,587)**	**(3,564)**	**978** ✔	**(10,820)**	**(16,187)**	**5,367** ✔	**(21,754)**	**(26,195)**	**4,441** ✔

Items of note which impacted service financial performance for the month are outlined below. Further details are provided in Appendix One – Financial Performance by Service.

- Te Uru Arotau – Acute and Elective Specialist Services was $0.522m favourable to budget for the month with favourable revenue of $0.544m and expenditure close to budget. Unplanned care and minor procedures that were $0.457m favourable were offset by planned care revenue which was $0.683m adverse to budget. However, the Ministry has since advised that planned care will be paid up to budget for the second half of 2021/22. Favourable revenue also resulted from pay equity funding ($0.226m), offset by associated nursing costs, inter-district flows ($0.337m) and Ministry revenue to cover COVID-19 stock purchases. Personnel costs that were $0.208m over budget were primarily the result of nursing costs impacted by pay equity payments. Outsourced Radiology continues to be adverse, being $0.144m and $1.184m over budget for the month and year to date, respectively. The year-end forecast suggests that the adverse year-to-date variance will reduce.
- Te Uru Pā Harakeke – Healthy Women, Children and Youth Services was favourable to budget for the month due to clinical FTEs that continue to be lower than planned, particularly for midwives and nurses. Cleaning costs and clinical supplies contributed to the favourable month variance. While revenue was close to budget, planned care was $0.071m adverse offset by Ministry revenue to cover COVID-19 stock purchases. The Ministry has since advised that planned care will be paid up to budget for the second half of 2021/22. The year-end forecast suggests that the favourable year-to-date variance will increase.
- Te Uru Mātai Matengau – Cancer Screening, Treatment and Support Services is close to budget for the month. Several smaller adverse variances offset a favourable equipment depreciation variance ($0.060m).
- Te Uru Whakamauora – Healthy Ageing and Rehabilitation Services is $0.281m favourable to budget for the month. ACC revenue was $0.249m higher than anticipated due to contract price changes. The year-end forecast is now significantly favourable to budget due to the impact of backdated ACC price changes.
- Te Uru Kiriora – Primary, Public and Community Services is on budget for the month. Adverse nursing costs for early pay equity payments were offset by revenue. In addition, lower pharmaceuticals and transport costs positively impact the monthly result. The year-end forecast is favourable to budget.
- Te Uru Rauhī – Mental Health and Addiction Services is favourable to budget by $0.229m for the month. This is primarily the result of a reconfiguration of community provider contracts that resulted in savings. The cost of locum cover for April ($0.300m adverse) is partially offset by medical staff vacancies. The year-end forecast suggests that the adverse year-to-date variance will increase.
- Corporate and Professional Services comprises all executive and enabler functions. The April result is $1.261m adverse to budget for the month, due to outsourced personnel costs ($0.224m), energy expenses ($0.637m) and Software as a Service (SaaS) initiatives. Rising energy expenditure is a result of new utility contracts with less favourable pricing than previous arrangements. This is currently yreported as a least favourable provision while the new contracts are transitioning.
- The cost of unbudgeted Software as a Service (SaaS) initiatives are held in Corporate and Professional Services and is beginning to have an adverse, albeit anticipated, impact on the budget. These initiatives are $0.287m adverse for the month and $0.916m for the year. The year-end forecast includes the costs for implementing SaaS initiatives.

- Exceptional Items contains organisation-wide costs for COVID-19 and the Holidays Act. Refer to sections 2.3 and 2.4 below.
- The April 2022 result for Enable New Zealand is due to favourable income from trading activities and procurement rebates. Trading activities include direct sales, equipment hire, refurbishment, and freighting of complex equipment.

A Statement of Net Revenue and Expenditure by Division is shown in the table below.

$000	April 2022			Year to date			Year End		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Funding Division	4,655	4,655	(0)	33,404	35,264	(1,861) ✖	37,935	41,236	(3,301) ✖
MidCentral Provider	(8,092)	(8,294)	201 ✔	(49,950)	(53,234)	3,284 ✔	(66,322)	(69,599)	3,277 ✔
Enable NZ	96	74	22 ✔	2,193	1,783	410 ✔	2,577	2,168	410 ✔
Governance	754	0	754 ✔	3,534	0	3,534 ✔	4,055	0	4,055 ✔
Surplus/(Deficit)	**(2,587)**	**(3,564)**	**978** ✔	**(10,820)**	**(16,187)**	**5,367** ✔	**(21,754)**	**(26,195)**	**4,441** ✔

2.3 **Year-end forecast**

The year-end forecast projects a deficit of $21.754m, which is a $4.441m improvement on the budget. There is a confidence that the annual budget will be exceeded with the following points to note:

- The forecast excludes the impact of potential impairments due to the approved webPAS SaaS business case. The business case assumed an impairment as high as $7.176m. In addition, a move to a SaaS version of the Miya Operations Centre Management system will trigger an impairment of the existing Miya asset. This will be circa $1.758m. The approach to impairment is currently being clarified and discussed with our auditors.
- The risk of further financial impacts due to Omicron has diminished with the Ministry's decision to fund planned care up to budget for the second half of 2021/22.
- The forecast is optimistic regarding the filling of staff vacancies. In reality, this remains a significant challenge in the current environment.
- The year-to-date adverse variance in Te Uru Rauhī is unrecoverable. The best outcome is that expenditure decreases so that the variance growth rate slows or partially reverses.
- SaaS information system implementations will impact the Corporate and Professionals Services budget. These projects were initially envisioned as asset purchases and therefore budgeted as capex. However, a SaaS preference will result in unbudgeted operational expenditure.

2021/22 business case implementation costs were circa $4.5 million. In all likelihood, implementation will be over a much longer timeframe, and therefore, expenditure attributed to this year will be reduced. An additional $2.4m of expenditure is included in the forecast for unbudgeted SaaS implementation. Achieving this level of expenditure before year-end will be another challenge for the DHB.

2.4 Budget risks

The majority of risks identified last year remain relevant for this financial year. The Holidays Act project has been removed as a risk. While this remains a significant project, the Ministry is funding all costs; therefore, this risk is offset. In addition, the webPas SaaS risk has been incorporated into a general cloud technology budget risk. Information technology increasingly turns away from on-premise to cloud solutions, which transfers the financial burden from capital to operating costs.

A summary of 2021/22 budget risks is outlined below. It is most likely that actual financial performance (excluding impairment issues) will improve on the budget. However, the risks below can affect MDHB and the degree to which the budget is outperformed.

Risk	Low	Medium (Watch)	Medium (Concern)	High
Indicator	🟢	🟡	🟠	🔴

Risk	Comment	Status
Achieving Sustainability and Saving Plan Objectives		
Sustainability initiatives of $2.050m are included in the budget. These must be achieved to help absorb any unexpected shocks to the DHB.	Sustainability initiatives are behind target. However, savings elsewhere with the DHB and additional revenue are offsetting any impact this will have on the budget.	🟢
Ongoing Impacts of COVID-19		
The recent outbreak confirms that this is far from over. The impact of further episodes is disruptive to the DHB and its budget.	At the beginning of the year, the lockdown had a noticeable impact on hospital activity and financial performance in the first quarter. While DHB business as usual activities are being impacted by Omicron, management has built strategies to best deal with this and limit the impact.	🟡
Timing of staff recruitment		

The budget reflects average vacancy levels based on the assumption that not all positions will be recruited. It also includes phasing adjustments because the need to fill positions will occur gradually throughout the year.	The variance between budgeted and actual FTEs is the result of a high number of vacancies that have been carried throughout the year. This will continue to year end resulting in a low-risk rating.	
Future MECA settlements		
The budget assumption is for a modest 1.5 percent increase in wage settlements based on the Government's expectations. Recent nursing strikes suggest not all employee groups will necessarily accept this.	MECA settlements have been higher than the budget expectation leading to higher average salary rates than planned. However, this impact has been muted by lower than budgeted FTEs and funding support for the Pay Equity settlements.	
Achieving Planned Care targets		
The Ministry proposed targets require an increase in output to achieve similar revenue levels as in 2020/21. This will need to be carefully managed given the potential disruption due to SPIRE construction.	Refer to '**Ongoing Impacts of COVID-19'** as this is the main risk to planned care targets. Comprehensive planning for the SPIRE project is in place - refer to '**Hospital Capacity'**. Despite planned care activity that has been lower than budgeted, the MoH has agreed to fund planned care at the level of budget for the majority of the year, thereby alleviating financial pressures.	
Hospital Capacity		
Hospital bed capacity was very high during 2020/21 due to growing demand. In addition, the SPIRE and EDOA/MAPU PODS project construction activity will increase this year.	Hospital bed occupancy remains high. Surgical leads have endorsed a comprehensive SPIRE transition plan to ensure ongoing theatre capacity during construction. This includes access to Crest facilities and other contingency arrangements if required. Both SPIRE and MAPU-EDOA are currently under construction.	
Cloud Technology		
Many proposed information technology solutions favour software as a Service (SaaS) and Platform as a Service (PaaS). This moves away from on-premise solutions and will transfer the financial burden from capital to operating costs.	The implementation of several SaaS projects has resulted in unbudgeted operating expenses. These have also led to the impairment of existing software assets, impacting operating costs. The impact is significant but currently considered manageable within the overall budget envelope.	

2.5 Financial position

The main budget variances in the Balance Sheet at 30 April 2022 relate to the timing of capital expenditure being later than anticipated, resulting in lower than budgeted non-current assets. Higher cash and deposit balances and Ministry invoicing has resulted in higher than budgeted current assets.

As at 30 April 2022 the total available cash and deposit balances were $30.385m. While the timing of expenditure is currently running later than planned, the projected year-end cash and deposits balance remains close to budget with any significant change in this deriving from the timing of capital projects.

$000	Jun-21	Apr-22		
	Actual	Actual	Budget	Variance
TOTAL ASSETS				
Non Current Assets	293,387	299,354	346,513	(47,159)
Current Assets	68,877	101,277	39,519	61,758
Total Assets	**362,264**	**400,631**	**386,031**	**14,600**
TOTAL EQUITY AND LIABILITIES				
Equity	207,943	209,354	218,002	8,648
Non Current Liabilities	6,278	6,564	6,091	(473)
Current Liabilities	148,043	184,713	161,939	(22,774)
Total Equity and Liabilities	**362,264**	**400,631**	**386,031**	**(14,600)**

2.6 Cash flows

Overall net cash flows reflect a favourable variance to budget of $11.045m. Operating cash flows are unfavourable due to the timing of COVID-19 related activities and the net impact of working capital movements. Investing cash flows are favourable due to the timing of capital expenditure being later than budgeted. Financing activities are unfavourable due to equity injections for the SPIRE (Surgical Procedural Interventional Recovery Expansion) and mental health projects being later than budgeted.

$000	Jun-21	Apr-22		
	Actual	Actual	Budget	Variance
Net Cash Flow from Operating Activities	24,384	13,843	28,220	(14,377)
Net Cash Flows from Investing Activities	(20,859)	(27,385)	(70,941)	43,556
Net Cash Flows from Financing Activities	5,980	7,438	25,572	(18,134)
Net increase / (decrease) in cash	**9,505**	**(6,104)**	**(17,149)**	**11,045**
Cash at beginning of year	26,984	36,489	26,648	9,841
Closing cash	**36,489**	**30,385**	**9,499**	**20,886**

2.7 Cash, investments and debt

Cash and investments

Trust and Special Funds are held in a separate BNZ account. These fall outside the shared banking arrangement with the BNZ that NZ Health Partnerships Limited sweeps daily. Surplus liquidity from the Enable New Zealand operating account is channelled through the main DHB accounts to obtain those benefits.

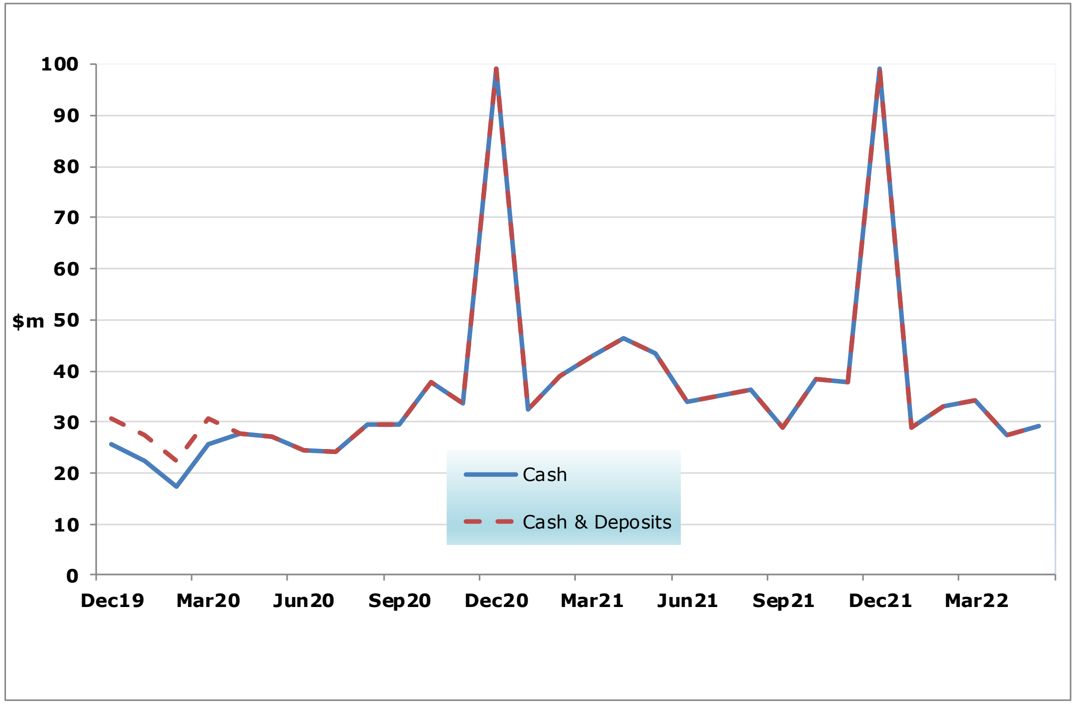
Apr-22	**Rate**	**Value $000**
NZHP Sweep Balance	1.47%	26,675
Cash in Hand and at Bank		2
Trust Accounts		3,019
Enable New Zealand		689
Cash Balances		30,385
Total Cash Balance		**30,385**

The cash reconciliation table below shows how cash has moved during the month.

Cash Reconciliation	**Apr-22 $000**	**Year to date $000**
Cash at December 2021	36,911	36,489
Surplus / (Deficit) for mth	(2,587)	(10,820)
Depreciation / Amortisation	2,282	22,866
Non-cash donations	(533)	(7,614)
Sale of fixed assets	-	32
Working capital movement	(3,654)	9,933
Share of associate net surplus/deficit	(109)	(109)
Capital expenditure	(2,605)	(28,435)
Loan/finance lease repayments	(17)	(170)
Trusts movement	350	556
Equity injections - capital	347	7,657
Cash Balance at month end	**30,385**	**30,385**

The chart below indicates the DHB's cash balance, excluding investment and Trust Accounts. The spike in the December 2021 cash balance reflects the early payment of January revenue by the Ministry due to the timing of the Christmas holiday period.

CASH BALANCES



The DHB sector as a whole has been experiencing liquidity pressure for some time due to the continuation of operating deficits. On behalf of all DHBs, New Zealand Health Partnerships maintains ongoing discussions with the Ministry and Treasury on ways to resolve liquidity issues and the need for deficit support equity injections to those DHBs who are insolvent. These pressures have not affected MDHB operations to date.

The Ministry has reassured the sector of the liquidity impacts of COVID-19 and that the cost of Holidays Act remediation will be funded when payments to remediate impacted employees (past and present) are eventually made. Despite this, these issues will likely influence the ability to support other sector initiatives in the near term.

Net MDHB liquidity continues to be sufficient in the near term with steady levels. However, continuing operating deficits and planned capital investments will reduce overall liquidity.
The Treasury and the Ministry will provide a funding allocation of $30m towards the $35m budget for the Mental Health Unit replacement and $27.5m for an expanded perioperative suite (SPIRE programme). Expenditure against these projects will need to be tightly managed due to very high construction costs. Drawdowns are underway for these projects, with the bulk occurring in the

2022/23 year as construction activity increases. In addition, funding support from the Ministry for the purchase a replacement Linear Accelerator has been received.

Treasury Policy and ratios

There are currently no arrangements that necessitate monitoring against Treasury Policy parameters.

Debt and leases

The MRI finance lease is held with MCL Capital which is a New Zealand owned and operated company offering leasing solutions to New Zealand public sector organisations.

Finance Leases	Start Date	Maturity	$'000	Equipment
MCL Capital	Jun-19	May-26	950	MRI Scanner

The finance lease allows the DHB to spread the cost of an asset over the lease term and preserves capital, minimises the draw on cash reserves and provides budget certainty with ownership at the lease expiry.

2.8 Statement of capital expenditure

Total approvals as of April are $105.676m against both the annual capex plan of $85.761m and unbudgeted capital of $16.901m. Unbudgeted capital relates to $8.000m of the Rapid Hospital Improvement programme, $2.480m of Data and Digital Projects and $1.617 of Covid-19 expenditure, all of which are Ministry funded. The remaining $4.804m are approvals over and above the original plan. Total approvals include $6.302m of software projects, initially planned as capital but approved as Saas solutions and therefore considered an operating expense. For completeness, SaaS approvals continue to be included in this section.

Approvals during the month of April amounted to $4.438m and included mammography machines and an increase to EDOA/MAPU pods (Emergency Department Observation Area/Medical Assessment Planning Unit).

Capital Approvals ($000)	
	YTD
Approvals	95,162
SaaS Approvals	6,901
Items Yet to ve Approved	0
Total	**102,063**
Capital Budget	85,761
Capex unbudgeted	16,302
Total	**102,063**

Capital expenditure for the month was $3.1300m, bringing total spending for the year to $29.880m. The majority was spent on SPIRE ($1.130m), Echo Image Vault ($0.401m), EDOA/MAPU pods ($0.337m) and Medical Air Upgrades ($0.184m).

Capital Expenditure & SaaS ($000)		
	Apr-22	**YTD**
Prior Year Capex	(300)	4,370
Current Year Capex	2,825	23,792
Current Year SaaS	605	1,718
Total	**3,130**	**29,880**

Year to date expenditure on items approved in the prior year is $4.370m and reflects the usual lag between project approval and project expenditure across financial periods.

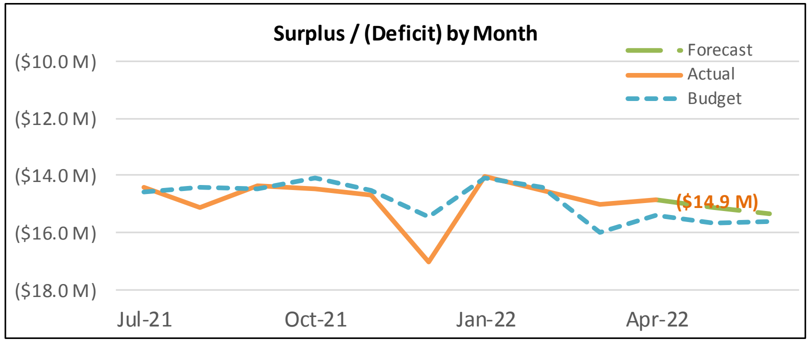
Further detail is provided in Appendix Two – Capital Expenditure. Several proposed information technology items, identified as capital when compiling the 2021/22 capex plan, are being undertaken as SaaS. Under this model, the service provider is offering a subscription to use the Software while retaining ownership. From an accounting perspective, this becomes an operating expense. For completeness, these items continue to be reported on the Capital Expenditure Report. However, they have now been separated within the report to assess their impact.

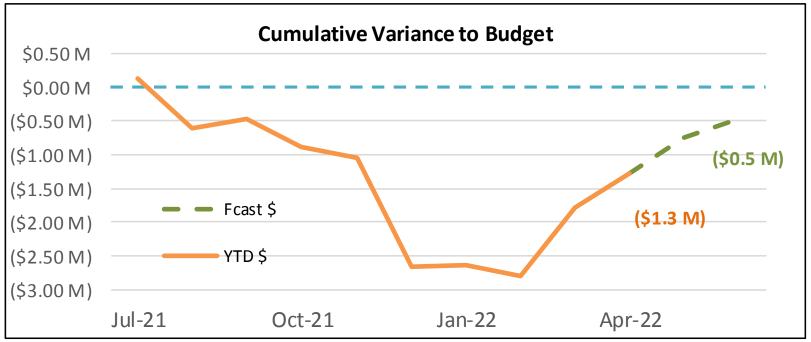
APPENDIX ONE – FINANCIAL PERFORMANCE BY SERVICE

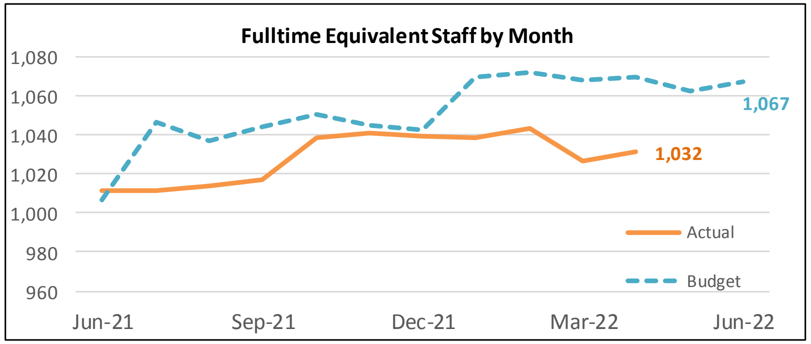
Te Uru Arotau – Acute and Elective Specialist Services

$000	April 2022		Year to date		Year End	
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget
Net Revenue	**2,274**	**554**	**24,449**	**6,357**	**29,113**	**7,276**
Expenditure						
Personnel	10,513	(66)	107,394	(5,433)	129,203	(5,312)
Outsourced Personnel	183	(142)	1,267	(838)	1,467	(950)
Sub -Total Personnel	10,696	(208)	108,661	(6,271)	130,670	(6,263)
Other Outsourced Services	1,724	(422)	14,258	(1,600)	16,954	(1,653)
Clinical Supplies	3,058	585	33,603	(127)	40,470	(70)
Infrastructure & Non-Clinical	751	7	7,415	358	9,055	305
Total Operating Expenditure	**16,229**	**(38)**	**163,937**	**(7,640)**	**197,149**	**(7,680)**
Provider Payments	14	5	196	17	324	(72)
Corporate Services	883	0	8,828	0	10,593	0
Surplus/(Deficit)	**(14,852)**	**522**	**(148,511)**	**(1,265)**	**(178,953)**	**(476)**

FTE						
Medical	230.7	14.9	232.5	8.8	232.6	9.2
Nursing	538.7	(5.6)	523.0	1.5	525.9	(0.4)
Allied Health	126.9	12.5	131.6	6.9	131.6	7.0
Support	15.9	3.1	16.5	2.5	16.6	2.5
Management / Admin	119.3	13.1	126.5	4.6	126.9	4.3
Total FTE	**1,031.6**	**37.9**	**1,030.1**	**24.3**	**1,033.5**	**22.6**



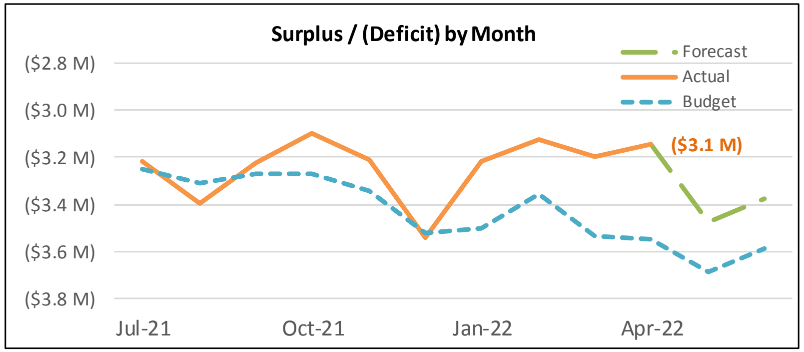


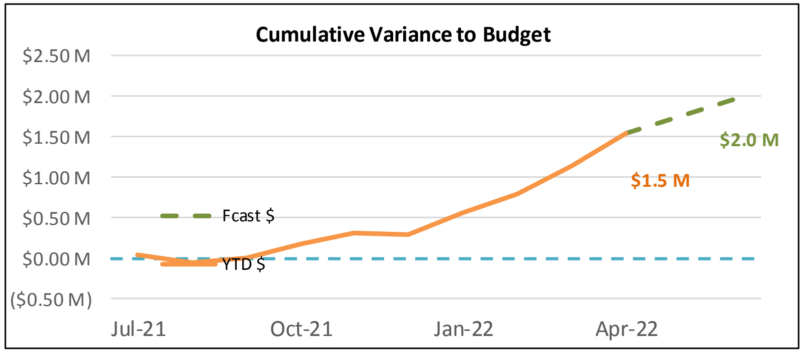


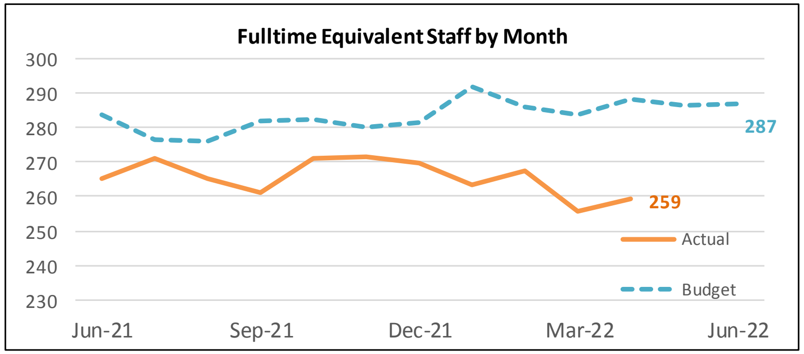
Te Uru Pā Harakeke – Healthy Women, Children and Youth Services

$000	April 2022 Actual	April 2022 Variance to Budget	Year to date Actual	Year to date Variance to Budget	Year End Forecast	Year End Variance to Budget
Net Revenue	**427**	**(24)**	**5,519**	**922**	**6,435**	**914**
Expenditure						
Personnel	2,589	256	26,624	332	31,959	863
Outsourced Personnel	23	(7)	347	(180)	424	(223)
Sub -Total Personnel	2,612	249	26,970	152	32,382	640
Other Outsourced Services	77	6	1,053	(300)	1,371	(444)
Clinical Supplies	265	92	3,250	342	3,936	376
Infrastructure & Non-Clinical	169	59	1,981	348	2,398	400
Total Operating Expenditure	**3,123**	**407**	**33,255**	**542**	**40,087**	**972**
Provider Payments	432	23	4,499	69	5,409	69
Corporate Services	14	0	135	0	162	0
Surplus/(Deficit)	**(3,141)**	**406**	**(32,370)**	**1,533**	**(39,224)**	**1,955**

FTE						
Medical	44.8	2.0	44.0	1.3	44.0	1.5
Nursing	114.0	10.2	116.3	5.8	115.1	7.2
Midwives	29.1	5.5	30.2	4.6	32.2	2.5
Allied Health	49.1	8.9	52.2	4.1	52.4	4.2
Support	0.0	0.0	0.0	0.0	0.0	0.0
Management / Admin	22.2	2.4	22.8	1.4	22.9	1.3
Total FTE	**259.2**	**29.0**	**265.5**	**17.2**	**266.6**	**16.8**

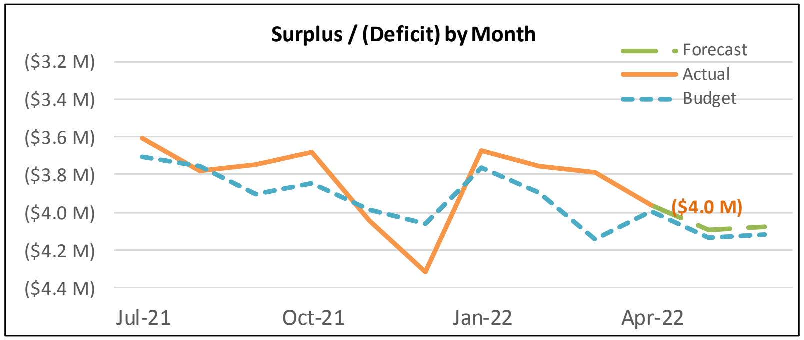


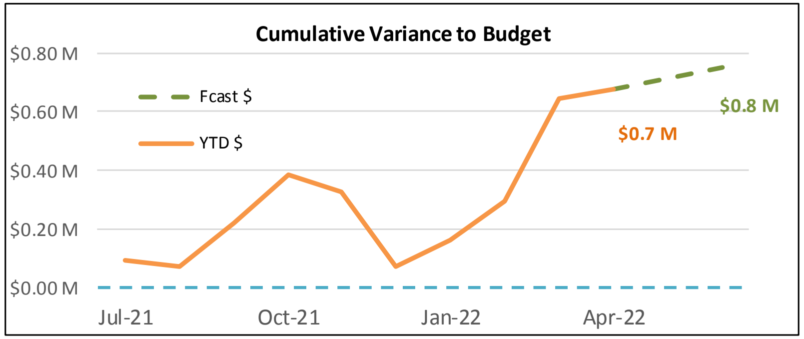




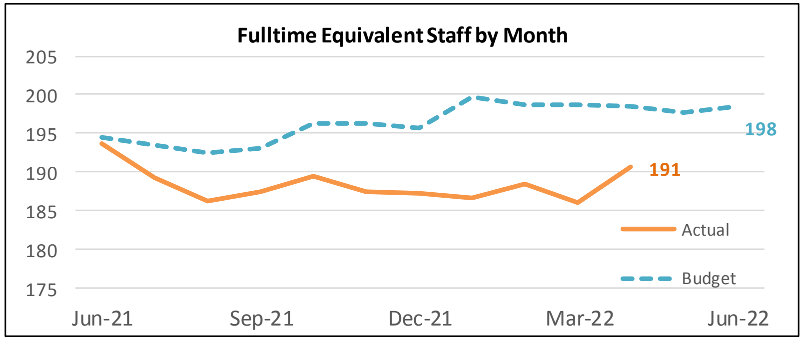
Te Uru Mātai Matengau – Cancer Screening, Treatment and Support Services

$000	April 2022		Year to date		Year End	
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget
Net Revenue	**638**	**(17)**	**7,793**	**376**	**10,072**	**1,206**
Expenditure						
Personnel	2,048	1	19,982	(47)	23,942	326
Outsourced Personnel	19	(14)	69	36	79	35
Sub -Total Personnel	2,067	(13)	20,051	(11)	24,021	361
Other Outsourced Services	622	(12)	6,572	(471)	7,884	(562)
Clinical Supplies	1,145	67	11,909	624	15,551	(444)
Infrastructure & Non-Clinical	133	19	1,391	181	1,674	214
Total Operating Expenditure	**3,967**	**61**	**39,923**	**323**	**49,130**	**(432)**
Provider Payments	414	(12)	4,040	(22)	4,843	(22)
Corporate Services	219	0	2,191	0	2,629	0
Surplus/(Deficit)	**(3,962)**	**32**	**(38,360)**	**677**	**(46,529)**	**753**





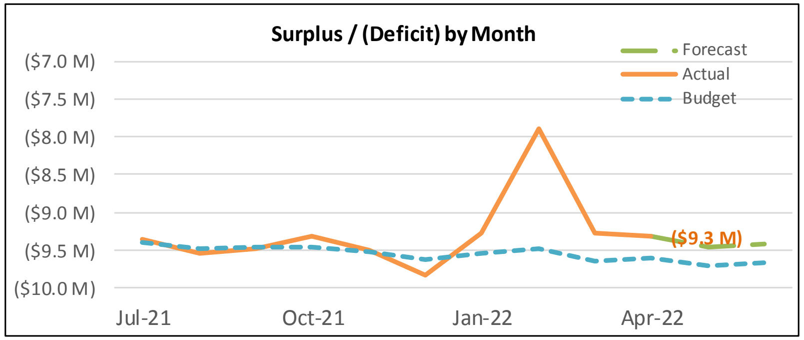
FTE						
Medical	40.2	2.5	39.3	2.0	39.3	2.2
Nursing	58.4	1.8	55.3	5.2	56.0	4.5
Allied Health	59.4	5.7	61.4	3.0	61.7	2.8
Support	0.0	0.0	0.0	0.0	0.0	0.0
Management / Admin	32.7	(2.4)	31.9	(1.8)	32.2	(2.1)
Total FTE	**190.7**	**7.7**	**187.9**	**8.4**	**189.2**	**7.3**

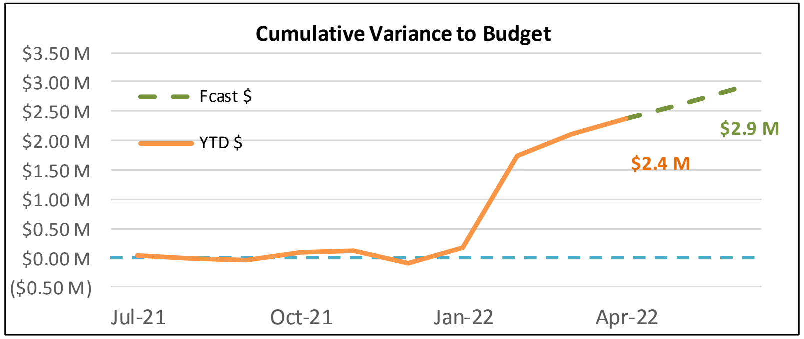


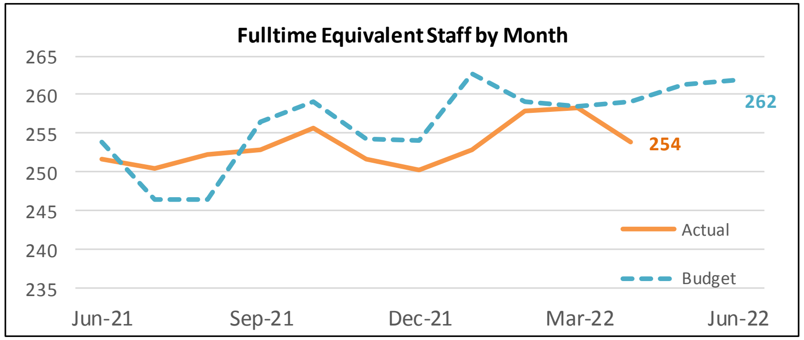
Te Uru Whakamauora – Healthy Ageing and Rehabilitation Services

$000	April 2022		Year to date		Year End	
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget
Net Revenue	**748**	**353**	**8,179**	**3,924**	**9,674**	**4,549**
Expenditure						
Personnel	2,051	50	21,003	(624)	25,410	(601)
Outsourced Personnel	24	(24)	200	(199)	236	(235)
Sub -Total Personnel	2,075	26	21,203	(822)	25,646	(836)
Other Outsourced Services	65	(5)	636	(14)	766	(17)
Clinical Supplies	235	(85)	1,803	(266)	2,145	(299)
Infrastructure & Non-Clinical	176	(28)	1,749	(246)	2,137	(332)
Total Operating Expenditure	**2,552**	**(92)**	**25,391**	**(1,348)**	**30,693**	**(1,484)**
Provider Payments	7,422	21	74,683	(194)	89,569	(194)
Corporate Services	89	0	888	0	1,066	0
Surplus/(Deficit)	**(9,315)**	**281**	**(92,783)**	**2,381**	**(111,653)**	**2,871**

FTE						
Medical	14.6	3.1	15.4	0.7	15.5	0.9
Nursing	128.3	(2.4)	128.9	(3.3)	128.8	(2.9)
Allied Health	95.2	4.0	93.1	4.8	95.0	3.2
Support	0.0	0.0	0.0	0.0	0.0	0.0
Management / Admin	15.9	0.4	16.2	(0.2)	16.3	(0.3)
Total FTE	**254.0**	**5.0**	**253.6**	**2.0**	**255.6**	**1.0**



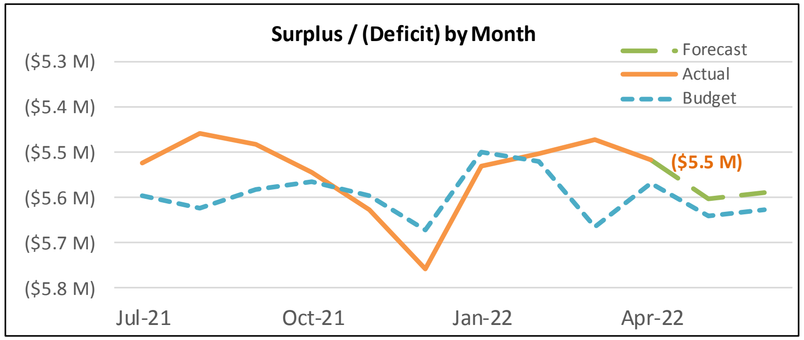


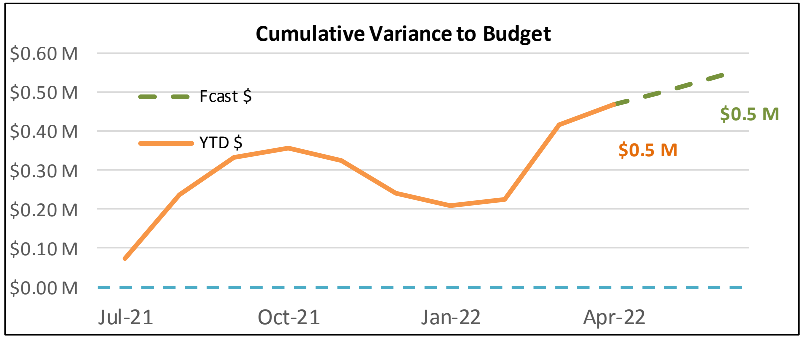


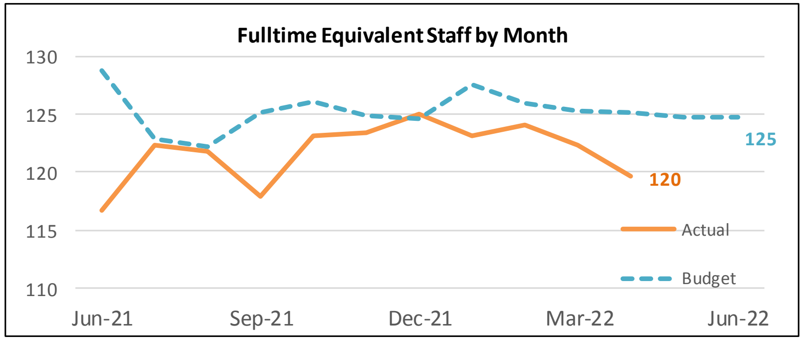
Te Uru Kiriora – Primary, Public and Community Services

$000	April 2022 Actual	April 2022 Variance to Budget	Year to date Actual	Year to date Variance to Budget	Year End Forecast	Year End Variance to Budget
Net Revenue	**665**	**(84)**	**8,064**	**649**	**9,591**	**679**
Expenditure						
Personnel	937	30	10,329	(581)	12,356	(556)
Outsourced Personnel	23	(23)	24	(24)	24	(24)
Sub -Total Personnel	961	7	10,353	(605)	12,379	(579)
Other Outsourced Services	(4)	17	24	116	51	117
Clinical Supplies	145	59	1,959	123	2,357	143
Infrastructure & Non-Clinical	56	51	902	180	1,118	181
Total Operating Expenditure	**1,158**	**134**	**13,237**	**(186)**	**15,905**	**(139)**
Provider Payments	4,921	0	49,212	3	59,055	3
Corporate Services	104	0	1,040	0	1,248	0
Surplus/(Deficit)	**(5,518)**	**50**	**(55,426)**	**466**	**(66,617)**	**543**

	April 2022 Actual	April 2022 Variance to Budget	Year to date Actual	Year to date Variance to Budget	Year End Forecast	Year End Variance to Budget
FTE						
Medical	1.8	0.3	1.6	0.4	1.7	0.4
Nursing	75.0	5.0	77.5	2.6	77.7	2.3
Allied Health	25.7	1.5	25.7	1.2	25.7	1.2
Support	0.0	0.0	0.0	0.0	0.0	0.0
Management / Admin	17.1	(1.2)	17.5	(1.6)	17.6	(1.7)
Total FTE	**119.6**	**5.5**	**122.3**	**2.7**	**122.7**	**2.2**



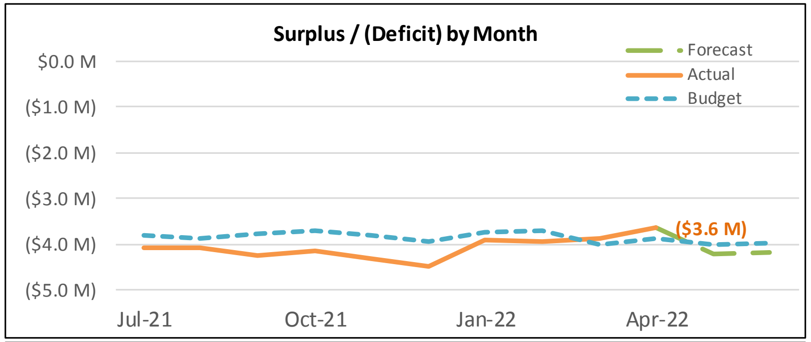


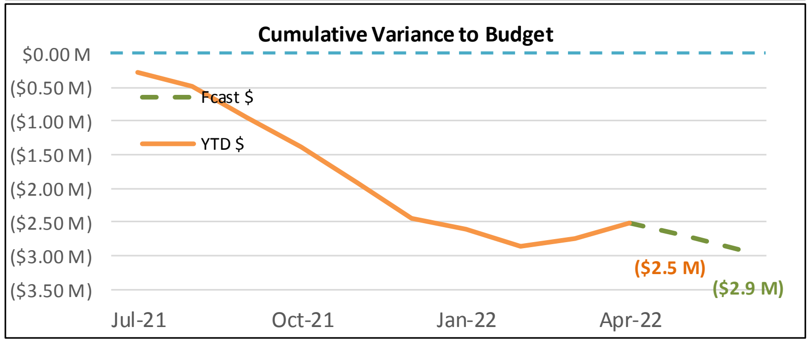


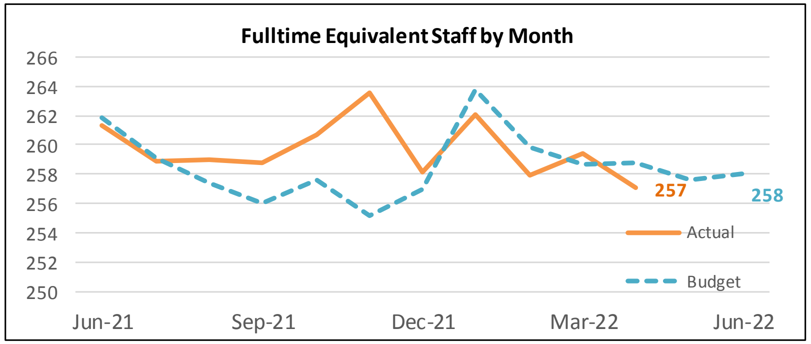
Te Uru Rauhī – Mental Health and Addiction Services

$000	April 2022		Year to date		Year End	
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget
Net Revenue	**154**	**91**	**1,971**	**1,351**	**2,224**	**1,478**
Expenditure						
Personnel	2,192	104	23,810	(982)	28,469	(783)
Outsourced Personnel	433	(329)	4,250	(3,118)	5,100	(3,766)
Sub -Total Personnel	2,625	(225)	28,060	(4,100)	33,569	(4,549)
Other Outsourced Services	47	(28)	594	(195)	709	(270)
Clinical Supplies	24	(8)	282	(109)	330	(122)
Infrastructure & Non-Clinical	143	98	1,862	(15)	2,351	(1)
Total Operating Expenditure	**2,839**	**(163)**	**30,797**	**(4,419)**	**36,959**	**(4,942)**
Provider Payments	939	300	11,829	564	14,308	564
Corporate Services	14	0	137	0	164	0
Surplus/(Deficit)	**(3,638)**	**229**	**(40,792)**	**(2,504)**	**(49,206)**	**(2,899)**

FTE						
Medical	17.4	7.4	18.9	5.9	19.0	5.8
Nursing	153.2	1.5	158.2	(3.0)	159.0	(4.0)
Allied Health	46.6	(6.1)	44.3	(3.8)	44.2	(3.7)
Support	0.0	0.0	0.0	0.0	0.0	0.0
Management / Admin	39.9	(1.1)	38.1	(0.3)	38.7	(0.8)
Total FTE	**257.1**	**1.6**	**259.5**	**(1.2)**	**261.0**	**(2.8)**



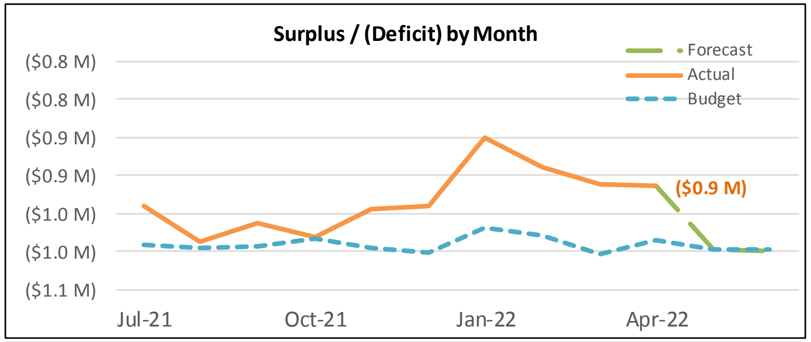


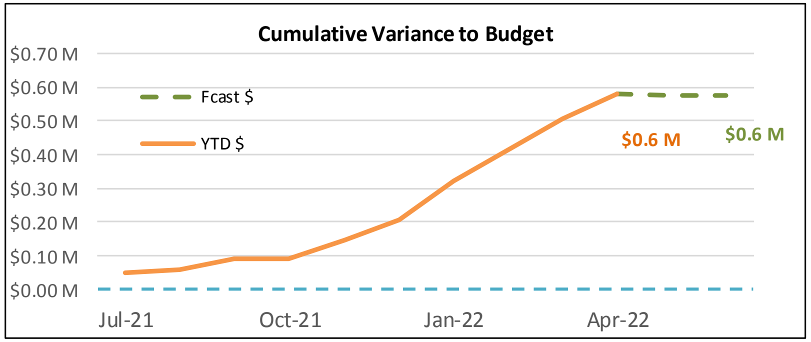


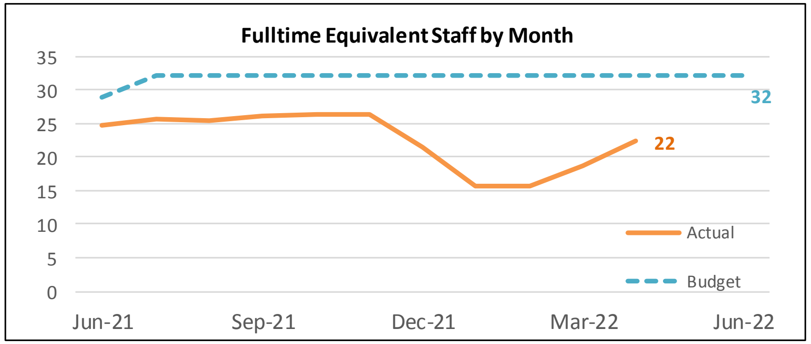
Pae Ora – Paiaka Whaiora Directorate

$000	April 2022 Actual	April 2022 Variance to Budget	Year to date Actual	Year to date Variance to Budget	Year End Forecast	Year End Variance to Budget
Net Revenue	**109**	**3**	**1,141**	**62**	**1,368**	**62**
Expenditure						
Personnel	195	45	1,779	678	2,300	676
Outsourced Personnel	0	0	1	(1)	1	(1)
Sub -Total Personnel	195	45	1,780	677	2,301	675
Other Outsourced Services	0	2	226	(208)	229	(208)
Clinical Supplies	0	0	12	(8)	12	(8)
Infrastructure & Non-Clinical	(1)	18	131	48	167	48
Total Operating Expenditure	**195**	**64**	**2,149**	**510**	**2,710**	**508**
Provider Payments	827	4	8,305	7	9,968	7
Corporate Services	0	0	0	0	0	0
Surplus/(Deficit)	**(914)**	**71**	**(9,313)**	**578**	**(11,310)**	**576**

FTE						
Medical	0.0	0.0	0.0	0.0	0.0	0.0
Nursing	5.0	3.7	5.7	3.0	6.2	2.5
Allied Health	5.2	5.6	6.2	4.6	7.0	3.8
Support	0.0	0.0	0.0	0.0	0.0	0.0
Management / Admin	12.2	0.6	10.5	2.3	10.9	1.9
Total FTE	**22.4**	**9.8**	**22.4**	**9.8**	**24.1**	**8.2**



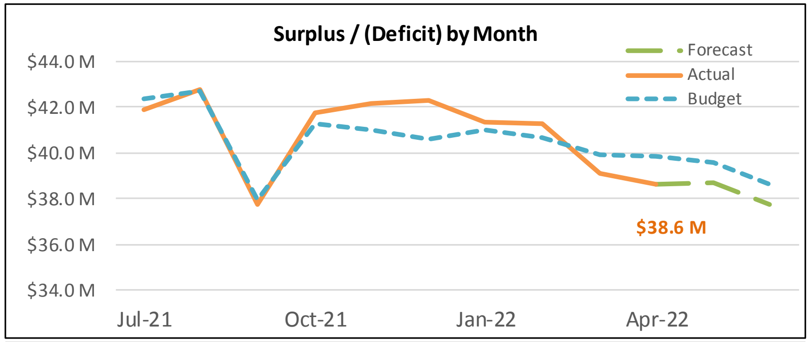


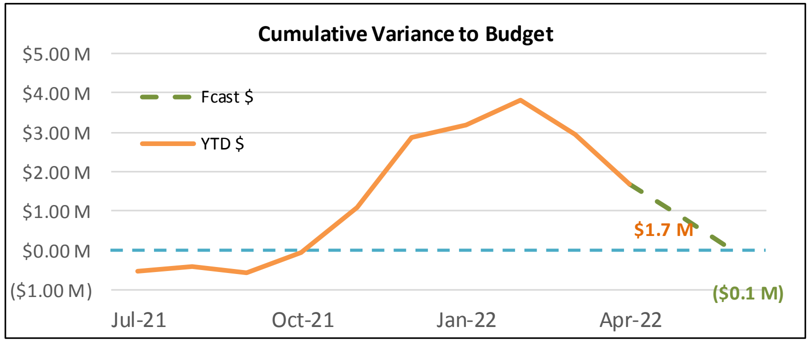


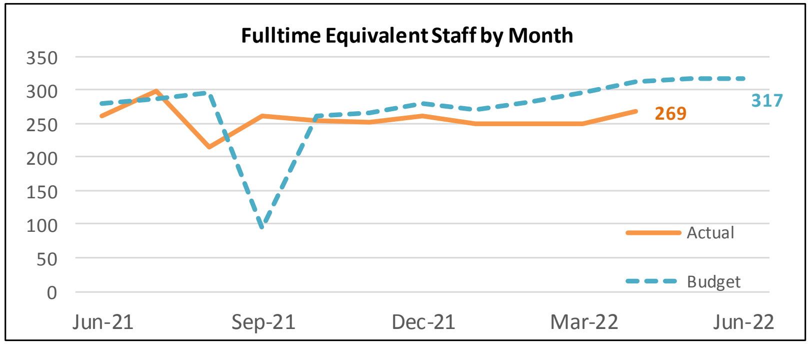
Corporate and Professional Services

$000	April 2022 Actual	April 2022 Variance to Budget	Year to date Actual	Year to date Variance to Budget	Year End Forecast	Year End Variance to Budget
Net Revenue	**60,523**	**400**	**604,434**	**4,112**	**722,081**	**1,715**
Expenditure						
Personnel	2,321	339	23,045	251	29,479	331
Outsourced Personnel	535	(267)	4,120	(2,290)	5,812	(3,293)
Sub -Total Personnel	2,856	72	27,165	(2,039)	35,290	(2,962)
Other Outsourced Services	923	(746)	2,380	(597)	2,712	(571)
Clinical Supplies	103	(8)	620	342	743	413
Infrastructure & Non-Clinical	6,619	(192)	56,023	2,387	69,046	2,249
Total Operating Expenditure	**10,501**	**(874)**	**86,188**	**93**	**107,791**	**(872)**
Provider Payments	12,779	(787)	123,003	(2,529)	145,387	(929)
Corporate Services	(1,372)	0	(13,718)	0	(16,462)	0
Surplus/(Deficit)	**38,615**	**(1,261)**	**408,961**	**1,676**	**485,366**	**(87)**

FTE	April 2022 Actual	April 2022 Variance to Budget	Year to date Actual	Year to date Variance to Budget	Year End Forecast	Year End Variance to Budget
Medical	12.9	(2.7)	11.0	(3.1)	11.0	(2.6)
Nursing	29.6	24.1	23.4	(4.5)	25.3	0.2
Allied Health	6.3	1.0	6.7	(0.2)	6.7	(0.1)
Support	12.0	2.3	12.6	1.7	12.6	1.7
Management / Admin	208.6	17.6	202.5	14.6	202.7	16.0
Total FTE	**269.3**	**42.3**	**256.3**	**8.5**	**258.4**	**15.1**

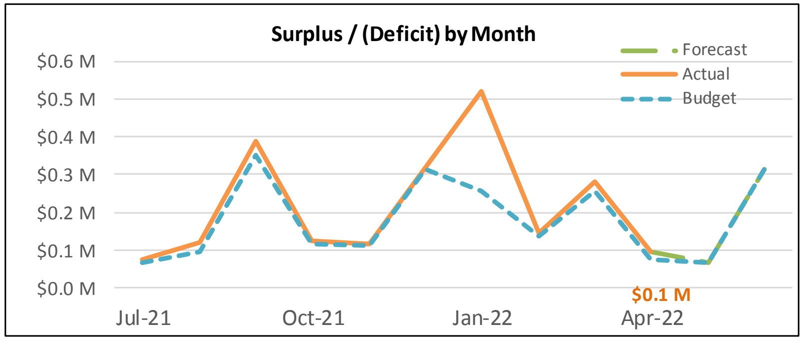


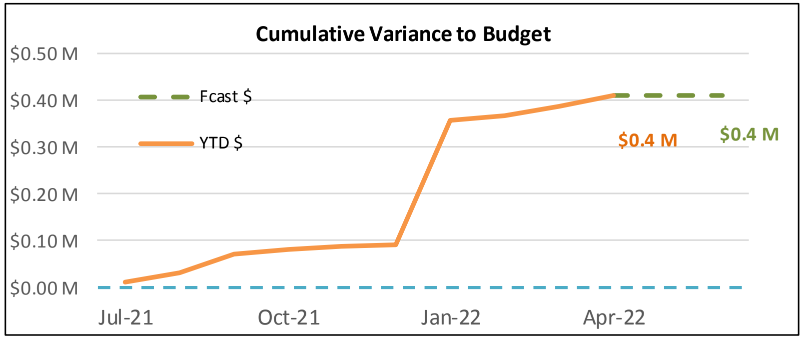




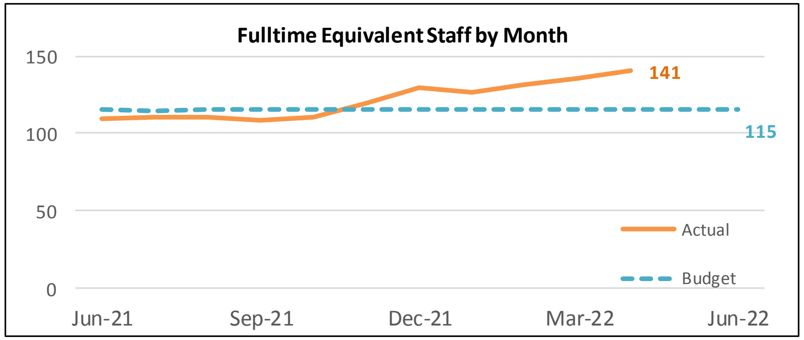
Enable New Zealand

$000	April 2022		Year to date		Year End	
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget
Net Revenue	**7,840**	**4,729**	**52,594**	**20,594**	**59,056**	**20,594**
Expenditure						
Personnel	851	(96)	8,032	(240)	9,619	(240)
Outsourced Personnel	36	(9)	455	(173)	512	(173)
Sub -Total Personnel	887	(105)	8,487	(412)	10,131	(412)
Other Outsourced Services	12	(12)	61	(61)	61	(61)
Clinical Supplies	5	0	51	2	59	2
Infrastructure & Non-Clinical	6,790	(4,590)	41,303	(19,713)	45,629	(19,713)
Total Operating Expenditure	**7,694**	**(4,707)**	**49,901**	**(20,184)**	**55,879**	**(20,184)**
Provider Payments	0	0	0	0	0	0
Corporate Services	50	0	500	0	600	0
Surplus/(Deficit)	**96**	**22**	**2,193**	**410**	**2,577**	**410**





FTE						
Medical	0.0	0.0	0.0	0.0	0.0	0.0
Nursing	0.0	0.0	0.0	0.0	0.0	0.0
Allied Health	23.8	7.2	22.8	8.3	24.2	6.9
Support	27.3	(11.3)	23.3	(7.3)	22.1	(6.1)
Management / Admin	89.8	(21.5)	76.3	(8.0)	75.0	(6.7)
Total FTE	**140.9**	**(25.5)**	**122.4**	**(7.0)**	**121.2**	**(5.9)**



Holidays Act

$000	April 2022		Year to date		Year End		Life to date
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget	Actual Since May 2010
Expenditure							
Personnel	(68)	485	4,000	169	4,897	106	51,415
Outsourced Personnel	20	27	223	251	273	296	790
Sub -Total Personnel	(48)	513	4,224	420	5,170	402	52,206
Infrastructure & Non-Clinical	17	102	272	917	330	1,097	1,595
Total Operating Expenditure	**(31)**	**614**	**4,496**	**1,337**	**5,501**	**1,499**	**53,801**
Surplus/(Deficit)	**31**	**614**	**(4,496)**	**1,337**	**(5,501)**	**1,499**	**(53,801)**

COVID-19

$000	April 2022		Year to date		Year End		Life to date
	Actual	Variance to Budget	Actual	Variance to Budget	Forecast	Variance to Budget	Actual Since March 2020
Net Revenue	**4,682**	**3,769**	**30,114**	**10,913**	**34,178**	**14,249**	**33,154**
Expenditure							
Personnel	531	(144)	6,565	(2)	8,108	(1,086)	18,595
Outsourced Personnel	110	(110)	785	(502)	920	(637)	919
Sub -Total Personnel	641	(254)	7,350	(504)	9,028	(1,723)	19,514
Other Outsourced Services	3,705	(3,179)	14,598	(5,034)	16,204	(6,371)	16,060
Clinical Supplies	138	(138)	5,049	(4,783)	5,162	(4,896)	5,142
Infrastructure & Non-Clinical	187	(187)	3,040	(515)	3,693	(1,169)	4,246
Total Operating Expenditure	**4,671**	**(3,757)**	**30,037**	**(10,836)**	**34,087**	**(14,158)**	**44,962**
Surplus/(Deficit)	**11**	**11**	**77**	**77**	**91**	**91**	**(11,808)**

APPENDIX TWO – CAPITAL EXPENDITURE

($000)	Budget	Approved Budget	Unapproved Budget	Expenditure against this years approvals	Unspent against this years approvals	Expenditure against prior year approvals	Year End Forecast of Approved Expenditure
Externally Funded Items							
SPIRE Project	12,019	15,377	(3,358)	6,883	8,494	0	15,377
Mental Health Redevelopment	14,503	14,503	0	1,197	13,306	0	14,503
Acute Services Block	1,400	0	1,400	0	0	0	0
MOH Rapid Hospital Improvement	0	8,000	0	230	7,770	0	8,000
Linear Accelerator Replacement programme	4,330	4,500	(170)	3,888	612	364	4,864
MOH Data & Digital Project Funding	0	2,480	(2,480)		2,480		2,480
Planned Care Production Planning	150	150	0	30	120	0	150
SCoPE (Theatre Audit)	600	600	0	0	600	0	600
TOTAL Externally Funded Items	33,002	45,610	(4,608)	12,228	33,382	364	45,974
Major Items							
EDOA / MAPU PODS	5,900	8,870	(2,970)	2,059	6,811	0	8,870
Telemetry & Monitoring System Replacements	3,278	4,000	(722)	1,090	2,910	0	4,000
Medical Imaging Equipment (incl DSA machine)	3,190	4,460	(1,270)	0	4,460	0	4,460
Programme of Change Mental Health (FACT)	516	516	0	303	213	0	516
Anaesthetic Machine & Monitor Replacements	2,430	2,800	(370)	1,847	953	0	2,800
End User Compute Replacement Programme	1,650	3,540	(1,890)	0	3,540	0	3,540
End User Compute Break Fix	350	233	117	198	0	0	198
Computerized tomography (CT) Scanner	1,740	1,740	0	0	1,740	0	1,740
Regional Health Informatics Programme (RHIP)	1,465	1,465	0	725	740	0	1,465
Workstations for Cancer Service	1,357	404	953	0	404	0	404
Structural & Seismic Upgrades	1,184	310	874	85	225	0	310
Fluoroscopy Machine	1,140	1,640	0	1,676	(36)	0	1,640
Bed Replacement Programme	1,000	89	911	0	89	0	89
Water Services	1,000	1,800	(800)	0	1,800	0	1,800
Enable NZ IT Programme	800	192	608	192	0	0	192
Chiller Replacements	700	1,315	(615)	98	1,218	23	1,338
Certificate of Public Use Upgrades	500	232	268	270	(38)	0	232
Fire System Upgrades	500	0	500	0	0	0	0
Covid BAU	0	1,617	(1,617)	1,428	189	134	0
Mammography Machines	500	2,230	(1,730)	0	2,230	0	2,230
Substation Project	300	2,200	(1,900)	0	2,200	0	2,200
Generator Replacement	300	2,000	(1,700)	0	2,000	0	2,000
TOTAL Major Items	29,800	41,654	(11,354)	9,971	31,647	157	40,024
Infrastructure Items							
Medical Air Upgrade & Vacuum Distribution Upgrade	500	650	0	188	462	0	650
Motor Control Centre Level A	400	1,350	(950)	4	1,346	0	1,350
Pressure Rooms (Ward 28 & Children's Ward)	350	0	350	0	0	0	0
Lighting and Egress Upgrades	350	190	160	67	123	0	190
Asset Management & Individual Items less than 251K	2,230	1,034	1,197	79	955	492	1,526
TOTAL Infrastructure Items	3,830	3,224	757	338	2,886	492	3,716

($000)	Budget	Approved Budget	Unapproved Budget	Expenditure against this years approvals	Unspent against this years approvals	Expenditure against prior year approvals	Year End Forecast of Approved Expenditure
Clinical Equipment Items							
Medical Dispense (Rest of Hospital) & Upgrades	804	321	483	0	321	0	321
Echocardiograph	504	0	504	0	0	0	0
Pendants	500	0	500	0	0	0	0
Laparoscopic Tower Replacement Programme	500	500	0	20	480	645	1,145
Defibrillators	407	0	407	0	0	0	0
SSU Medivators & Washers Replacement	400	935	(535)	0	935	0	935
Endoscopy & Theatre Scopes	350	182	168	170	12	0	182
Orthovoltage (RCTS Skin Cancer)	300	0	300	0	0	0	0
Urology Ultrasound	300	0	300	0	0	0	0
Clinical Engineering Equipment	300	0	300	0	0	0	0
Patient Simulation Programme	300	231	69	0	231	0	231
Asset Management & Individual Items less than 251K	4,910	1,887	3,023	574	1,313	1,878	3,765
TOTAL Clinical Equipment Items	9,575	4,056	5,519	764	3,292	2,523	6,579
Information Technology Items							
SAN Rebuild	800	0	800	0	0	0	0
Minor Works (Network, Firewalls, Servers, UPS)	600	60	540	0	60	0	60
Network Switch Upgrade	500	500	0	249	251	0	500
CITRIX Rebuild (Server Rationalisation)	300	0	300	0	0	0	0
Miya Upgrade	270	0	270	0	0	0	0
Asset Management & Individual Items less than 251K	667	59	608	242	(183)	834	893
TOTAL Information Technology Items	3,137	619	2,518	491	128	834	1,453
TOTAL CAPITAL EXPENDITURE	79,344	95,162	(7,168)	23,792	71,335	4,370	97,746
Software as a Service Items & Others							
Programme of Change Mental Health (FACT)	2,142	2,142	0	376	1,766	0	2,142
Health System Catalogue (NZHP)	1,515	1,515	0	600	915	0	1,515
Echo Image Vault SaaS	700	700	0	444	256	0	700
ePrescribing and Administration Planning (Medchart)	800	972	(172)	55	917	0	972
External Referrals (eTriage, eReferrals)	460	0	460	26	(26)	0	0
WebPASaaS Implementation	400	1,240	(840)	11	1,229	0	1,240
Clinical Records Management	400	332	68	206	126	0	332
TOTAL Software as a Service and other Items	6,417	6,901	(484)	1,718	5,183	0	6,901
TOTAL CAPITAL EXPENDITURE & SaaS	85,761	102,063	(7,652)	25,510	76,518	4,370	104,647

Discussion/Decision papers

28 June 2022

BOARD REPORT

For:		
X	Approval	
	Endorsement	
	Noting	

Key questions the Board should consider in reviewing this paper:

- Are there any new or emerging risks that the Board believe should form part of Deloitte's 2021/22 audit focus?

To	Board
Author	Neil Wanden, General Manager, Finance and Corporate Services
Endorsed by	Kathryn Cook, Chief Executive
Date	3 June 2022
Subject	**External Audit – Engagement Letter and Audit Plan**

RECOMMENDATION

It is recommended that the Board:

- **note** this report was presented to the Finance, Risk and Audit Committee for endorsement
- **note** the audit planning report
- **note** the increase in audit fees which has been approved by the Office of the Auditor-General
- **approve** the audit engagement letter to be signed by the Board Chair.

Strategic Alignment

This report is aligned to the DHB's strategy and key enabler 'Stewardship'.

1. PURPOSE

To receive the audit planning report and to approve the audit engagement letter for signing by the Board Chair. This report has been presented to the Finance, Risk and Audit Committee to be endorsed for the Board's approval.

2. BACKGROUND

Deloitte has been appointed by the Office of the Auditor-General to conduct the audit of MidCentral District Health Board for the financial year ending 30 June 2022.

The audit engagement letter, included as Appendix One, outlines the terms of the 2021/22 audit and the responsibilities of the auditors and the Board. The content of the letter is predominantly consistent with prior years, and includes the following new statements:

- the Board agrees to Deloitte using third parties, wherever located, to store and process information they receive from us or our agents (for example a cloud services platform to host an integrated suite of audit tools which may be used as part of the audit engagement)
- Deloitte may engage other Deloitte Network Firms to assist with certain aspects of the audit engagement.

Deloitte's audit proposal letter advises that fees for this year's audit will increase from $255,193 to $284,738. The increase is $49,145 – of which 57 percent is due to increased audit hours required with the health sector reforms, valuation work and IT work. The remainder is the result of increased staff cost rates of 10 percent, which is due to the overall market position with increased wages and salaries across most industries, especially professional services. The Office of the Auditor-General has reviewed audit fees to ensure they are consistently applied across the sector and have approved the Deloitte audit fee for the financial year ending 30 June 2022.

Management considers the terms of engagement appropriate. Board approval of the engagement letter is sought, together with authority for the Board Chair to sign the letter on its behalf.

The Deloitte Planning Report, included as Appendix Two, includes the planning matters relating to the audit of financial information and non-financial information that Deloitte consider appropriate for the attention of the Finance, Risk and Audit Committee and Board. It includes the audit scope and the key areas of audit focus.

Deloitte has identified eight key areas of audit focus in 2021/22. One of these areas has been assessed as being of significant risk, being management's ability to override controls. The majority of the remaining key areas of audit focus were included in the previous year's audit plan. No approval of this report is sought.

The interim audit is scheduled for the week beginning 13 June 2022, and the final audit is scheduled for the two weeks beginning 25 July 2022. Under the Annual Reporting and Audit Time Frames Extensions Legislation Act 2021, the audit report statutory deadline of 31 October was extended to no later than 31 December for the 2020/21 and 2021/22 financial years. The annual audit timeline is similar to prior years and enables the annual report to be signed by the statutory deadline.

Deloitte.

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23 May 2022

Brendan Duffy
Chairman
MidCentral District Health Board
Private Bag 3003
PALMERSTON NORTH

Dear Brendan,

AUDIT ENGAGEMENT LETTER

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including MidCentral District Health Board, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte Limited, under section 32 and 33 of the Act, to carry out the annual audits of the MidCentral District Health Board's financial statements and performance information. We will be carrying out the annual audit on the Auditor-General's behalf for the year ending 30 June 2022.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Board and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Board's financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit. Typically those matters will relate to issues of financial management and accountability.

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the MidCentral District Health Board's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

Your responsibilities

Our audit will be carried out on the basis that the Board acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
    - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
    - all other information, in addition to the financial statements and performance information, to be included in the annual report;
    - additional information that we may request from the Midcentral District Health Board for the purpose of the audit;
    - unrestricted access to Board members and employees that we consider necessary; and
    - written confirmation concerning representations made to us in connection with the audit.

The Board's responsibilities extend to all resources, activities, and entities under its control. We expect that the Board will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Board and/or the individuals within the MidCentral District Health Board with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred - regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Board has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. Annex 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Board to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Board should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of MidCentral District Health Board:

- present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

We are also responsible for forming an independent opinion on whether the performance information of MidCentral District Health Board:

- presents fairly, in all material respects, the performance for the year ended 30 June 2022, including:
  - its performance achievements as compared with forecasts included in the statement of performance expectations for the financial year; and
  - its actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year.
- compiles with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Board and the District Health Board have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Board obtained and applied the resources of the District Health Board in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Board and the District Health Board have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

You agree that, for the purpose of providing the services covered by this letter, we may use third parties, wherever located, to store and process information received from you or your agents; provided that such third parties are bound by confidentiality obligations similar to those contained in the Terms. For example, Deloitte uses a cloud services platform (currently Microsoft Azure), to host an integrated suite of audit tools which may be used as part of our engagement with you.

In the delivery of services we may engage other Deloitte Network Firms to assist with certain aspects of this engagement. We will at all times remain responsible for the work undertaken in the delivery of those services to you.

Our independence

It is essential that the audit team and Deloitte Limited remain both economically and attitudinally independent of MidCentral District Health Board; including being independent of management personnel and members of the Board). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Deloitte Limited.

To protect our independence, specific limitations are placed on us in accepting engagements with the Board other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Board and myself or Deloitte Limited.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

We will also issue a management letter that will be sent to the Board. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Board. Typically those matters will relate to issues of financial management and accountability. We may also provide other management letters to the MidCentral District Health Board from time to time. We will inform the Board of any other management letters we have issued.

The management letter is the basis of a letter sent to the Minister and a briefing report sent to the select committee about the results of our audit.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely

B Dente

Bruno Dente
Partner
For Deloitte Limited on behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Board.

Signature:

Name: ………………………………………………………….

Title: …………………………………………………………..

Annex 1 – Respective specific responsibilities of the Board and the Appointed Auditor

Responsibilities for the financial statements and performance information	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*

You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.
 	
You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.
 	
You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.
	We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:
	
	- present fairly, in all material respects:
	  - the financial position as at 30 June 2022; and
	  - the financial performance and cash flows for the year then ended;
	- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
	
	We are also responsible for forming an independent opinion on whether the performance information of MidCentral District Health Board:
	
	- presents fairly, in all material respects, the performance for the year ended 30 June 2022, including:
	  - the performance achievements as compared with forecasts include in the statement of performance expectations for the financial year; and
	  - the actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year.
	  - complies with generally accepted accounting practice in New Zealand.
	
	We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.
	
	Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.
	
	If we find material misstatements that are not corrected,

Responsibilities for the financial statements and performance information	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
	they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion. An audit also involves evaluating: - the appropriateness of accounting policies used and whether they have been consistently applied; - the reasonableness of the significant accounting estimates and judgements made by those charged with governance; - the appropriateness of the content and measures in any performance information; - the adequacy of the disclosures in the financial statements and performance information; and - the overall presentation of the financial statements and performance information. We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that: - the adoption of the going concern basis of accounting is appropriate; - all material transactions have been recorded and are reflected in the financial statements and performance information; - all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and - uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries. We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that. The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.

Responsibilities for the accounting records	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
You are responsible for maintaining accounting and other records that: - correctly record and explain the transactions of the public entity; - enable you to monitor the resources, activities, and entities under your control; - enable the public entity's financial position to be determined with reasonable accuracy at any time; - enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and - are in keeping with the requirements of the Commissioner of Inland Revenue.	We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information. If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.

Responsibilities for accounting and internal control systems	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and - where applicable - performance information reporting.	The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information. We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.

Responsibilities for preventing and detecting fraud and error	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures. We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption. We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the MidCentral District Health Board with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount	We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will: - obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and - report to you any significant weaknesses in internal control that come to our notice. We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud. As part of the audit, you will be asked for written

Responsibilities for preventing and detecting fraud and error	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
involved.	confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us. If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.

Responsibilities for compliance with laws and regulations	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.	We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including: - the relevance of the law or regulation to the audit; - our assessment of the risk of non-compliance; - the impact of non-compliance for the addressee of the audit report The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance. We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.

Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures. The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.	We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them. The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit. The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.

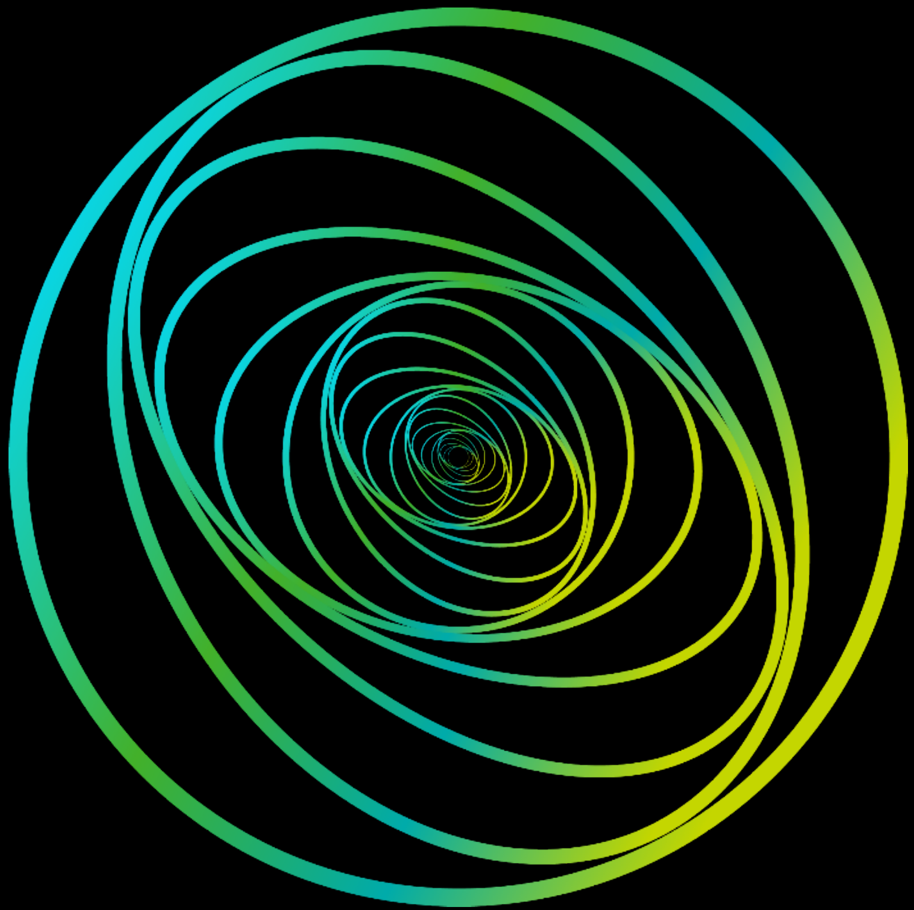
Responsibilities for conflicts of interest and related parties	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
You should have policies and procedures to ensure that your members and employees carry out their duties free from bias. You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.	To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.

Responsibilities for publishing the audited financial statements on a website	
Responsibilities of the Board	*Responsibilities of the Appointed Auditor*
You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented. If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.	Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.

Annex 2 – Health and safety of audit staff

The Auditor-General and Audit Service Providers take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Deloitte.



MidCentral District Health Board

Planning report to the Finance, Risk and Audit Committee
2022 audit

23 May 2022

Purpose of report

This report has been prepared for Midcentral District Health Board's Finance, Risk and Audit Committee and is part of our ongoing discussions as auditor in accordance with our engagement letter dated 23 May 2022 and as required by the Auditor-General's auditing standards which incorporate the New Zealand auditing standards.

This plan is intended for the Finance, Risk and Audit Committee (and other Board members) and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.

This report includes only those matters that have come to our attention as a result of performing our audit procedures to date and which we believe are appropriate to communicate to the Finance, Risk and Audit Committee. The ultimate responsibility for the preparation of the financial statements rests with the Board members.

Responsibility statement

We are responsible for conducting an audit of MidCentral District Health Board for the year ended 30 June 2022 in accordance with New Zealand auditing standards issued by the Auditor-General that incorporate the New Zealand auditing standards issued by the New Zealand Auditing and Assurance Standards Board. Our audit is performed pursuant to the requirements of the Public Audit Act 2001, the Crown Entities Act 2004 and the Financial Reporting Act 2013, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Board members. The audit of the financial statements does not relieve management or the Board members of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of Midcentral District Health Board's controls but we will provide you with any recommendations on controls that we may identify during the course of our audit work.

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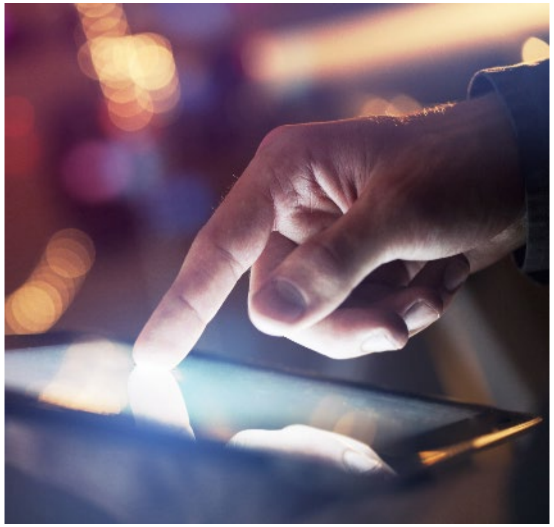


To navigate within this report, you may click on the icons on the right-hand side of the page

1. Executive summary

Thank you for the opportunity to present our audit plan for the financial statement audit of MidCentral District Health Board ('the 'DHB') for the year ending 30 June 2022.

This report is designed to outline our respective responsibilities in relation to the audit, to present our audit plan and to facilitate a two-way discussion on the plan presented. Our report includes:

- Our audit plan, including key areas of audit focus and our planned procedures; and
- Key accounting, regulatory and corporate governance updates, relevant to you.

We have an evolving audit plan that is established with input from management. The audit plan is tailored to the DHB's environment and revised throughout the year to adjust for business developments, additional relevant matters arising, changes in circumstances and findings from activities performed.

This plan is intended for the Finance, Risk and Audit Committee (and other Board members) and should not be distributed further.

We appreciate the opportunity to serve the DHB. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan.

B Dente

Bruno Dente
Partner
for Deloitte Limited
Appointed Auditor on behalf of the Auditor-General

Hamilton | 23 May 2022

Key areas of audit focus

Our current assessment of the key areas of audit focus are as follows:

Health sector reforms	↻
Holidays Act 2003 non-compliance	↻
Valuation of land and buildings	↻
Financial pressures on the DHBs	↻
Information systems	↻
Progression of Regional Digital Health Service	↻
Management override of controls	↻
Revenue recognition	↻

We comment further on these key areas of audit focus in Part 2C of this report.

↻ Consistent with the prior year

Items for consideration

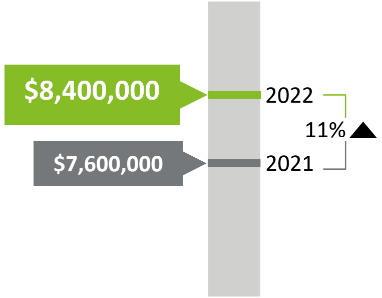
We look forward to discussing our audit plan with you and are interested in your views on the following matters:

- Any concerns regarding internal controls, including completeness over related parties;
- Any risk matters, including fraud, affecting the financial statements;
- Your assessment of materiality; and
- Any other matters that should be brought to our attention.

1. Executive summary (cont.)

Planning materiality

Based on expected results of the DHB, our quantitative planning materiality for the 2022 audit is as follows:



The planning materiality was determined based on a percentage of total expenses and consideration of other factors using our professional judgement.

Based on our planning materiality, we will report to you all misstatements found in excess of $420,000. This is based on 5% of our materiality level. We will report to you misstatements below this threshold if we consider them to be qualitatively material in nature.

We comment further on our determination of materiality in Part 2B of this report.

Quality and Independence

We take our independence and the quality of the audit work we perform very seriously. We confirm that we have maintained our independence in accordance with Professional and Ethical Standards including the Auditor-General standards.

There are no non-audit services or relationships which may reasonably be thought to bear on our independence.

Proposed fees

The proposed audit fee for the 2022 audit is in the process of being reviewed by the Office of the Auditor General. Subsequent to agreement with the Office of the Auditor General we will provide an Audit Proposal with proposed fees for consideration by the Management and the Finance, Risk and Audit Committee.

2. Our audit

2A. Our audit explained – a tailored approach

Identify changes in your business and environment

We obtain an understanding of changes in your business and environment in order to identify and assess the risks of material misstatement of the financial statements. Our initial assessment and planned audit responses are set out in Section 2C.

Scoping

We will conduct our audit in accordance with the Auditor-General's auditing standards which incorporate the International Standards on Auditing (New Zealand). When planning the audit, we apply our professional judgement in determining materiality, which in turn provides a basis for our risk assessment procedures and determining the extent of further audit procedures.

Our judgement of materiality is discussed further in Section 2B.

In our final report

In our final report to you we will conclude on the significant risks identified in this paper, report to you our other findings, and detail those items we will be including in our audit report, including key audit matters if applicable.

Understand the control environment

We also obtain an understanding of the control environment, sufficient to identify and assess the risks of material misstatement of the financial statements.

Our approach to internal control for the areas of audit focus is summarised in Section 2C.

Areas of audit focus / significant risk assessment

Based on our understanding of the DHB and key changes/developments during the year, we have identified significant risks and other areas of audit focus. Details of these areas of audit focus and our audit response are set out in Section 2C.

2B. Identifying the areas of audit focus

Identification of audit risks

Our audit approach is underpinned by the identification of relevant audit risks and tailoring appropriate audit responses to address those risks. We consider a number of factors when deciding on the significant areas of audit focus, such as:

- the risk assessment process undertaken during the planning phase of our engagement;
- our understanding of the business risks faced by the DHB;
- discussions with management during the course of our audit;
- the significant risks and uncertainties previously reported in the financial statements, including any PBE IPSAS 1 critical accounting estimates or judgements;
- our assessment of materiality; and
- any changes in the business and the environment it operates in since the last annual report and financial statements.

The next page summarises the significant risks and other areas that we will focus on during our audit.

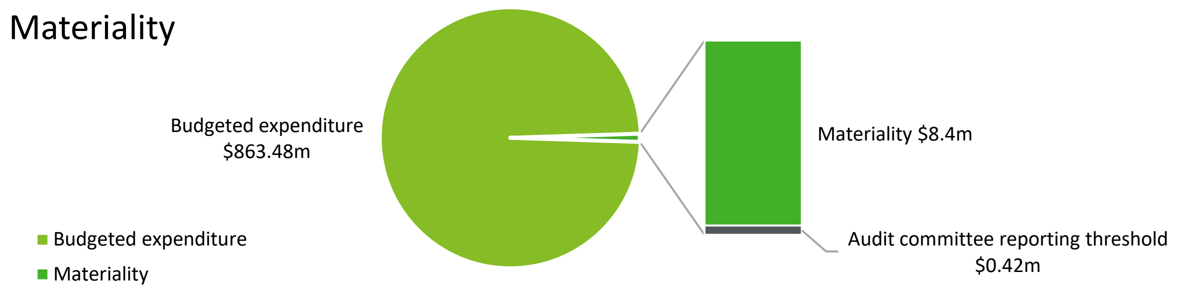
We continually update our risk assessment as we perform our audit procedures, so our areas of audit focus may change. We will report to you on any significant changes to our assessment as part of our final report to the Committee.

Determining materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Our quantitative materiality for the 2022 audit as shown below is based on expenditure as this is deemed to be a key driver of DHB value, is a critical component of the financial statements and is a focus for users of those statements.

The extent of our procedures is not based on materiality alone but also on local considerations of the DHB, the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.



Although materiality is the judgement of the audit partner, the Finance, Risk and Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

2C. Areas of audit focus – dashboard
Key areas

Area of audit focus	Significant risk	Fraud risk	Planned controls testing approach	Level of management judgement required
Health sector reforms	✘	✘	N/a	🟡
Holidays Act 2003 non-compliance	✘	✘	D+I	🟡
Valuation of land and buildings	✘	✘	D+I	🔴
Financial pressures on DHBs	✘	✘	D+I	🟢
Information systems	✘	✘	To be confirmed	🟢
Progression of Regional Digital Health Service	✘	✘	D+I	🟡
Management override of controls	✓	✓	D+I	N/a
Revenue recognition	✘	✘	D+I	🟢

D+I: Testing of the design and implementation of key controls

OE: Testing of the operating effectiveness of key controls

Level of management judgement required

🟢 🟡 🔴

Low → High

2C. Areas of audit focus – dashboard
Other areas

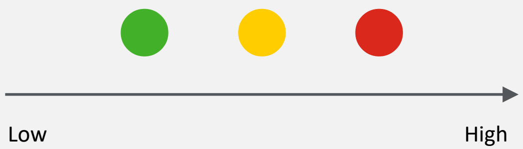
Area of audit focus	Significant risk	Fraud risk	Planned controls testing approach	Level of management judgement required
Impact of COVID-19	✘	✘	D+I	●
Asset management	✘	✘	D+I	●
Procurement	✘	✘	D+I	●
Ethics and integrity	✘	✘	D+I	●
Public sector specific procedures	✘	✘	D+I	●

Level of management judgement required

D+I: Testing of the design and implementation of key controls

OE: Testing of the operating effectiveness of key controls

Level of management judgement required



2C. Areas of audit focus – Health Sector Reform

Risk identified

On 21 April 2021, the Minister of Health announced the health sector reforms in response to the Health and Disability System Review. The reforms will replace all 20 DHBs with a new Crown entity, Health New Zealand, which will be responsible for running hospitals and commissioning primary and community health services. It will have four regional divisions. As a result of the reforms, responsibility for public health issues will rest with a new Public Health Authority. A new Māori Health Authority will monitor the state of Māori health and commission services directly.

Legislation to establish the new entities and disestablish DHBs is scheduled to come into effect on 1 July 2022. Because of the expected date of these reforms the financial statements of the DHB will be prepared on a disestablishment basis. No changes are expected to be made to the recognition and measurement, or presentation in the financial statements, because all assets, liabilities, functions and staff of the DHBs and shared services agencies will transfer to Health New Zealand.

Planned audit response

We will keep up to date with the progress of the Sector Reform and the impact this will have on the health sector. We will adapt our audit plan if required and consider any resulting accounting implications.

Considering the significance of the matter it is expected that financial statements will require additional disclosure reflecting these developments, including ensuring that the 'Basis of Preparation' disclosure, adequately reflects that the financial statements have been prepared on a disestablishment basis.

An emphasis of matter is expected to be included in the audit report, similar to the prior year.

2C. Areas of audit focus – Holidays Act 2003 non-compliance

Risk identified

Compliance with the Holidays Act 2003 ('the Act') continues to be a focus for the health sector. DHB's have been investigating issues associated with the calculation of employee entitlements under the Holidays Act for a number of years but due to the nature of DHBs' employment arrangements and difficulties in interpreting the Act this has been a complex and time consuming process.

In previous periods significant progress has been made to resolving this issue across the sector. A Memorandum of Understanding ("MoU") was reached with the interested parties, including the Council of Trade Unions, with most DHBs having worked through a detailed remediation framework to calculate and provided for the expected remediation costs.

In the year ended 30 June 2021 MidCentral DHB completed a significant proportion of the work required under the remediation framework. A provision of $47m was recognised as the expected cost to remediate non-compliance with the Act. The work undertaken by the DHB to refine the estimated provision allowed for the removal of the qualification that had been included in previous audit reports due to the significant uncertainties relating to the provision. Whilst the significant uncertainty related to the provision has been resolved uncertainties still exist and an emphasis of matter was included in the prior year audit report as a result.

Planned audit response

As part of our audit work we will update our understanding of the developments to address non-compliance under the Holidays Act 2003 and consider the impact, if any, on the calculation of the holiday pay provision. We will also perform specific testing to rollforward the provision for another year.

If uncertainties still remain in estimating the expected remediation costs as at 30 June 2022 the audit report will likely include an emphasis of matter.

2C. Areas of audit focus – Valuation of land and buildings

Risk identified

Land and buildings are held at fair value. As at 30 June 2021, the carrying value of land and buildings was $21.4m and $206.4m respectively.

The accounting policy is to revalue with sufficiently regularity to ensure the carrying value is not materially different to fair value, and at least every three years. Land and buildings were last formally revalued as at 30 June 2021.

Based on existing market conditions and high inflation rates it is expected that material movements in fair value of assets may result. As a consequence we understand that Management intend to complete a revaluation of land and buildings for the ended 30 June 2022.

A revaluation of land and buildings is a complex process that utilises a number of assumptions and models. There is no developed market for certain assets and they are relatively illiquid. It is therefore an area that requires judgement.

Management and the Committee will need to ensure that there is a robust and timely review of the valuation process.

Planned audit response

As part of our audit we plan to:

- Obtain the revaluation of land and buildings;
- Obtain representation directly from the independent valuer confirming their independence and methodology;
- Review and challenge the key underlying assumptions used to ensure these assumptions are reasonable and in line with Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”); and
- Ensure the revaluation transaction is correctly accounted for and disclosed in the financial statements in order to comply with PBE IPSAS.

2C. Areas of audit focus – Financial pressures on DHBs

Risk identified

The sector-wide financial situation for DHBs has continued to be strained.

For MidCentral DHB, the budgeted deficit for 2020/21 was $4.9 million compared to the actual deficit of $38.9 million.

The variance to budget was driven by a number of factors including additional costs of $36 million recognised for the remediation of the Holidays Pay Act 2003.

MidCentral DHB has budgeted for a deficit of $26.2 million in 2021/22. From discussions with management, MidCentral DHB is tracking reasonably close to budget but with continuous pressure on costs.

Manipulation of results using incorrect accounting treatments continues to be prevalent in the sector. Although we have not identified this occurring within MidCentral DHB, it continues to remain an area of focus in the sector.

Planned audit response

We plan to gain an understanding of how the DHB is tracking against budget including the reasons for increased spending and corroborate this against available evidence.

We will increase our focus and review around key areas of judgement made by management including any estimates which impact the surplus or deficit. Furthermore we will pay close attention to the application of PBE standards for revenue related transactions to ensure the financial statements are a true reflection of the financial performance for the year.

The financial statements will be prepared on a disestablishment basis and it is expected that no changes are made to the recognition and measurement, or presentation in the financial statements, because all assets, liabilities, functions and staff of the DHBs and shared service agencies will transfer to Health New Zealand. We will assess the disclosure made in the financial statements in relation to the basis of preparation and surrounding developments in the health sector.

2C. Areas of audit focus – Information systems

Risk identified

In the prior financial year our audit of the IT environment identified significant IT control deficiencies. These deficiencies exposed the DHB to additional risk and we urged urgent action to address the deficiencies. Due to the nature of the deficiencies we were unable to rely on the underlying information system controls in the past.

We acknowledge that MidCentral DHB is actively working to remediate these deficiencies and that a large proportion of the controls sit on a shared system managed by MidCentral DHB. It is important for MidCentral DHB to continue working with MidCentral DHB to address these control deficiencies.

Planned audit response

As part of our audit procedures we will gain an understanding as to what remediation activity has occurred and how this has impacted the IT environment controls.

The extent of the remediation and whether it has resolved the findings we identified, will determine the audit approach adopted for the current year. Where effective controls are not in place for the financial year we will not be able to adopt a control reliance approach and our audit will be substantive based.

2C. Areas of audit focus – Progression of Regional Digital Health Service

Risk identified

The Regional Digital Health Service (RDHS) is a program to move Central Region DHBs clinical and administrative information systems to a shared, standardised and fully integrated information systems that will enhance clinical practice, drive administrative efficiencies, enable regionalisation of services and reduce current operational risks.

Considerable investment has been made by the DHB in RDHS but the project has faced delays, cost overruns and selected regional systems under RDHS will not be implemented by all DHBs. As a result there is uncertainty as to whether key outcomes of the project will be achieved.

RDHS is also an asset is expected to have a reasonable short life due to the pace of technological change.

Due to the factors noted the intangible asset associated with RDHS project needs to be assessed for impairment.

Planned audit response

We will keep abreast of developments within this project and will work with management to consider any resulting accounting implications.

As part of our audit processes at year end we will complete a review of management's assessment of impairment, testing key assumptions used in the assessment and will consider any resulting adjustments that may be required.

2C. Areas of audit focus – Management override of controls

Risk identified

ISA (NZ) 240 The auditor's responsibility to consider fraud in an audit of financial statements requires us to presume there are risks of fraud in management's override of controls.

We are required to design and perform audit procedures to respond to those risks and therefore this is a focus area for our audit.

Management's override of controls is identified as a fraud risk because it represents those controls in which manipulation of the financial results could occur.

It has a potential impact to the wider financial statements and is therefore a significant risk for our audit.

Planned audit response

We plan to:

- Understand and evaluate the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements.
- Test the appropriateness of a sample of journal entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments.
- Review accounting estimates for biases that could result in material misstatement due to fraud, including assessing whether the judgements and decisions made, even if individually reasonable, indicate a possible bias on the part of management.
- Perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements.
- Obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.

2C. Areas of audit focus – Revenue recognition

Risk identified

ISA (NZ) 240 The auditor's responsibility to consider fraud in an audit of financial statements requires us to presume there are risks of fraud in revenue recognition and therefore this is a focus area for the audit.

MidCentral DHB has various revenue streams which need to be considered separately to ensure they are in-line with PBE Standards.

Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may also result from an understatement of revenues through, for example, improperly shifting revenues to a later period.

Through our understanding of the DHB with the processes in place and level of risk assessed we have rebutted the significant risk of fraud associated with revenue recognition.

Planned audit response

We will perform the following audit procedures to ensure that revenue recognition is appropriate:

- Understand, evaluate and assess the relevant controls that address the risks of revenue recognition;
- Complete analytical procedures by developing expectations, or perform tests of details; and
- Assess the impact of any changes to revenue recognition policies.

2C. Areas of audit focus – Other areas

Area of audit focus	Our approach
Impact of COVID-19 The long-term impact of COVID-19 in New Zealand and how it might continue to affect public entities is unknown. These effects might include uncertainties relating to revenue and asset valuations in the long term. Sector wide, COVID-19 has impacted on the operations of DHBs, with additional strain placed on the sector in the current year as consequence of the emergence of the Omicron variant which has spread widely in the community.	As part of our audit we will: • Increase our professional scepticism placed around management override of controls and other control processes; • Challenge key assumptions applied by management in accounting estimates throughout preparation of the financial statements with consideration of any impacts from COVID-19; • Factor impacts of COVID-19 into affected areas of our audit testing; and • Review the Annual Report for COVID-19 related discussion and impacts.
Asset management Every DHB holds significant assets, mainly land and hospital buildings, but also clinical and IT equipment. Although the sector has seen some improvement in DHBs' asset management recently, there is still much work to be done. In previous years the OAG published its report *District health boards' response to asset management requirements since 2009*. This this report they made several recommendations to help DHBs improve their asset management.	We will update our understanding from previous years on how the DHB manages its assets. In particular, we will discuss with management: • Does the DHB know how well its assets meet its current and expected service delivery needs? • Is there alignment between the DHB's plans for developing its models of care and its asset planning? • Does the DHB have reliable information about its assets and their condition to support long-term service delivery? • Does the DHB use information from asset-management planning to inform financial forecasts and strategic planning, including at Board level? Any deficiencies or insights will be reported as appropriate.

2C. Areas of audit focus – Other areas

Area of audit focus	Our approach
Procurement Procurement is particularly important for DHBs – up to 60% of DHB expenditure involves some form of procurement. Much of this is for services provided under contract by third parties. It is important for DHBs to have clear policies and processes that are up to date and adequate to guide staff on the DHB's expectations around procurement. In the past, gaps have been observed in the sector with regards to the quality of DHBs' contract management. Many of these are long-term contracts and for services where there is only one potential provider in the district. In some cases, DHBs appear to be managing contracts largely on trust rather than actively ensuring the delivery of services. Risks arising from poor procurement practice will likely be amplified by the health sector reform. There is an understandable desire to maintain service continuity. However, by extending contracts past 30 June 2022, DHBs could prolong and exacerbate procurement weakness and Health New Zealand might inherit arrangements that are either based on poor practice or deliver services that are not meeting expectations in terms of cost and outcome effectiveness.	As part of our audit we will: • Update our understanding from previous years on the procurement and contract management practices employed by the DHB; • Gain an understanding of the DHB's overall procurement and contract management capability; and • Test the design and implementation of the DHB's controls in this area. Any deficiencies or insights will be reported as appropriate.

2C. Areas of audit focus – Other areas

Area of audit focus	Our approach
Ethics and Integrity Ensuring that the public sector is effective and, above all, trusted, requires transparency, honesty and accountability. For that reason, ethics and integrity is an area of interest for the Auditor-General.	As part of our audit, we will gain an understanding of the DHB's controls, policies and processes in place around ethics and integrity. In particular, we will consider whether: • the management and organisational culture creates an environment that promotes transparency and ethical behaviour; • If and how management provides clear and consistent communication about expected behaviours; and • If and how the DHBs uses its controls and processes to mitigate risks. Where appropriate, we will test the design and implementation of relevant controls identified. Any deficiencies or insights will be reported as appropriate.

2C. Areas of audit focus – Other areas

Area of audit focus	Our approach
Public sector specific procedures **1. Accounting for sensitive expenditure** - included but not limited to: • Board fees and expenses (including compliance with the cabinet fees framework); • Sensitive expenditure (travel, entertainment…etc.); • Severance payments; and • Chairperson, Chief Executive and Senior Management expenditure (reimbursements). **2. Policy and procedures in relation to fraud** – the Board needs to ensure that MidCentral DHB's current fraud policy continues to be in place and implemented by managers and employees. **3. Related party transactions and conflicts of interest** – the Board needs to ensure that there are appropriate procedures in place to identify and manage conflicts of interest and that related party disclosures in the financial statements are complete. **4. Legislative compliance** – the Board needs to ensure there are appropriate procedures in place to identify, mitigate and prevent breaches of legislation.	During the course of the audit we will: • Continue to remain alert to issues and risks related to effectiveness and efficiency, waste and a lack of probity or financial prudence; • Test a sample of items of sensitive expenditure against the OAG's guidelines for probity, performance and waste; • Check that MidCentral DHB has a current fraud policy in place and test that managers and employees know about the policy and its contents; • Make enquiries about fraud with the Board and senior management; • Test related party transactions and disclosures within the financial statements; and • Gain an understanding of the legislative compliance processes in place and test key aspects. We will report any areas of concern.

2D. Continuous communication and reporting

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

Pre-Planning	Planning	Pre-year end fieldwork	Year end fieldwork	Post reporting activities
• Planning meetings • Engagement letter and discussion of audit fees • Discussion of the scope of the audit	• Discussion of fraud risk assessment	• Interim audit visits • Controls review and perform testing (including walk throughs) • Interim testing of work on behalf of the Auditor-General – matters of probity, performance and waste etc. • Identification of material performance measures and test relevant controls • IT audit work	• Year-end audit field work • Review of key judgement areas including fair value assessment and going concern • Testing of material performance measures • Year-end closing meetings	• Review statement of performance • Finalise review of financial statements • Read other sections of the Annual Report* • Signing audit report in respect of the financial statements
2022 Audit Plan	Discussions as applicable	Interim close out meetings with management	Final close out meetings with management	Final report
May-June	June	June	August-September	September-October

Ongoing communication and feedback

* We are required to read the other information to consider if there are any material inconsistencies which we are obliged to report on. We will need sufficient time to perform the review.

2E. Our team

Our audit will be led by Bruno Dente as Appointed Auditor for the year ended 30 June 2022. Bruno will oversee the co-ordination of the audit and has primary responsibility for working with your management team.

Lucy Nicol will be the primary point of contact for the finance team and will oversee the day to day execution of our audit.

In performing the audit we will also incorporate IT specialists within our engagement team to better understand and assess the IT processes and the control environment.

Bruno Dente
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Lucy Nicol
Audit Associate Director
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+64 7 834 7846

IT specialists

Reenesh Bhana IT Specialist Partner	Eric Norelius IT Specialist Manager

3. Other reporting matters

3A. Fraud responsibilities and representations

Your responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including designing, implementing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities:

- We are required to obtain representations from those charged with governance regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the areas of audit focus section of this document, we have identified the risk of fraud in revenue recognition, management override of controls, non-compliance with Holidays Act 2003 and valuation of land and buildings as significant audit risks for your organisation.
- As required, we will consider any significant related party transactions outside the entity's normal course of business

Fraud characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will make inquiries of management, internal audit and others within the entity as appropriate, regarding their knowledge of any actual, suspected or alleged fraud affecting the DHB. In addition we are required to discuss the following with the Finance, Risk and Audit Committee:

- Whether the Finance, Risk and Audit Committee has knowledge of any fraud, suspected fraud or allegations of fraud;
- The role that the Finance, Risk and Audit Committee exercises in oversight of DHB's assessment of the risks of fraud and the design and implementation of internal control to prevent and detect fraud;
- The Finance, Risk and Audit Committee's assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We will be seeking representations in this area, including those relating to your assessment of any impacts resulting from COVID-19, from the Board in due course.

3B. Liaison with internal audit

The audit team, consistent with previous years, will leverage the work performed by internal audit wherever possible to allow efficiencies and limit a duplication of work.

Process

The audit team will evaluate whether the work of the internal audit function can be used by assessing the organisational status, objectivity, competence and whether the internal audit function applies a systematic and disciplined approach (including quality control).

Assessment of competence

As noted in prior year audits, the internal audit function applies a systematic and disciplined approach to their activities, and has utilised appropriately qualified staff or contractors to complete their activities in respect of the finance function.

Impact on audit scope

As part of our audit we will review the findings of internal audit and adjust our planned audit approach as is deemed appropriate. This normally takes a number of forms including:

- a discussion of the work plan for internal audit; and
- where internal audit identifies specific material deficiencies in the control environment, we consider adjusting our testing so that the audit risk is covered by our work.

3C. Independence and fees

The proposed audit fee for the 2022 audit is in the process of being reviewed by the Office of the Auditor General. Subsequent to agreement with the Office of the Auditor General we will provide an Audit Proposal with proposed fees for consideration by the Management and the Finance, Risk and Audit Committee.

	CY ($'000)	PY ($'000)
Fees payable for the audit of the financial statements (excluding disbursements and GST)	TBC	216
Scope variation	TBC	20
Total audit fees for financial statements	**TBC**	**236**

3D. Prior year unadjusted differences

We take this opportunity to remind you of the unadjusted differences identified in the prior year. The current year effect of these is summarised below.

Impact of prior year unadjusted differences on the current year financial statements	Assets Dr/(Cr) ($'000)	Liabilities Dr/(Cr) ($'000)	Equity Dr/(Cr) ($'000)	Profit or loss Dr/(Cr) ($'000)
Adjustment to accrued Income	-	-	(3,554)	3,554
Total	-	-	**(3,554)**	**3,554**

Note: Immaterial balance sheet and income statement reclassifications have not been included in the summary of unadjusted differences

4. Financial reporting and other developments

4A. Developments in financial reporting – overview

The following table provides a high level summary of the major new accounting standards, interpretations and amendments that are relevant to the DHB. A full list of the standards on issue but not yet effective is released quarterly and is available here:

https://www2.deloitte.com/nz/en/pages/audit/articles/accounting-alert.html?icid=top_accounting-alert

Major new standard, interpretation or amendment	Effective date (periods beginning on or after)
PBE FRS 48 Service Performance Reporting	1 January 2022
PBE IFRS 9 Financial Instruments	1 January 2022*
PBE IPSAS 41 Financial Instruments	1 January 2022

*Will be superseded by PBE IPSAS 41 but early adoption is still permitted if the date of initial application was before 1 January 2020

Early implementation efforts recommended

Early effort to consider the implementation of these standards is recommended in order to provide stakeholders with timely and decision-useful information. Implementation steps are outlined opposite.

Steps for implementation
Determine extent of impact & develop implementation plan
Monitor progress and take action where milestones are not met
Identify required changes to systems, processes, and internal controls
Determine the impact on covenants & regulatory capital requirements, tax, dividends & employee incentive schemes

4B. Developments in financial reporting – Software-as-a-Service (‘SaaS’) arrangements

The issue

The IFRS Interpretations Committee (‘IFRIC’) has issued guidance that could result in a significant change in accounting policy for many entities.

In April 2021, the IFRIC published an agenda decision that deals with configuration and customisation costs incurred in implementing SaaS arrangements. They concluded that the majority of these costs need to be expensed.

This follows from a previous decision that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets.

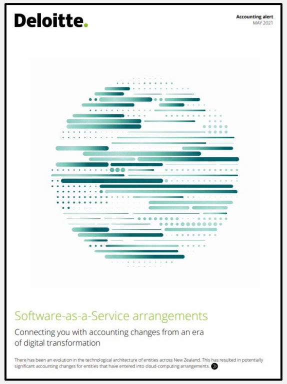
Why it matters

While the IFRIC agenda decision is not strictly applicable for public benefit entities (PBEs), the relevant PBE standards are based on the corresponding IFRS standards and so a similar interpretation would likely result. This may change current accounting practice and have significant impacts on many entities.

Where a change in accounting policy is required, comparative financial information will need to be retrospectively restated to derecognise previously capitalised costs.

There may also be several consequential impacts beyond the immediate accounting implications arising from the IFRIC agenda decisions that should be considered.

Further details around the IFRIC agenda decisions and the potential accounting impacts are explained in our ‘Software-as-a-Service’ Accounting alert accessible here.



Impact on financial statements

Balance Sheet

- Intangible assets
- Net assets
- Accumulated surplus/deficit

Income statement

- Surplus / Deficit *
- Operating expense (instead of amortisation)

Cash flow statement

- Operating cash outflows (Instead of investing cash outflows)

Disclosures

- Change in accounting policy
- Retrospective restatement

** In the year of a SaaS implementation, a reduction in the surplus (and related impact on accumulated surplus) will typically be evident, resulting from upfront configuration and customisation costs incurred.*
In future years, over the life of the SaaS contract, ongoing costs incurred for the SaaS access will be recognised as operating expenses with no further amortisation expense which may, in certain cases, result in an increase in the surplus..

4B. Developments in financial reporting – Software-as-a-Service ('SaaS') arrangements (cont.)

Considerations	Potential impacts	Questions to consider
Regulator expectations	Implementation process for IFRIC agenda decisions	• Has a robust process been undertaken to analyse and document the impact of the IFRIC agenda decisions, including the development and consistent application of an appropriate accounting policy for costs incurred in SaaS arrangements?
	Disclosures	• How are the impacts of SaaS arrangements disclosed in the financial statements? • Have appropriate disclosures been included in the financial report in respect of any restatement of previously capitalised costs?
Other financial reporting and wider business impacts	Debt covenants	• What impacts do any changes in accounting for SaaS arrangements have on the entity's compliance with covenants, for example, earnings before interest and tax (EBIT), earnings before interest, tax, depreciation and amortisation (EBITDA) and surplus? Early engagement with financiers is key and consultation with legal counsel may be appropriate.
	Tax implications	• Should tax advisors be consulted in respect of tax treatment of costs incurred in a SaaS arrangement? • Where a deferred tax asset resulted from the change in accounting for SaaS arrangements, has recoverability been assessed?
	Business metrics and targets linked to profit measures	• Are there any business metrics and targets sensitive to changes in surplus measures (e.g. EBIT, EBITDA or surplus) that need to be revised or renegotiated? E.g. Performance hurdles in share-based payment and remuneration schemes, contingent consideration linked to PBE combinations etc.
	Impacts on budgets and forecasts	• Have budgets and forecasts been updated for the changes to the company's accounting policy for costs incurred in SaaS arrangements? Have the resulting impacts on impairment models been considered?
	Information, systems and framework	• Is management developing a framework for use in the business to support the consistent and appropriate accounting for SaaS arrangements? A key factor in this framework will be the collaboration between Finance and IT from the business case stage. • Will any changes to existing or new systems be required to obtain information needed to account for SaaS arrangements?
Communication	Continuous disclosure obligations	• Should the market be informed of the impact of implementing the IFRIC agenda decisions that result in a change in accounting policy which could impact on profit guidance resulting from a possible large once-off operating expense? Consider consulting with legal counsel.

BOARD REPORT

For:

X	Approval
	Endorsement
	Noting

Key questions the Board should consider in reviewing this paper:

- Does the paper contain enough information for the Board to make a considered decision?

To	Board
Author	Neil Wanden, General Manager, Finance and Corporate Services
Endorsed by	Kathryn Cook, Chief Executive
Date	10 June 2022
Subject	**Enable New Zealand Limited – Annual Reporting Requirements**

RECOMMENDATION

It is recommended that the Board:

- **approve** that pursuant to section 211(3) of the Companies Act 1993, the annual report of Enable New Zealand Limited for the year ended 30 June 2022 shall incorporate the financial statements and auditor’s report thereon and exclude information specified in any of the paragraphs (a) and (e) to (j) of subsection (1) of that section.

Strategic Alignment

This is a statutory reporting requirement.

1. PURPOSE

This report seeks a decision from the Board regarding annual reporting arrangements for Enable New Zealand Limited, a shelf company wholly owned by MidCentral District Health Board (MDHB).

2. BACKGROUND

Enable New Zealand is an operating unit of MDHB. Prior to 2002 it operated as a wholly owned subsidiary company of the DHB – Enable New Zealand Limited. With the formation of DHBs in 2001, the Government looked to reduce the number of separate companies operating within the sector. Consequently, Enable New Zealand Limited was de-corporatised in 2002, with this function becoming an operating unit of MDHB.

3. DISCUSSION

When Enable New Zealand Limited was de-corporatised in 2002, the name 'Enable New Zealand Limited' was maintained as a shelf company. This means that it must comply with the requirements of the Companies Act 1993 in respect of annual financial returns.

In previous years, Enable New Zealand Limited's shareholder, MDHB, has passed a resolution to exempt its subsidiary from the requirements of the Companies Act 1993 pursuant to section 211.

Under clause 211(3) of the Companies Act 1993, companies are required to provide specific information in their annual reports unless the Shareholder determines otherwise. That information includes:

- changes in the nature and scope of business
- interest register details
- details of directors and directors' remuneration
- number of employees with remuneration over $100,000
- donations
- audit fees.

As this information is contained in the annual report for MDHB (the parent organisation), Enable New Zealand Limited has received an exemption in the past. It is proposed that this practice continue for the year ending 30 June 2022.

Information papers

28 June 2022

Information papers

No items

Glossary of terms

28 June 2022

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Glossary of Terms

AC	**Assessment Centre**
ACC	**Accident Compensation Corporation** The New Zealand Crown entity responsible for administering the country's no fault accidental injury compensation scheme.
ACCPP	**Accident Compensation Corporation Partnership Plan**
ACE	**Advanced Choice of Employment**
ACT	**Acute Crisis Team**
ADL	**Activities of Daily Living**
ADON	**Associate Director of Nursing**
AESS	**Te Uru Arotau Acute and Elective Specialist Services**
ALOS	**Average Length of Stay**
AMHU	**Acute Mental Health Unit**
Anti- VEGF	**Anti-Vascular Endothelial Growth Factor**
AoG	**All of Government**
AP	**Annual Plan** The organisation's plan for the year.
APEX	**Association of Professional and Executive Employees**
API	**Application Programming Interfaces**
ARC	**Aged Residential Care**
ASH	**Ambulatory Sensitive Hospitalisations**
AS/NZS ISO 31000	**2018 Risk Management Principles and Guidelines**
AWS	**Amazon Web Services**
B Block	**Wards, Laboratory, Admin and Outpatients**
BAG	**Bipartite Action Group**

BAPSF	**Bereavement leave, Alternative days, Public holidays, Sick leave, Family Violence leave**
BAU	**Business as Usual**
BN	**Bachelor of Nursing**
BSCC	**Breast Screen Coast to Coast**
BYOD	**Bring Your Own Device**
CAG	**Cluster Alliance Group** A group or 10-12 members from across the health and wider sector supporting the Cluster Leadership Team to identify population health needs, planning, commissioning and evaluating services and developing models of care. Members include consumer and Māori representatives.
CAPEX	**Capital Expenditure**
CBAC(s)	**Community Based Assesment Centre(s)**
CCDHB	**Capital and Coast District Health Board**
CCDM	**Care Capacity Demand Management** A programme that helps the organisation better match the capacity to care with patient demand.
CCTV	**Closed Circuit Television**
CCU	**Critical Care Unit**
CDO	**Chief Digital Officer**
CDS	**Core Data Set**
CE	**Clinical Executive** (of a service)
CE Act	**Crown Entities Act**
CEO	**Chief Executive Officer**
CFIS	**Crown Financial Information System**
CHF	**Congestive Heart Failure**
CIMS	**Coordinated Incident Management System**
CIO	**Chief Information Officer**

CLAB	**Central Line Associated Bacteraemia**
CME	**Continuing Medical Education**
CMO	**Chief Medical Officer**
CN	**Charge Nurse(s)**
CNGP	**Carbon Neutral Government Programme**
CNM	**Clinical Nurse Manager**
CNS	**Clinical Nurse Specialist**
COI	**Committee of Inquiry**
ComM	**Communications Manager**
COPD	**Chronic Obstructive Pulmonary Disease** A common lung disease which makes breathing difficult. There are two main forms, Chronic bronchitis - a long term cough with mucus. Emphysema - which involves damage to the lungs over time.
COVID-19	**Novel Coronavirus**
CPAC	**Prioritisation scoring system code table**
CPB	**Combined Pharmaceutical Budget**
CPHO	**Central Primary Health Organisation**
CPI	**Consumer Price Index**
CPOE	**Computer Physician Order Entry**
CRM	**Cyber Risk Monitoring**
CSB	**Clinical Services Block**
CT	**Computed Tomography** A CT scan combines a series of X-ray images taken from different angles around your body and uses computer processing to create cross-sectional images of the bones, blood vessels and soft tissues inside your body.
CTAS	**Central Technical Advisory Services** (also TAS)

CTCA	**Computed Tomography Coronary Angiography** A CT scan that looks at the arteries that supply blood to the heart. Can be used to diagnose the cause of chest pain or other symptoms.
CVAD	**Central Venous Access Device**
CWDs	**Case Weighted Discharges** Case weights measure the relative complexity of the treatment given to each patient. For example, a cataract operation will receive a case weight of approximately 0.5, while a hip replacement will receive 4 case weights. This difference reflects the resources needed for each operation, in terms of theatre time, number of days in hospital, etc.
DCFO	**Deputy Chief Financial Officer**
DDIGG	**Digital and Data Informatics Governance Group**
DHB	**District Health Board**
DIVA	**Difficult Intravenous Access**
DNA	**Did Not Attend**
DNW	**Did Not Wait**
DoN	**Director of Nursing**
DS	**Digital Services**
DSA	**Detailed Seismic Assessment**
DSA	**Digital Subtraction Angiography**
DWP	**Digital Workplace Programme**
DX	**Data Exchange** A data exchange software mechanism developed with the Social Investment Agency (SIA) to support encrypted data sharing between public services.
EAP	**Employee Assistance Programme**
EBITA	**Earnings Before Interest, Taxes and Amortisation**
ECM	**Enterprise Content Management**
ED	**Emergency Department**

EDAH	**Executive Director Allied Health**
EDG-VPSR	**Electrocadiograph – Visual Positioning System Rhythm**
EDN&M	**Executive Director, Nursing & Midwifery**
EDOA	**Emergency Department Observation Area**
EDON	**Executive Director of Nursing**
EECA	**Energy and Efficiency Conservation Authority**
ELT	**Executive Leadership Team**
EMERGO	**Emergo Train System**
EMR	**Electronic Medical Record**
EN	**Enrolled Nurse**
ENT	**Ear Nose and Throat**
ENZ	**Enable New Zealand**
EOC	**Emergency Operations Centre**
EP	**Efficiency Priority**
EPA	**Electronic Prescribing and Administration**
EPMO	**Enterprise Project Management Office**
ERCP	**Endoscopic Retrograde Cholangio Pancreatography**
ERM	**Enterprise Risk Management**
ESPI	**Elective Services Patient Flow Indicator** Performance measures that provide information on how well the District Health Board is managing key steps in the electives patient journey.
ETA	**Energy Transition Accelerator**
EV	**Electric Vehicle**
EWS	**Early Warning System**
EY	**Ernst & Young**

FACT	**Flexible Assertive Community Assessment Team**
FHC	**Feilding Health Care**
FHIR	**Fast Healthcare Interoperability Resources**
FIT	**Faecal Immunochemical Test**
FM	**Facilities Management**
FM Services	**Facilities maintenance and hotel services required by the DHBs**
FPIM	**Finance and Procurement Information Management System**
FPM	**Financial Planning Manager**
FRAC	**Finance, Risk and Audit Committee**
FSA	**First Specialist Appointment**
FSL	**Fire Service Levies**
FTE	**Full Time Equivalent** The hours worked by one employee on a full-time basis.
FU	**Follow Up**
Gap	**Analysis used to examine current performance with desired, expected performance**
GETS	**Government Electronic Tenders Service**
GHG	**Greenhouse Gases**
GM	**General Manager**
GMFCS	**General Manager, Finance and Corporate Services**
GMM	**General Manager, Māori Health**
GMPC	**General Manager, People and Culture**
GMQI	**General Manager, Quality and Innovation**
GMSPP	**General Manager, Strategy, Planning and Performance**
GP	**General Practitioner**
GST	**Goods and Services Tax**

H&S	**Health and Safety**
HaaG	**Hospital at a Glance**
HAI	**Healthcare Associated Infection**
HAR	**Te Uru Whakamauora, Healthy Ageing and Rehabilitation**
HBDHB	**Hawke's Bay District Health Board**
HCA(s)	**Health Care Assistant(s)**
HCSS	**Home and Community Support Services**
HDAC	**Health and Disability Advisory Committee**
HDU	**High Dependency Unit**
HEAT	**Health Equity Assessment Tool**
HEEADSSS	**Home, education/employment, eating, activities, drugs, sexuality, suicide and depression, safety (wellness assessment)**
HIP	**Health Infrastructure Programme**
Hira	**National Health Information Platform**
HISO	**Heath Information Security Framework**
HQSC	**Health, Quality and Safety Commission**
HR	**Human Resources**
HRC	**Health Research Council**
HRIS	**Human Resources Information System**
HROD	**Human Resources and Organisational Development**
HSWA	**Health and Safety at Work Act**
Hui	**Formal meeting**
HV	**High Voltage**
HVAC	**Heating, Ventilation and Air Conditioning**
HVDHB	**Hutt Valley District Health Board**

HWIP	**Health Workforce Information Programme**
HWNZ	**Health Workforce New Zealand**
IA	**Internal Audit**
IAAS	**Infrastructure as a Service**
IAP	**Incident Action Plans**
ICNet	**Infection Control Surveillance**
ICPs	**Incident Control Points**
ICPSA	**Integrated Community Pharmacy Services Agreement**
ICT	**Information and Communications Technology**
ICU	**Intensive Care Unit**
IDF	**Inter-district Flow** The default way that funding follows a patient around the health system irrespective of where the are treated.
IEA	**Individual Employment Agreement**
IFHC	**Integrated Family Health Centre** General practice teams with the patient at the centre, providing quality health care when, where and how patients need it.
IFM / IFM20	**Integrated Facilities Management**
IL	**Importance Level** Seismic assessment rating
IMAC	**Immunisation Advisory Centre**
IMT	**Incident Management Team**
Insourced	**Delivered directly by the DHBs via its staff**
IOC	**Integrated Operations Centre**
IOL	**Intraocular Lens**
IOT	**Internet of Things**

IPSAS	**International Public Sector Accounting Standards**
IS	**Information Systems**
ISM	**Integrated Service Model**
ISP	**Internet Service Provider**
IT	**Information Technology/Digital Services**
ITSM	**Integrated Service Module**
IV	**Intravenous**
IVP	**Improving Value Programme**
JDE	**JD Edwards** Name of software package
Ka Ao Ka Awatea	**Māori Health Strategy for the MDHB District**
KPI(s)	**Key Performance Indicator(s)** A measurable value that demonstrates how effectively an objective is being achieved.
LAN	**Local Area Network**
LDC	**Local Data Council**
LED	**Light Emitting Diode**
LEO	**Leading an Empowered Organisation**
LMC	**Lead Maternity Carer**
LOS	**Length of Stay**
LSP	**Leadership Success Profile**
LTC	**Long Term Condition(s)**
LV	**Low Voltage**
MALT	**Māori Alliance Leadership Team**
MAPU	**Medical Assessment and Planning Unit**
MBIE	**Ministry of Business, Innovation and Employment**

MCH	**MidCentral Health**
MCIS	**Maternity Clinical Information Service**
MDBI	**Material Damage and Business Interruption**
MDHB	**MidCentral District Health Board**
MDM	**Master Data Management**
MDT	**Multi-disciplinary Team**
MECAs	**Multi Employer Collective Agreements**
MEED	**Midwifery External Education and Development Committee**
MERAS	**Midwifery Employee Representation and Advisory Service**
MFA	**Multi-Factor Authentication**
MIT	**Medical Imaging Technologist** A radiographer who works with technology to produce X-rays, CT scans, MRI scans and other medical images.
MIYA	**MIYA Precision Platform**
MoH	**Ministry of Health**
MOU	**Memorandum of Understanding**
MRES	**Managed Rehabilitation Equipment Service** An ACC contract (Enable NZ)
MRI	**Magnetic Resonance Imaging** A medical imaging technique used in radiology to form pictures of the anatomy using strong magnetic fields and radio waves.
MRSO	**Medical Radiation Officer**
MRT	**Medical Radiation Therapist(s)**
MSD	**Ministry of Social Development**
MWH	**Manawhenua Hauora**
MYFP	**Midwifery First Year of Practice Programme**

NAMD	**Neovascular Age-Related Macular Degeneration**
NARP	**Non-Acute Rehabilitation Programme**
NBSP	**National Bowel Screening Programme**
NCAMP19	**National Collections Annual Maintenance Programme 2019**
NCEA	**National Certificate of Educational Achievement**
NCNZ	**Nursing Council of New Zealand**
NEAC	**National Ethics Advisory Committee**
NEED	**Nursing External Education and Development Committee**
NESP	**Nurse Entry to Specialty Practice Programme (Mental Health)**
NETP	**Nurse Entry to Practice**
NFSA	**National Food Services Agreement**
NGO	**Non Government Organisation**
NHAWG	**National Holidays Act Working Group**
NNU	**Neo Natal Unit**
NOS	**National Oracle Solution**
NP	**Nurse Practitioner**
NPC	**Nurse Practitioner Candidate**
NPTP	**Nurse Practitioner Training Programme**
NZ	**New Zealand**
NZCOM	**New Zealand College of Midwives**
NZCPHCN	**New Zealand College of Primary Health Care Nurses**
NZCRMP	**New Zealand Code of Radiology Management Practice**
NZD	**New Zealand Dollar**
NZHP	**New Zealand Health Partnerships**

NZHRS	**New Zealand Health Research Strategy**
NZNO	**New Zealand Nurses Organisation**
NZPHD Act	**New Zealand Public Health and Disability Act**
O&G	**Obstetrics and Gynaecology**
OAG	**Office of the Auditor-General**
OD	**Organisational Development**
ODP	**Organisational Development Plan**
OE	**Operations Executive** (of a service)
OHS	**Occupational Health and Safety**
OLT	**Organisational Leadership Team** OLT comprises all General Managers, Chief Medical Officer, Executive Directors - Nursing & Midwifery and Allied Health, General Manager of Enable NZ, all Operations Executives and Clinical Executives.
OPAL	**Older People's Acute Assessment and Liaison Unit**
OPERA	**Older People's Rapid Assessment**
OPF	**Operational Policy Framework**
Outsourced	**Contracted to a third-party provider to deliver**
PaaS	**Platform as a Service**
Pae Ora Paiaka Whaiora	**(Base/Platform of health) Healthy Futures (DHB Māori Directorate)**
PACS	**Picture Archiving Communication System**
PANE	**Proactive, Advocacy, Navigation and Education Team**
PAS	**Patient Administration System**
PBE	**Public Sector Benefit Entity**
PCBU	**Person Conducting a Business or Undertaking**
PCCL	**Patient Complexity Clinical Level**

PCT	**Pharmacy Cancer Treatment**
PDRP	**Professional Development and Recognition Programme**
PDSA	**Plan Do Study Act**
PEDAL	**Post Emergency Department Assessment Liaison**
PET	**Positron Emission Tomography**
PHC	**Primary Health Care**
PHO	**Primary Health Organisation (THINK Hauora)**
PHU	**Public Health Unit**
PICC	**Peripherally Inserted Central Catheter**
PICU	**Paediatric Intensive Care Unit**
PIN	**Provisional Improvement Notice** (section 36.2 Health and Safety at Work Act 2015)
PIP	**Performance Improvement Plan** This plan is designed to support the OLT in the prioritisation and optimisation of system wide efforts to achieve our vision. The plan was presented to the MoH as part of MDHB's 2019/20 strategic discussion.
PNCC	**Palmerston North City Council**
POAC	**Primary Options for Acute Care**
POCT	**Point of Care Testing**
PPE	**Personal Protective Equipment**
Powhiri	**Formal Māori Welcome**
PPA	**Promoting Professional Accountability**
PPC	**Public, Primary and Community**
PP&CH	**Public, Primary and Community Health**
PPPR	**Protection of Personal and Property Rights**
PR&RO	**Principal Risk and Resilience Officer**

PSA	**Public Service Association**
PSe	**PS Enterprise**
PSR	**Protective Security Requirements**
PVC	**Poly Vinyl Chloride**
QEAC	**Quality & Excellence Advisory Committee**
QHP	**Qualified Health Plan**
Qlik	**Qlik Sense Data Visualisation Software (Dashboard Analytics)**
Q&SM	**Quality and Safety Markers**
RACMA	**Royal Australasian College of Medical Administrators**
RDHS	**Regional Digital Health Services**
RFP	**Request for Proposal**
RHIP	**Regional Health Infometrics Programme** Provides a centralised platform to improve access to patient data in the central region.
Risk ID	**Risk Identifer**
RM	**Registered Midwife**
RMO	**Resident Medical Officer**
RN	**Registered Nurse(s)**
RP	**Risk Priority**
RSI	**Relative Stay Index**
RSO	**Research Support Officer**
RSP	**Regional Service Plan**
RTL	**Round Trip Logistics** A technology platform.
Rules	**Government Procurement Rules (4th Edition 2019)**
SaaS	**Software as a Service**

SAC	**Severity Assessment Code**
SAN	**Storage Area Network**
SBA	**Smoking Brief Advice (Smoking Cessation)**
SCIG	**Strategic Capital Investment Group**
SFIA	**Skills Framework for the Information Age**
SGOC	**Shared Goals of Care**
SIEM	**Security Information Event Monitoring**
SLA	**Service Level Agreement**
SLMs	**System Level Measures**
SME	**Subject Matter Expert(s)**
SMO	**Senior Medical Officer**
SNE	**Services Not Engaged**
SOI	**Statement of Intent**
SOR	**Standard Operating Responses**
SPE	**Statement of Performance Expectations**
SPIRE	**Surgical Procedural Interventional Recovery Expansion** A project to establish additional procedural, interventional and surgical resources within MDHB.
Spotless	**Spotless Services (NZ) Limited**
SRG	**Shareholder's Review Group**
SSC	**State Services Commission** (from 2020 - Te Kawa Mataaho Public Service Commission)
SSDF	**State Sector Decarbonisation Fund**
SSHW	**Safe Staffing, Healthy Workplaces**
SSIED	**Shorter Stays in Emergency Department**
SSP	**Statement of Service Performance**

SSU	**Sterile Supply Unit**
SUDI	**Sudden Unexpected Death in Infancy**
SUG	**Space Utilisation Group**
STAR	**Services for Treatment, Assessment and Rehabiliation**
TAS	**Technical Advisory Services** (also CTAS)
TCO	**Total Cost of Ownership**
tC02e	**tons of carbon dioxide equivalent**
TCU	**Transitional Care Unit**
THG	**Tararua Health Group Limited**
TKMPSC	**Te Kawa Maataho Public Service Commission** (formerly State Services Commission)
TLP	**Transformational Leadership Programme**
Trendly	A national database capture tool and dashboard that focuses on the measurement of DHBs to the National Māori Health Measures
TTOR	**Te Tihi o Ruahine Whānau Ora Alliance**
UCOL	**Universal College of Learning**
VBS	**Voluntary Bonding Scheme**
VRM	**Variance Response Management**
WDHB	**Whanganui District Health Board**
WebPAS	**Web Based Patient Administration System**
WebPASaas	**Web Based Patient Administration System as a Service**
WHEI	**Whole Hospital Escalation Indicators**
Y	**Yes**
YD	**Yes and delegable**
YOSS	**Youth One Stop Shop**

YTD	**Year To Date**

Late items

28 June 2022

Late items

Discussion on any late items advised at the start of the meeting

Exclusion of the public

28 June 2022

Exclusion of public

Resolution:

That the public be excluded from this meeting in accordance with the Official Information Act 1982, section 9 for the following items for the reasons outlined in the agenda.