NORTHLAND DISTRICT HEALTH BOARD
Te Poari Hauora Ā Rohe O Te Tai Tokerau

E88

2019/20-2022/23
STATEMENT OF INTENT

incorporating the
2019/20 Statement of Performance Expectations

Presented to the House of Representatives pursuant to sections 149 and 149(L) of the Crown Entities Act 2004

Contents

1 Overview of Strategic Priorities 1
1.1 Strategic intentions and priorities 1
2 Statement of Performance Expectations 1
3 Financial performance 16
4 Stewardship 31
4.1 Managing our business 31
4.2 Building capability 32
Appendix: Significant Accounting Policies 36
Signatories 45

1 Overview of Strategic Priorities

1.1 Strategic intentions and priorities

Vision and mission

Northland DHB's vision: "A Healthier Northland / He Hauora Mo Te Tai Tokerau"

Northland DHB's mission: Achieved by working together in partnership under the Treaty of Waitangi to:

- improve population health and reduce inequities
- improve the patient experience
- live within our means.

Mahi tahi te kaupapa o Te Tiriti o Waitangi he whakarapopoto nga whakaaro o te Whare Tapa Wha me te whakatuturutahi i te tino rangatiratanga te iwi whanui o Te Tai Tokerau.

Northland DHB is developing a strategy that will provide guidance for our own plans as well as those of the rest of the Northland health sector. Embedded within this will be a population health outcomes approach, with outcome statements and high-level measures.

Strategic priorities

A summary of the presentation made to the Ministry of Health on 8 May 2019.

Northland's characteristics	Areas of strong performance	What we are doing in 2019/20
Poverty	Health Targets for smoking maternity, RHK	Contain cost growth
Population growth	Hospital-acquired and healthcare-associated infections	Seamless system
Ageing population	↓ Relative Stay Index	Shift resources upstream
Rurality	SAFER patient flow	Mental health initiatives
High road fatalities	↓ meth demand (with Police)	Ageing in place
High suicide rate	Pregnancy & parenting service	Cross-sectoral collaboration
	Primary mental health national collaboration	Staff wellbeing
Challenges	Cross-sectoral work	Strong Board-Iwi relationship
Inequities for Māori	Suicide prevention	↑ community involvement
Long term conditions	Māori community engagement	Stewardship (VfM, QI)
Primary capacity and access	Telehealth & mobility	Staff health, safety, wellbeing
Ageing workforce	CRAB, HRT benchmarking	Population Health Indicators Framework
Recruitment	Innovation, Excellence & Improvement Programme	
% Māori workforce	Stewardship (VfM, QI)	
↑ demand ED, medical	Clinical governance	
Age of facilities	Workforce measures	
Vaccination rates	Māori training	
	Regional work	
	Neighbourhood Healthcare Homes	
	Health & Social Care Coordination	
	Primary care collaboration → Mahitahi Hauora	
	Integrated Operations Centre	

Commitments

DHBs have a statutory responsibility under the *Treaty of Waitangi* to put into practice its principles of partnership, protection and participation. NDHB is acutely conscious that Māori, who comprise about a third of our population, suffer most from health and other inequities and we are committed to upholding the three Treaty principles.

Northland DHB is committed to the *New Zealand Health Strategy* and its five themes of people powered, closer to home, value and high performance, one team, and smart system.

Northland DHB is also committed to *He Korowai Oranga* Māori Health Strategy that sets the overarching framework to guide the Government and the health and disability sector to achieve the best outcomes for Māori.

Among DHBs, Northland has one of the highest percentages of older people in our population (in 2018, 19.6% compared with 15.2% nationally) and it is also ageing faster that most other DHBs (by 2028, 25.7% compared with 19.4% nationally). Northland DHB is committed to the *Healthy Ageing Strategy* and its vision that older people live well, age well and have a respectful end of life in age-friendly communities.

Northland DHB is committed to the *UN Convention on the Rights of Persons with Disabilities*, whose purpose is to promote, protect and ensure the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities, and to promote respect for their inherent dignity.

The New Zealand *Disability Strategy 2016-2026*) also forms part of Northland DHB's disability strategic framework, with service improvements for 2019/20 focussing on accessibility, attitudes, health and wellbeing, and leadership.

Northland DHB is committed to the principles of *Ala Mo'ui: Pathways to Pacific Health and Wellbeing 2014-2018*, namely:

- respecting Pacific culture
- valuing family and communities
- quality health care
- working together – integration.

2 Statement of Performance Expectations

The Statement of Performance Expectations (SPE) tells our ‘performance story’, what we produce (outputs) and what we aim to achieve for Northlanders (impacts) and our society (outcomes). The SPE is required under the Crown Entities Act 2004 to enable the Office of the Auditor General to monitor Northland DHB’s performance. Our Statement of Intent comprises the SPE together with modules 1, 3 and 4 of the Annual Plan.

The SPE concentrates on cornerstone measures that represent the wide range of services for which Northland DHB is responsible. There is considerable overlap between the SPE’s measures and those in section 2 of the Annual Plan; the latter is prepared in response to a list of specific Ministry of Health-led national priorities, while the SPE takes a higher level, more strategic view.

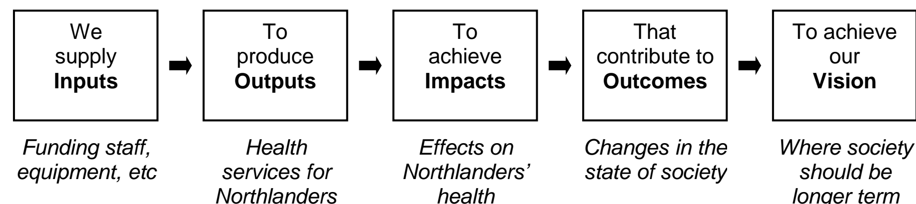
Output classes

Services are grouped into four output classes:

Prevention	Publicly funded services that protect and promote health across the whole population or particular sub-groups of the population. These services improve the health status of the population, as distinct from curative and rehabilitative services (the other three output classes) which repair or support illness or injury.
Early detection and management	Commonly referred to as ‘primary’ and/or ‘community’ services, those that people can access directly in the community. They are delivered by a range of agencies including general practice, Maori health providers, pharmacies, and oral health services. The services are generalist (non-specialist) in nature, and similar types of services are delivered in numerous locations across the community.
Intensive assessment and treatment	Complex services provided by those who work in a particular specialty, commonly referred to as ‘secondary’ or ‘hospital’ services. They include emergency department, inpatient, outpatient, daypatient, and diagnostic services. They are accessible only by referral from a primary health practitioner and available in few locations.
Rehabilitation and support	Services for older people (home based support services, residential care and services for dementia) and palliative care services.

Intervention logic

The Statement of Service Performance is structured according to the following intervention logic.



The structure of the SPE is described in the diagram on the next page.

Impacts contribute to Outcomes, and together they contribute to High-level Outcomes (measured by High-level Measures). For example, higher rates of cessation among smokers and immunisation among children create a healthier population. Screening for cancers, cardiovascular disease and diabetes prevent illness and disease or identify conditions at early stages so they can be monitored and treated more effectively. Ongoing monitoring and support of people with long term mental health conditions help maintain their stability. Home and community support services help older people remain independent in the community, and residential care services offer the best quality of life for those no longer able to manage on their own. Quality services that are clinically and culturally safe, and provided in a timely manner encourage people to attend and be involved in their care, and that means better health status.

Through the measures described above and in the diagram on the next page, the SPE addresses the Triple Aims of population health, patient experience and value and sustainability.

Wherever possible, Impacts are measured by Maori and non-Maori so we can monitor inequities and reduce these over time.

Summary of Statement of Performance Expectations 2019/20

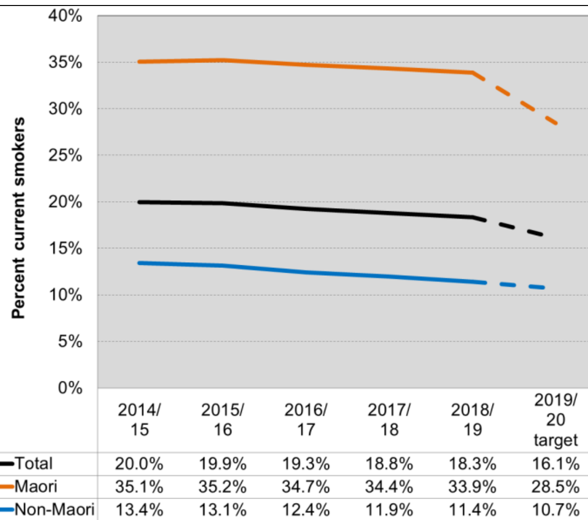
All measures by Maori and non-Maori where data is available.

Vision	A healthier Northland									
High-level Outcomes	Population health: improved health of Northlanders and reduced health inequities		Patient experience: patients and whanau experience clinically and culturally safe, good quality, effective, efficient and timely care			Value and sustainability: the Northland health system lives within available funding by improving productivity and prioritising resources to their most cost-effective uses				
High-level Measures	Life expectancy gap between Maori and non-Maori ↓ by 2 years	↓ gaps between: (a) Maori and non-Maori (b) Northland and NZ		↓ mortality rate (age-standardised)	↓ infant mortality	Unplanned hospital admissions for Northlanders are reduced by 2,000 annually by 2017			>95% of patients report they would recommend the service provided	
Outcomes	Healthy population	Prevention of illness and disease		Reversal of acute conditions		Optimum quality of life for those with long term conditions			Independence for those with impairments or disability support needs	
Impacts	**Smoking cessation** Lower prevalence of smoking-related conditions	**Healthy children** Children are healthy from birth and have a healthy foundation for adulthood	**Effective primary care** People manage in the com-munity through effective primary care services	**Long term conditions** Amelioration of disease symptoms and/or delay in their onset	**Cancer** If curable, increased likelihood of survival; if incurable, reduced severity of symptoms	**Mental disorders** Acute episodes are minimised, clients achieve greater stability, and quality of life is improved for both clients and their families	**Elective surgery** Fewer debilitating conditions, delayed onset of long term conditions	**ED waiting times** More timely assessment, referral and treatment	**Quality and safety** More satisfied patients Fewer adverse clinical events Lower rates of acute readmission to hospital	**Support for older people** Older people requiring support or care receive services appropriate to their needs.
Impact Measures	% of adults who are current smokers % of pregnant women who identify as smokers on registration with a midwife or Lead Maternity Carer are offered brief advice and support to quit smoking	Full and exclusive breastfeeding at 3 months % of 8-month-olds who have their primary course of immunisation on time Average number of decayed, missing or filled teeth in Y8 students % of 4-year-olds identified as obese in B4 School Checks will be offered a referral to a health professional	Ambulatory sensitive hospitalisation rate/100,000, unstandardised	% of diabetics who receive annual free checks who have good blood sugar management % eligible people receiving cardiovascular risk assessment in the last 5 years	Breast cancer screening in eligible populations Cervical cancer screening in eligible populations % of patients who receive first cancer treatment (or other management) within 62 days referred urgently with a high suspicion of cancer and a need to be seen within two weeks	% of people with enduring mental illness aged 20-64 who are seen over a year	Increase in elective surgical discharges	% of patients will be admitted, discharged or transferred from and ED within 6 hours	Number of in hospital falls causing fracture neck of femur per month Percentage of opportunities for hand hygiene taken Surgical site infections per 100 hip and knee procedures Patient deterioration	Home and Community Support Services (HCSS) clients assessed using interRAI tool HCSS providers certified ARRC providers with at least 3 years certification
Output Classes		**Prevention**	**Early detection and management**		**Intensive assessment and treatment**				**Rehabilitation and support**	
Outputs	Advice and help offered to smokers in primary care Advice and help offered to pregnant women Advice and help offered to smokers in hospital	Midwifery services by LMCs MIdwifery services by DHB Support by lactation consultants Oral health assessment and treatment Immunisations in primary care 4-year-olds given B4SC	Services provided in primary care Acute hospital services	Assessment, diagnosis and treatment in primary care	Screening for breast cancer Screening for cervical cancer Cancer risk assess-ments in primary care Provision of cancer treatment	Specialised clinical support by NDHB community mental health services Admission to hospital for those with acute mental illness	Elective surgical procedures	Assessments, treatments performed in EDs	Leadership, advice and monitoring by Quality Improvement Directorate Effective clinical services Patient pathways, hospital discharge processes	Home based support services Residential care Work with providers on corrective action plans resulting from audit
Output Measures	People attending primary care who have ever smoked	Hospital births Lactation consultant contacts Immunisations by 8 months Oral health treatments for Y8 students Visits by children and youth to primary care B4SC performed	Acute hospital discharges	Risk assessments and monitoring of people with diabetes and/or CVD	Screening for breast and cervical cancer Referrals for radiotherapy and chemotherapy treatments	Contacts by community mental health workers with people who have enduring mental illness	Increase in the volume of elective surgery	Emergency department attendances	Measures of the quality and safety of services	Assessments by NASC service Certification audits

Output Class 1: Prevention

Impact: Lower prevalence of smoking-related conditions.

Measure: % of adults who are current smokers



Measure type:
Coverage

Rationale

Smoking and obesity are the two most significant drivers of long term conditions.

Currently, according to data from the Northland PHOs, 33.9% of Maori and 11.4% of non-Maori smoke.

Smoking is the focus of one of the national Health Targets. New Zealand has committed to a goal of reducing smoking rates to 5% by 2025.

The dotted lines in the graph reflect the percentage drop required by each ethnic group to reach the 2025 target. Non-Maori smoking rates are reducing at the desired rate, but Maori smoking rates need to decline faster.

Note that this is not the Health Target, which looks only at those given brief advice to quit. The proportion of the population who smoke (extracted from PHO data) is a more relevant measure in the context of the SPE.

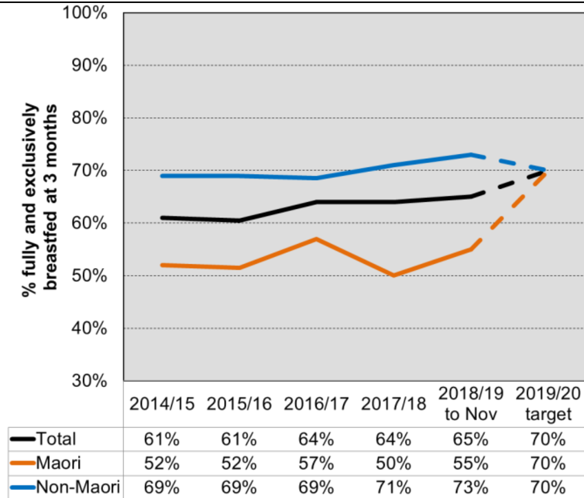
Outputs

Primary care records show 114,508 Northlanders who have ever smoked, of whom 24,039 are current smokers (2018/19 Q3).

Impact: Children are healthy from birth and have a healthy foundation for adulthood

Measure: Full and exclusive breastfeeding at 3 months

Measure type: Coverage



Rationale

Higher rates of breastfeeding in infancy correlate with a lower chance later in life of developing health problems, including long term conditions.

Breastfeeding rates are lower among Maori.

A higher percentage of the child population is Maori, so improving infant health will have a significant effect on improving the health of Maori over time.

Outputs

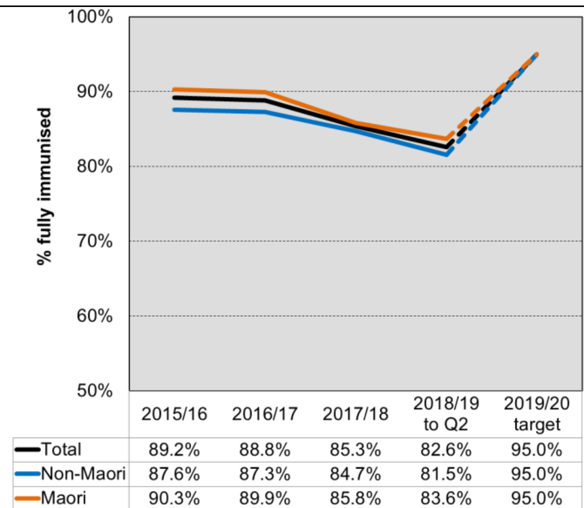
Total NDHB hospital births: 1,966for the twelve months ending March 2018.

887lactation consultant patient contacts for the twelve months ending March 2018.

Mothers are provided with education and support to encourage them to breastfeed, whether they are supported by an independent midwife (home and hospital births) or NDHB midwife (hospital births).

Measure: % of 8-month-olds who have their primary course of immunisation on time

Measure type: Coverage



Rationale

Improved immunisation coverage leads directly to reduced rates of vaccine-preventable (communicable) disease, and that means better health and independence for children and longer and healthier lives.

Immunisations are one of the most cost-effective ways of improving health.

Northland has one of the highest rates of any DHB for parents declining to have their child immunised or opting off the National Immunisation Register. Encouraging higher attendance rates and early enrolment in primary care will raise immunisation coverage. The High Five Project as part of the First 2000 Days Project aims to have all newborns enrolled in five key services: general practice, National Immunisation Register, Well Child/ Tamariki Ora provider, oral health, Newborn Hearing Screening.

Outputs

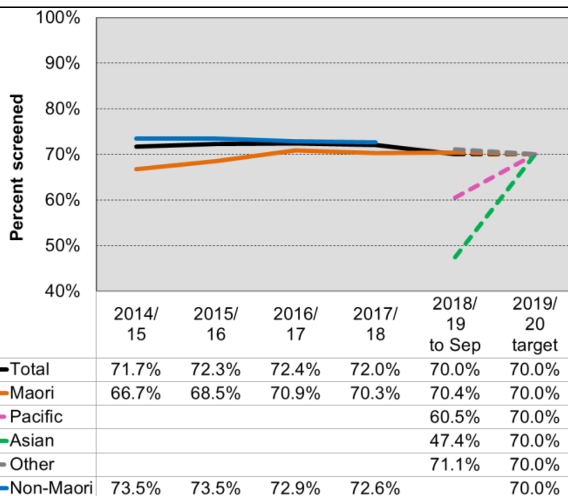
1,893 children were fully immunised before 8 months of age during the twelve months ending March 2019.

NDHB works with primary care providers to continue to improve the rate and timeliness of immunisation.

Impact: If curable, increased likelihood of survival; if incurable, reduced severity of symptoms

Measure: Breast cancer screening in eligible (aged 50-69) populations

Measure type: Coverage



	2014/15	2015/16	2016/17	2017/18	2018/19 to Sep	2019/20 target
Total	71.7%	72.3%	72.4%	72.0%	70.0%	70.0%
Maori	66.7%	68.5%	70.9%	70.3%	70.4%	70.0%
Pacific					60.5%	70.0%
Asian					47.4%	70.0%
Other					71.1%	70.0%
Non-Maori	73.5%	73.5%	72.9%	72.6%		70.0%

Rationale

Screening in the community to identify cancers as early as possible improves the chances of prevention or, if the condition already exists, recovery. The only two formal screening programmes that exist in New Zealand are for breast cancer and cervical cancer.

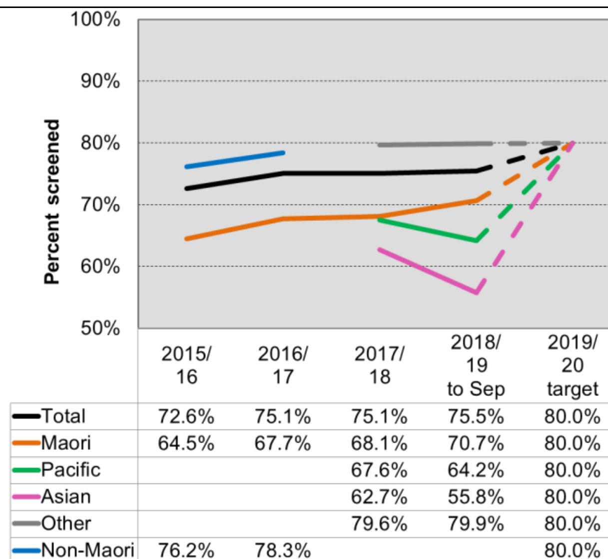
Multiple lines for ethnicity exist in both graphs because in 2018/19 Q1 the National Screening Unit replaced the old 'other' category with finer divisions of Pacific, Asian and other.

Outputs

9,289 eligible women were screened in year to March 2019, including 2,504 Maori and 6,785 non-Maori.

Measure: Cervical cancer screening in eligible (aged 25-69) populations

Measure type: Coverage



	2015/16	2016/17	2017/18	2018/19 to Sep	2019/20 target
Total	72.6%	75.1%	75.1%	75.5%	80.0%
Maori	64.5%	67.7%	68.1%	70.7%	80.0%
Pacific			67.6%	64.2%	80.0%
Asian			62.7%	55.8%	80.0%
Other			79.6%	79.9%	80.0%
Non-Maori	76.2%	78.3%			80.0%

Outputs

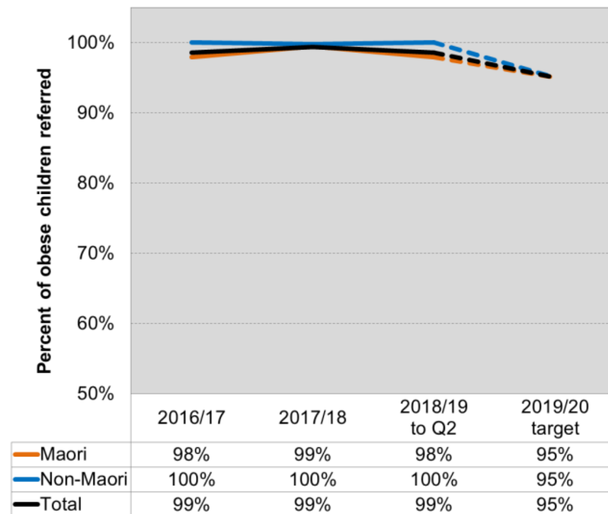
32,326 eligible women screened in the three years up to March 2019, of whom 9,810 were Maori and 23,416 were non-Maori.

Output Class 2: Early Detection and Management

Impact: Children are healthy from birth and have a healthy foundation for adulthood

Measure: % of 4-year-olds identified as obese in B4 School Checks who are offered a referral to a health professional

Measure type: Coverage



	2016/17	2017/18	2018/19 to Q2	2019/20 target
Maori	98%	99%	98%	95%
Non-Maori	100%	100%	100%	95%
Total	99%	99%	99%	95%

Rationale

Obesity, along with smoking, is the most significant driver of long term conditions.

In Northland, 50% of Maori are obese compared with 28% of non-Maori (2011-14 NZ Health Survey).

This measure is part of the national plan to reduce obesity, which has three prongs:

- targeted interventions for those who are obese
- increased support for those at risk of becoming obese
- broad approaches to make healthier choices easier for all New Zealanders.

Other initiatives in Northland include:

- the Food Rescue Project. which redistributes food from suppliers across the community
- the Kai Ora Fund, which enables Northlanders to grow and eat nutritious and sustainably grown local food
- promotion of Healthy Kai policies across government and non-government organisations
- the promotion of water-only policies in schools.

Outputs

1,9814-year-olds checked Mar 2018-Feb 2019

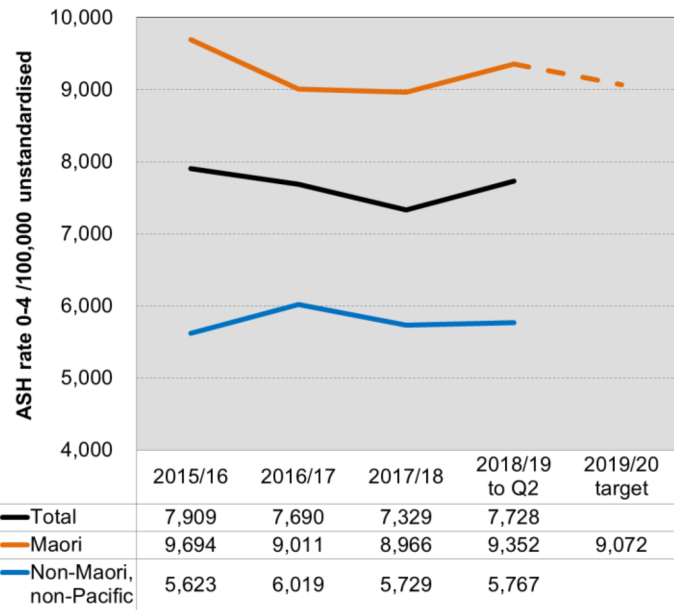
Impact: People manage in the community through effective primary care services

Measure

Ambulatory sensitive hospitalisation rate per 100,000 ages 0-4, unstandardised

Measure type

Quality



	2015/16	2016/17	2017/18	2018/19 to Q2	2019/20 target
Total	7,909	7,690	7,329	7,728	
Maori	9,694	9,011	8,966	9,352	9,072
Non-Maori, non-Pacific	5,623	6,019	5,729	5,767	

Rationale

Ambulatory sensitive hospitalisations (ASH) are potentially avoidable if patients had accessed primary care services, their conditions were diagnosed, then either cured or managed well.

Lower rates of ASH mean people have their conditions treated earlier and more effectively. ASH admissions form a substantial proportion of hospitalisations and affect Maori inequitably.

Lowering ASH rates will free up specialist hospital resources for more acute and urgent cases, thus achieving better value for money from the health dollar. Achieving this involves managing the complex interface between primary and secondary care, for which NDHB has a number of initiatives in place or planned. For example, NDHB is trialling a Primary Options Acute Demand Management Service to enable GPs to flexibly develop management plans for their patients and thus avoid hospital admissions.

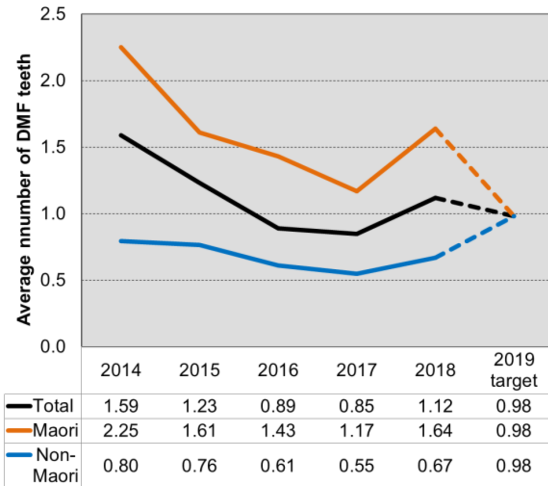
Outputs

Total ASH discharges ages 0-4 2018 CY 910.

Impact: Children are healthy from birth and have a healthy foundation for adulthood

Measure:
Average number of decayed, missing or filled teeth in Y8 students

Measure type:



	2014	2015	2016	2017	2018	2019 target
Total	1.59	1.23	0.89	0.85	1.12	0.98
Maori	2.25	1.61	1.43	1.17	1.64	0.98
Non-Maori	0.80	0.76	0.61	0.55	0.67	0.98

Rationale

Oral health is about more than just the state of teeth and gums, because the effects of poor oral health can be wide-ranging and lifelong. Significant rates of disease create pain and discomfort, limit what children can eat, and affect self-image and confidence.

For many years Northland had among the worst oral health statistics for children, though significant improvements have been made in the last few years.

Northland will always struggle to reach the oral health status of DHBs that have fluoridated water supplies. Northland remains unfluoridated (a brief foray into reticulated fluoridation in two Far North communities was abandoned in 2009).

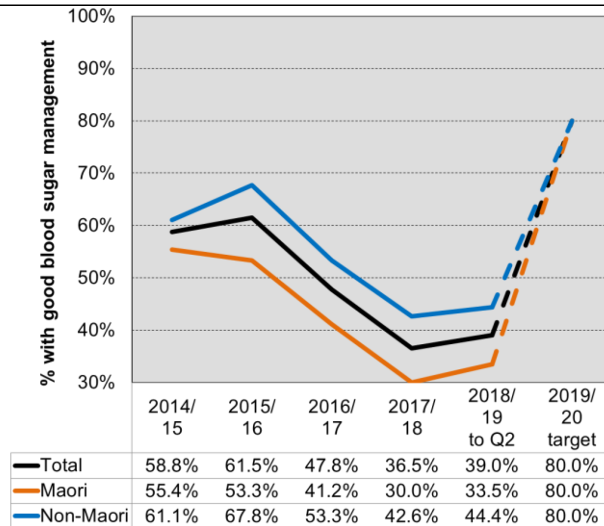
Outputs

1,852 Year 8 students were treated by NDHB's services in the 2018 calendar year.

Impact: Amelioration of long term condition disease symptoms and/or delay in their onset

Measure: % of diabetics who receive annual free checks who have good blood sugar management

Measure type:
Coverage



	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19 to Q2	2019/ 20 target
Total	58.8%	61.5%	47.8%	36.5%	39.0%	80.0%
Maori	55.4%	53.3%	41.2%	30.0%	33.5%	80.0%
Non-Maori	61.1%	67.8%	53.3%	42.6%	44.4%	80.0%

Rationale

Diabetes is an increasingly common long term condition.

It is strongly associated with excess weight, which affects a disproportionate number of Northlanders, especially Maori. Prevalence increases with age, so prompt action is imperative in the face of the ageing population.

DIabetes is a major cause of illness and a significant contributor to cardiovascular disease.

Although incurable, the effect of diabetes on daily life can be minimised through early detection, regular (annual) checks, good clinical management and a healthy lifestyle.

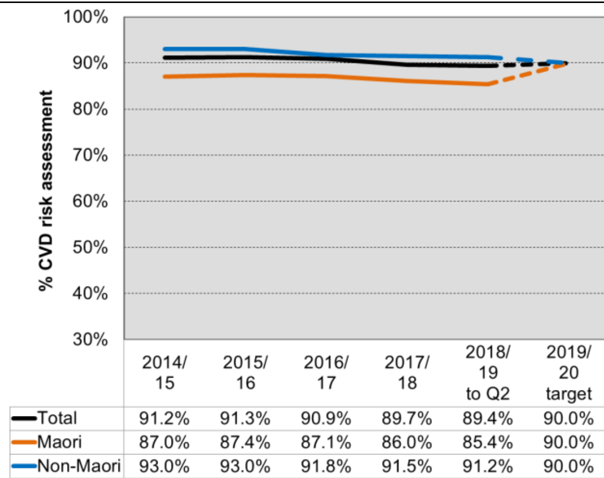
Accurately monitoring progress on this measure is difficult because over the last few years the Ministry has changed the criteria for the denominator several times.

Outputs

As at Dec 2018, 9,621 people are on the Northland diabetes register, of whom 4,152 are Maori and 5,469 are non-Maori.

Measure:
Eligible people receiving cardio-vascular (CVD) risk assessment in the last 5 years

Measure type:
Coverage



Rationale

Along with cancer, cardiovascular (heart and circulatory) disease is the most common long term condition.

Prevalence of CVD conditions is higher among Maori. It also increases with age, so the ageing population means we need to carefully monitor and control the incidence and severity of conditions.

Regular screening identifies those at risk of developing cardiovascular disease, and its onset can be prevented or delayed by lifestyle and clinical interventions. Regular screening also helps earlier identification of those who already have the condition.

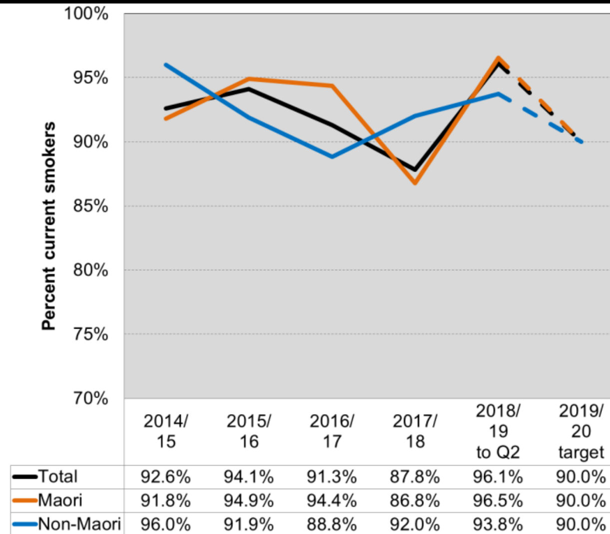
Outputs

53,929 CVD risk assessments performed in primary care over the five years to Mar 2019, of whom 17,050 were Maori, Pacific or Indian (the latter are a high-risk group for heart disease) and 36,879 were other ethnicities.

Measure:

% of pregnant women who identify as smokers upon registration with a DHB-employed midwife or Lead Maternity Carer who are offered brief advice and support to quit smoking

Measure type:
Coverage



Rationale

Smoking and obesity are the two most significant drivers of long term conditions. Smoking during pregnancy accounts for an estimated 20% of all pre-term births and 35% of low birthweight babies.

Smoking is the focus of one of the national Health Targets. New Zealand has committed to a goal of reducing smoking rates to 5% by 2025.

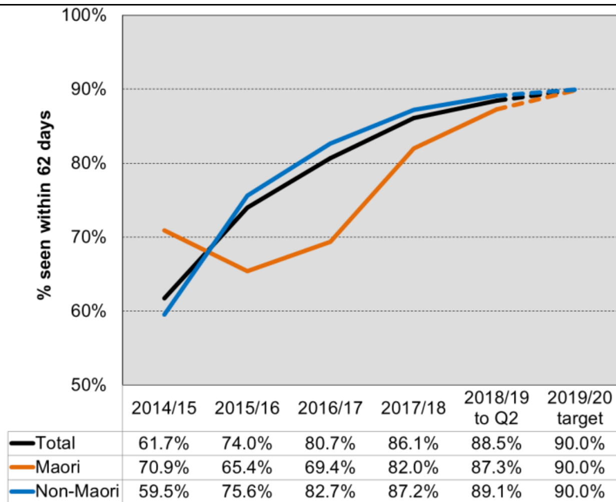
Outputs

Total NDHB hospital births: 1,966 for the twelve months ending March 2018.

Output Class 3: Intensive Assessment and Treatment

Impact: If curable, increased likelihood of survival; if incurable, reduced severity of symptoms

Measure: % of patients who receive first cancer treatment (or other management) within 62 days referred urgently with a high suspicion of cancer and a need to be seen within two weeks



	2014/15	2015/16	2016/17	2017/18	2018/19 to Q2	2019/20 target
Total	61.7%	74.0%	80.7%	86.1%	88.5%	90.0%
Maori	70.9%	65.4%	69.4%	82.0%	87.3%	90.0%
Non-Maori	59.5%	75.6%	82.7%	87.2%	89.1%	90.0%

Measure type: Coverage

Rationale

Along with cardiovascular disease, cancers are the most common type of long term condition.

Some of the biggest gains are to be made by ensuring early access to cancer treatment to improve the chances of recovery and to alleviate symptoms.

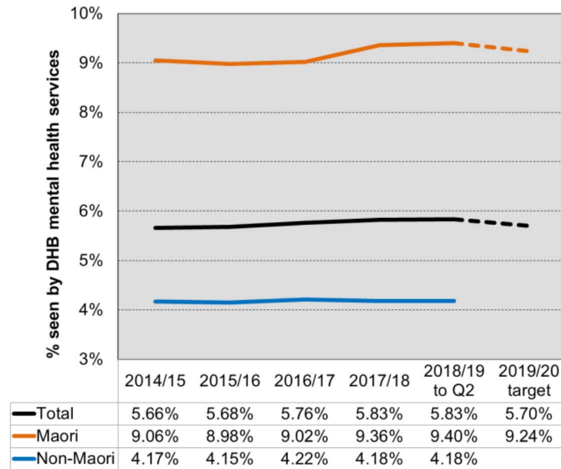
Outputs

588 patients referred urgently with high suspicion of cancer for the twelve months ending March 2019 who commenced first treatment.

Impact: Acute episodes are minimised, clients achieve greater stability, and quality of life is improved for both clients and their families

Measure: % of people with enduring mental illness aged 20-64 who are seen over a year

Measure type: Coverage



	2014/15	2015/16	2016/17	2017/18	2018/19 to Q2	2019/20 target
Total	5.66%	5.68%	5.76%	5.83%	5.83%	5.70%
Maori	9.06%	8.98%	9.02%	9.36%	9.40%	9.24%
Non-Maori	4.17%	4.15%	4.22%	4.18%	4.18%	

Rationale

Severe mental disorders permanently affect 3% of the population.

Mild to moderate disorders affect 20% of the population at any one time and 90% over a lifetime.

Mental health is a priority for the health sector; the guiding document is *Rising to the Challenge*, the national mental health and addictions strategy 2012-2017.

MoH does not require DHBs to report on non-Maori, nor to they require a target for them.

Outputs

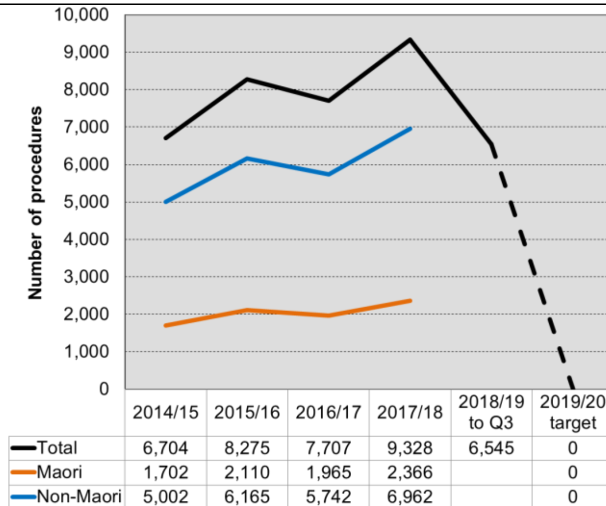
Number of contacts by community mental health services with people who have enduring mental illness (2018/19 extrapolated from 9 months data):

Direct (with client and/or whanau)	92,250
Care coordination (on behalf of client, with another agency)	19,000

Impact: Fewer debilitating conditions and delayed onset of long term conditions

Measure: Increase in elective surgical discharges

Measure type: Coverage



	2014/15	2015/16	2016/17	2017/18	2018/19 to Q3	2019/20 target
Total	6,704	8,275	7,707	9,328	6,545	0
Maori	1,702	2,110	1,965	2,366		0
Non-Maori	5,002	6,165	5,742	6,962		0

Rationale

Elective surgery is an effective way of increasing people's functioning because it remedies or improves conditions that restrict functioning. Timely access is considered by the Ministry of Health to be a measure of the effectiveness of the health system.

Increasing the number of operations will improve access and reduce waiting times, as well as increase public confidence that the health system is meeting their needs.

Outputs

Target planned elective surgical discharges 2018/19 is 9,146. To end of May 2019, 26.9% of patients were Māori and 73.1% were non-Māori..

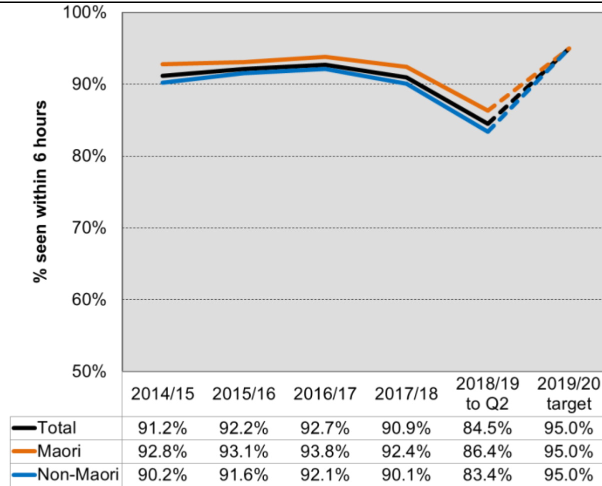
The data used here represents the targets set in each year's Annual Plan. These numbers do not represent total extra elective surgical discharges because every year MoH provides more funding for more procedures, and those amounts cannot be predicted. The most rational way of assessing NDHB's performance is against the targets agreed before the year starts.

Note: targets for 2018/19 are provisional.

Impact: More timely assessment, referral and treatment

Measure: 95% of patients will be admitted, discharged or transferred from and ED within 6 hours

Measure type: Timeliness



	2014/15	2015/16	2016/17	2017/18	2018/19 to Q2	2019/20 target
Total	91.2%	92.2%	92.7%	90.9%	84.5%	95.0%
Maori	92.8%	93.1%	93.8%	92.4%	86.4%	95.0%
Non-Maori	90.2%	91.6%	92.1%	90.1%	83.4%	95.0%

Rationale

Length of stay in ED is an important measure of the quality of acute (emergency and urgent) care in our public hospitals, because:

- EDs are designed to provide urgent health care; so time spent waiting and the timeliness of treatment are by definition important for patients
- long stays and overcrowding in EDs are linked to negative clinical outcomes for patients such as increased mortality and longer inpatient length of stay
- overcrowding can also lead to compromised standards of privacy and dignity for patients.

Outputs

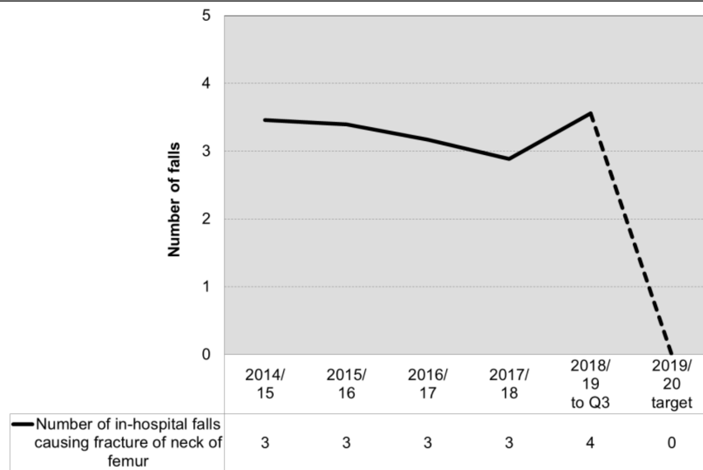
Emergency services provided by EDs at Whangarei Hospital, NDHB's most specialised ED, as well as satellite services at the other three hospitals in Kaitaia, Kawakawa and Dargaville.

Emergency department attendances for the year ended 2018/19 Q3 45,433 .

Impact: Fewer adverse clinical events. **Measures type:** Quality

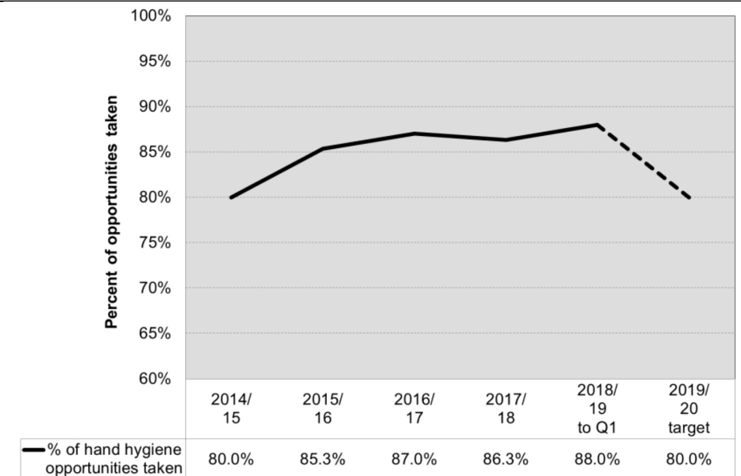
Number of in hospital falls causing fracture neck of femur per month

Target is ideally zero. Though this is achieved in most months, it is unrealistic to expect it to be achieved every month.



	2014/15	2015/16	2016/17	2017/18	2018/19 to Q3	2019/20 target
Number of in-hospital falls causing fracture of neck of femur	3	3	3	3	4	0

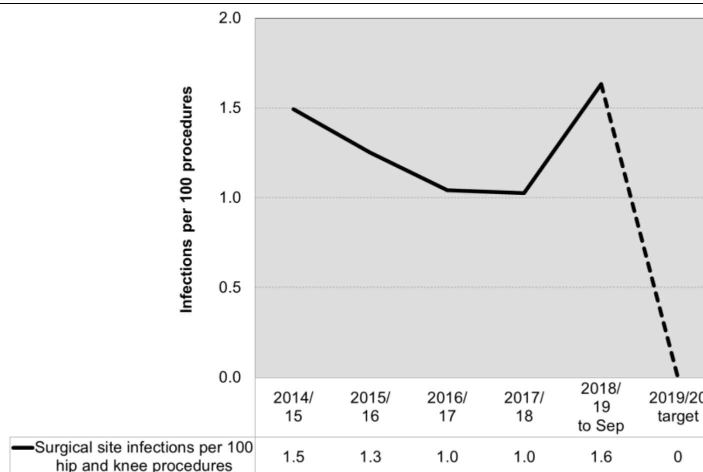
Percentage of opportunities for hand hygiene taken



	2014/15	2015/16	2016/17	2017/18	2018/19 to Q1	2019/20 target
% of hand hygiene opportunities taken	80.0%	85.3%	87.0%	86.3%	88.0%	80.0%

Surgical site infections per 100 hip and knee procedures

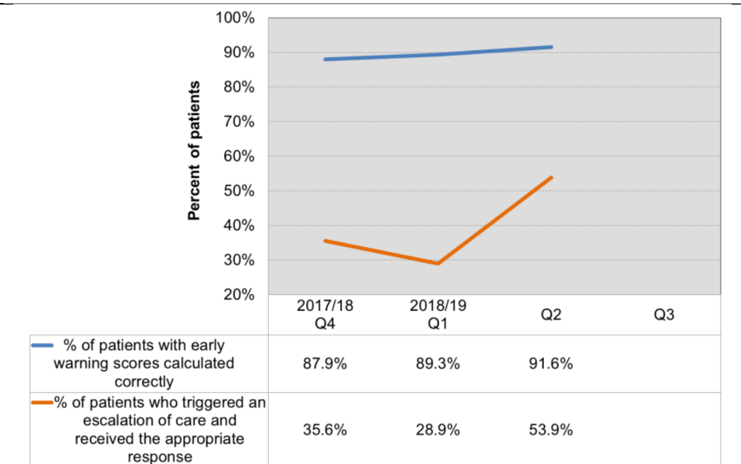
Target is ideally zero. Though this is achieved in many months, it is unrealistic to expect it to be achieved every month.



	2014/15	2015/16	2016/17	2017/18	2018/19 to Sep	2019/20 target
Surgical site infections per 100 hip and knee procedures	1.5	1.3	1.0	1.0	1.6	0

Patient deterioration

New measure from April 2018 so data is presented by quarter. A national target has not yet been set.



	2017/18 Q4	2018/19 Q1	Q2	Q3
% of patients with early warning scores calculated correctly	87.9%	89.3%	91.6%	
% of patients who triggered an escalation of care and received the appropriate response	35.6%	28.9%	53.9%	

Rationale

Patient safety can only be managed if outcomes are measured and monitored, and improvement plans put in place.

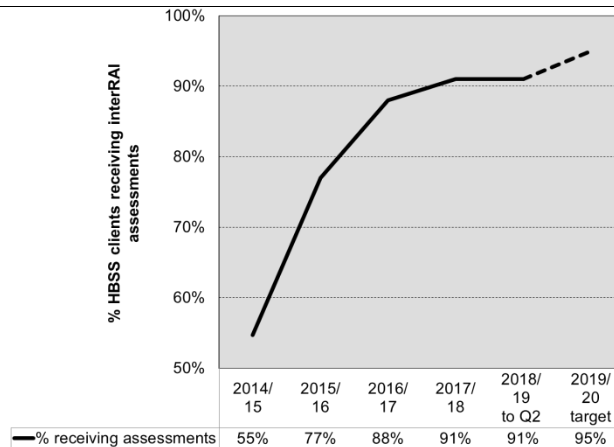
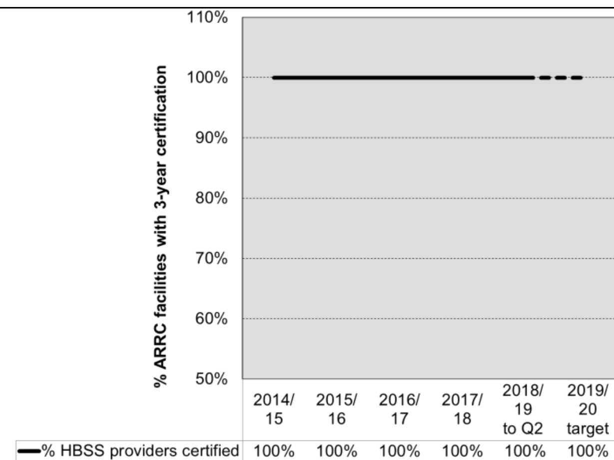
The Health Quality and Safety Commission has developed nationally consistent Quality and Safety Markers. The data is from: https://public.tableau.com/profile/hqi2803#!/vizhome/QSMlocalreportMarch2019draft/Homepage .

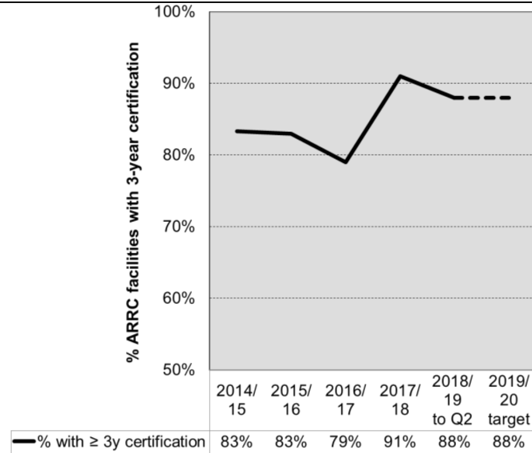
Outputs

Advice and monitoring provided by the Quality and Improvement Directorate, which is overseen by the Chief Medical Advisor.

Output Class 4: Rehabilitation and Support

Impact: Older people requiring support or care receive services appropriate to their needs.

Measure	Rationale	Outputs
Measure: % Home and Community Support Services (HCSS) clients assessed using interRAI tool **Measure type:** Coverage 	**Rationale** Older people who remain in the community with the assistance of home and community support services are more able to 'age in place' (that is, their lifestyle and supports are more appropriate to their needs, and they live safely and independently in the community). The more that happens, the less pressure there will be on hospital and aged residential care resources. Good quality clinical assessment for older people who live at home contributes to achieving these aims. interRAI is collaborative network of researchers in over 30 countries who promote evidence-based clinical practice and policy to improve health care for persons who are elderly, frail, or disabled. InterRAI has developed assessment instruments for a range of populations in various areas of health care, including home care and long term care facilities.	**Outputs** 1,972 clients who receive long term home based support services have ever been assessed using the interRAI Home Care or Contact Assessment tool as at Dec 2018.
Measure: % of HCSS providers certified **Measure type:** Quality 	**Rationale** Certification against the Home and Community Support Sector Standard (NZS 8158:2012) is aimed at ensuring people receive good quality support in their homes. The standard sets out what people receiving home and community support services can expect and the minimum requirements to be attained by organisations. All NDHB home and community support services are certified, and Northland DHB ensures providers maintain their certification status.	**Outputs** 9 providers of home based support services, providing support to 2,668 people in the community up to Dec 2018.

Measure: % of ARRC providers with at least 3-year certification **Measure type:** Quality		Rationale	Outputs
Measure: % of ARRC providers with at least 3-year certification **Measure type:** Quality		**Rationale** Certification reduces potential risks to residents by ensuring providers comply with the Health and Disability Services Standards. The period of certification for aged residential care providers reflects their risk level; the fewer the number and the lower the level of risks identified during audits, the longer the period of certification.	**Outputs** Since 2010 a single audit process has encompassed DHB aged care contracts and MoH certification audits. DHBs on work with providers on corrective action plans to address any matters identified though the audits, monitor progress against the agreed corrective action plans, and manage risks that may arise. In 2018/19 there are 24 facilities, of which 15 have 3-year certification and 7 have 4-year; 22/24 = 92%.

3 Financial performance

The forecast financial statements for the period 2019/20 to 2022/23 included in this Statement of Performance Expectations were authorised for issue by the Board on 28 June 2019.

The forecast financial statements were prepared on the basis of the key assumptions for the financial statements and the significant accounting policies. The actual financial results achieved for the period covered are likely to vary from the forecast/plan financial results presented. Such variations may be material.

The 2019-20 and out year budgets are still to be approved by the Minister of Health.

Key Assumptions for Financial Statements

Revenue Growth

The majority of Northland DHB's revenue is from the Ministry of Health, made up mostly of population-based funding for the Northland DHB population and IDF revenue (for services delivered for other DHB's populations). The Ministry of Health advised us in May 19 of a PBFF funding increase of $26m.

Expenditure Growth

The underlying cost growth is driven by significant demographic growth pressure on services provided for the population, and direct expense increases including the cost of employment contract settlements (including step increases) staff FTE growth, inflationary pressure, infrastructure maintenance and contractual pricing on clinical and non-clinical supplies.

Capital Expenditure

Capital expenditure is for remediation of baseline infrastructure, upgrades, investment in new technology and clinical equipment replacement. Crown funding has been approved to finance major redevelopment and upgrade projects.

Statement of Comprehensive Income

$000s

	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
DHB Provider Revenue	361,533	390,983	412,315	428,807	445,960	463,798
DHB Funder Revenue	272,492	281,457	299,751	311,741	324,210	337,179
DHB Governance & Administration	368	(0)	(0)	-	-	-
Inter District Flow Revenue	9,907	11,433	11,195	11,643	12,109	12,593
Total Revenue	644,300	683,873	723,260	752,191	782,278	813,569
DHB Provider Operating Expenditure	348,444	369,001	399,362	415,333	432,312	450,063
DHB Non Provider Funded Services	204,422	211,099	226,494	235,554	244,976	254,775
DHB Governance & Administration	325	383	583	606	630	656
Inter District Flow Expense	80,367	87,768	85,019	88,420	91,957	95,635
Total Operating Expenditure	633,559	668,251	711,458	739,913	769,875	801,129
Earnings before Interest, Depreciation, Abnormals & Capital Charge	10,742	15,622	11,802	12,278	12,403	12,440
Less						
Interest on Term Debt	71	502	471	490	509	530
Depreciation	12,993	14,496	14,919	15,516	16,137	16,782
Earnings before Abnormals & Capital Charge	(2,322)	624	(3,588)	(3,728)	(4,244)	(4,872)
Profit/(Loss) on Sale of Assets	-	-	-	-	-	-
Net Operating Surplus (Deficit)	(2,322)	624	(3,588)	(3,728)	(4,244)	(4,872)
Capital Charge	8,465	8,220	9,211	9,583	9,601	9,526
Surplus (Deficit)	**(10,787)**	**(7,595)**	**(12,800)**	**(13,312)**	(13,844)	(14,398)
Revaluation of Fixed Assets	(20,602)	0	0	0	0	0
Comprehensive Income	**9,815**	**(7,595)**	**(12,800)**	**(13,312)**	**(13,844)**	**(14,398)**

Statement of Movements in Equity

$000s

	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
Equity at the beginning of the period	149,763	159,561	158,565	164,765	165,053	163,809
Surplus/Deficit for the period	(10,787)	(7,595)	(12,800)	(13,312)	(13,844)	(14,398)
Total Recognised Revenues and Expenses	138,976	151,965	145,765	151,453	151,209	149,411
Other Movements						
Revaluation of Fixed Assets	20,603	-	-	-	-	-
Other	(18)	-	0	-	-	-
Equity introduced (Repaid)	-	6,600	19,000	13,600	12,600	-
Equity at end of Period	**159,561**	**158,565**	**164,765**	**165,053**	**163,809**	**149,411**

Statement of Financial Position

$000s

	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
Equity						
Crown Equity	65,005	65,005	71,605	90,605	104,205	116,805
Retained Earnings	(8,396)	(15,991)	(28,792)	(42,103)	(55,947)	(70,346)
Subsidiaries & unrestricted trusts	208	208	209	209	209	209
Revaluation Reserve	102,743	102,743	102,743	102,743	102,743	102,743
Equity Injections	-	6,600	19,000	13,600	12,600	-
Total Equity	159,561	158,565	164,765	165,054	163,810	149,411
Represented by:						
Assets						
Current Assets	30,706	27,033	10,860	1,206	(8,687)	(18,364)
Non-Current Assets	227,087	234,686	254,146	263,500	271,683	266,620
Total Assets	257,792	261,719	265,006	264,706	262,997	248,256
Liabilities						
Current Liabilities	83,300	80,970	78,650	78,650	78,650	78,650
Non-Current Liabilities	14,931	22,184	21,592	21,003	20,538	20,195
Total Liabilities	98,231	103,153	100,241	99,652	99,187	98,844
Net Assets	**159,561**	**158,565**	**164,765**	**165,054**	**163,809**	**149,411**

Statement of Cash Flows

$000s

	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
Cash Flows from Operating Activities						
Operating Income	644,966	683,423	722,607	751,983	782,062	813,345
Operating Expenditure	632,610	678,701	722,231	749,923	779,476	810,655
Net Cash from Operating Activities	12,355	4,722	376	2,060	2,586	2,690
Cash Flows from Investing Activities						
Interest receipts 3rd Party	841	450	200	208	216	225
Sale of Fixed Assets	22	-	-	-	-	-
Purchase of Fixed Assets	(16,996)	(21,683)	(33,640)	(24,870)	(24,320)	(11,720)
(Increase)/Decrease in Investments and Restricted & Trust Funds As	(1,707)	(1,773)	(740)	-	-	-
Net Cash from Investing Activities	(17,840)	(23,006)	(34,180)	(24,662)	(24,104)	(11,495)
Cash Flows from Financing Activities						
Equity injections (repayments)	-	6,600	19,000	13,600	12,600	-
Borrowings introduced (repaid)	(712)	8,248	(898)	(589)	(465)	(343)
Interest Paid	(71)	(502)	(471)	(490)	(509)	(530)
Other Non-Current Liability Movement	-	-	-	-	-	-
Net Cash from Financing Activities	(783)	14,346	17,631	12,521	11,626	(873)
Net Increase/(Decrease) in Cash held	(6,267)	(3,938)	(16,173)	(10,081)	(9,892)	(9,678)
Add opening cash balance	12,707	6,439	2,501	(13,672)	(23,753)	(33,645)
Closing Cash Balance	6,439	2,501	(13,672)	(23,753)	(33,645)	(43,323)

Key Financial Analysis and Banking Covenants

	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget
Financial Analysis					
Term Liabilities and Current Liabilities	98,231	103,153	100,241	99,652	99,187
Debt	1,775	1,775	8,285	7,696	7,231
Owners Funds	159,561	158,565	164,765	165,054	163,809
Total Assets	257,792	261,719	265,006	264,706	262,997
Owners Funds to Total Assets	61.9%	60.6%	62.2%	62.4%	62.3%
Interest Expense	71	502	471	490	509
Depreciation Expense	12,993	14,496	14,919	15,516	16,137
Surplus/(Deficit)	(10,787)	(7,595)	(12,800)	(13,312)	(13,844)
Interest Cover	32.24	14.74	5.50	5.50	5.50
Debt/Debt + Equity Ratio	1%	1%	5%	4%	4%
Banking Covenants					
Debt/Debt + Equity Ratio	1.1%	1.1%	4.8%	4.5%	4.2%
Interest Cover	32.2	14.7	5.5	5.5	5.5
Interest Cover Minimum	3.0	3.0	3.0	3.0	3.0

Consolidated Statement of Financial Performance ($000s)

	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
MOH Devolved Funding	605,727	645,411	685,706	713,134	741,659	771,325
MOH Non-Devolved Contracts (provider arm side contracts)	14,471	14,588	14,789	15,381	15,996	16,636
Other Government (not MoH or other DHBs)	7,185	6,425	6,393	6,648	6,914	7,191
Patient / Consumer sourced	637	406	449	466	485	505
Other Income	5,048	4,420	3,539	3,681	3,828	3,981
InterProvider Revenue (Other DHBs)	1,326	1,190	1,190	1,238	1,287	1,339
IDFs - All Other (excluding Mental Health)	9,907	11,433	11,195	11,643	12,109	12,593
Total Consolidated Revenue	644,300	683,873	723,260	752,191	782,278	813,569
Personnel Costs	235,137	255,574	276,891	287,967	299,486	311,465
Outsourced Services	34,736	31,975	36,409	37,865	39,380	40,955
Clinical Supplies	49,767	53,251	56,319	63,014	65,534	68,156
Infrastructure & Non-Clinical Supplies	29,130	28,585	30,326	27,093	28,542	30,143
Finance Costs	8,535	8,722	9,682	10,073	10,110	10,056
Depreciation	12,993	14,496	14,919	15,516	16,137	16,782
Personal Health	186,749	198,730	202,212	210,301	218,713	227,461
Mental Health	15,964	16,266	19,956	20,754	21,584	22,448
Disability Support Services	74,638	76,359	81,201	84,450	87,828	91,341
Public Health	1,734	1,704	1,790	1,862	1,936	2,014
Maori Health	5,704	5,808	6,354	6,608	6,872	7,147
Total Operating Expenditure	655,087	691,469	736,060	765,502	796,122	827,967
Surplus (Deficit)	(10,787)	(7,596)	(12,800)	(13,312)	(13,844)	(14,398)

Provider Statement of Financial Performance ($000s)	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
MOH Non-Devolved Contracts (provider arm side contracts)	14,471	14,588	14,789	15,381	15,996	16,636
Other Government (not MoH or other DHBs)	6,825	6,425	6,393	6,648	6,914	7,191
Non-Government & Crown Agency Sourced	5,685	4,825	3,988	4,147	4,313	4,485
InterProvider Revenue (Other DHBs)	1,326	1,190	1,190	1,238	1,287	1,339
Internal Revenue (DHB Fund to DHB Provider)	333,227	363,954	385,955	401,393	417,449	434,147
Total Provider Revenue	361,533	390,983	412,315	428,807	445,960	463,798
Personnel Costs	235,137	255,574	276,891	287,967	299,486	311,465
Outsourced Services	34,736	31,975	36,409	37,865	39,380	40,955
Clinical Supplies	49,767	53,251	56,319	63,014	65,534	68,156
Infrastructure & Non-Clinical Supplies	28,804	28,202	29,743	26,486	27,912	29,487
Finance Costs	8,535	8,722	9,682	10,073	10,110	10,056
Depreciation	12,993	14,496	14,919	15,516	16,137	16,782
Total Operating Expenditure	369,973	392,218	423,964	440,922	458,559	476,901
Surplus (Deficit)	**(8,439)**	**(1,236)**	**(11,649)**	**(12,115)**	**(12,600)**	**(13,104)**

Governance Statement of Financial Performance ($000s)	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
Government & Crown Agency Sourced	368	(0)	(0)	-	-	-
Total Governance Revenue	368	(0)	(0)	-	-	-
Personnel Costs	-	-	-	-	-	-
Outsourced Services	-	-	-	-	-	-
Infrastructure & Non-Clinical Supplies	325	383	583	606	630	655
Total Operating Expenditure	325	383	583	606	630	655
Surplus (Deficit)	**43**	**(383)**	**(583)**	**(606)**	**(630)**	**(655)**

Funder Statement of Financial Performance ($000s)	2017-18 Audited Actual	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-2023 Budget
MOH Devolved Funding	605,727	645,411	685,706	713,134	741,659	771,325
Inter District Flows	9,907	11,433	11,195	11,643	12,109	12,593
Total Funder Arm Revenue	615,994	656,844	696,901	724,777	753,768	783,918
Personal Health	470,476	510,111	535,594	557,017	579,298	602,470
Mental Health	58,193	61,006	64,696	67,284	69,975	72,774
Disability Support Services	80,913	83,220	88,063	91,585	95,249	99,059
Public Health	2,504	2,345	2,431	2,528	2,629	2,734
Maori Health	5,929	6,140	6,685	6,953	7,231	7,520
Other	368	-	-	-	-	-
Total Operating Expenditure	618,384	662,821	697,468	725,367	754,382	784,557
Surplus (Deficit)	**(2,390)**	**(5,977)**	**(568)**	**(590)**	**(614)**	**(638)**

Statement of Financial Performance - By Output Class $000s	Intensive Assessment & Treatment	Early Detection & Management	Prevention	Rehabilitation & Support Services	Budget 2019/2020
DHB Provider Revenue	323,096	27,342	2,812	10,703	363,954
Other Provider Revenue	7,232	5,780	9,711	3,637	26,360
DHB Funder Revenue	103,369	138,257	12,173	79,147	332,946
Total SOI Revenue	433,698	171,380	24,696	93,486	723,260
Personnel Costs					
Medical Labour	73,980	7,380	1,658	37	83,055
Nursing Labour	93,082	8,480	2,079	5,583	109,224
Allied Health Labour	25,229	11,671	2,596	2,644	42,139
Non Clinical Support Labour	5,544	184	143	92	5,963
Management and Admin Labour	28,019	4,013	2,719	1,759	36,510
Non-Personnel Operating Costs					
Outsourced Services	29,974	4,370	1,275	791	36,409
Clinical Supplies	54,448	2,366	706	3,070	60,590
Infrastructure and Non Clinical	33,775	3,806	1,588	1,804	40,974
Finance and Capital Costs	8,123	859	301	399	9,682
Provider Payments					
Personal Health	77,362	118,355	5,460	1,036	202,213
Mental Health	16,765	3,191	0	0	19,956
Disability Support Services	171	0	0	81,030	81,201
Public Health	0	1,404	386	0	1,790
Maori Health	0	619	5,663	72	6,354
Total SOI Operating Expenditure	446,472	166,698	24,573	98,317	736,060
Surplus (Deficit)	**(12,774)**	**4,681**	**123**	**(4,830)**	**(12,800)**

Significant Accounting Policies

Reporting entity

Northland District Health Board (Northland DHB) is a Health Board established by the New Zealand Public Health and Disability Act 2000. Northland DHB has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes. It is domiciled and operates in New Zealand. Northland DHB is a Crown Entity as defined by the Crown Entities Act 2004. Northland DHB's ultimate parent is the Crown.

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

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZGAAP). They have been prepared in accordance with Tier 1 PBE Accounting Standards. These financial statements comply with PBE accounting standards.

Presentation currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest thousand dollars ($000).

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

Critical accounting estimates and assumptions

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating useful lives and residual values of property, plant and equipment

The useful lives and residual values of property, plant and equipment are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires Northland DHB to consider a number of factors such as the physical condition of the asset, advances in medical technology, expected period of use of the asset by Northland DHB, and expected disposal proceeds (if any) from the future sale of the asset.

Critical judgments in applying accounting policies

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Northland DHB.
Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

Northland DHB has exercised its judgment on the appropriate classification of leases, and has classified finance lease appropriately.

Foreign currency transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit with NZ Health Partnership Limited, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that Northland DHB will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Trade and other payables

Trade and other payables are recorded at their face value.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Inventories

Inventories held for distribution in the provision of services that are not supplied on a commercial basis are measured at cost (using the average weighted cost method) and adjusted when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the average weighted cost method) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the surplus or deficit over the period of the borrowings on an effective interest basis. Borrowings are classified as current liabilities unless Northland DHB has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: land, buildings and plant, equipment and motor vehicles

Owned assets

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

Land and buildings are revalued to fair value as determined by an independent registered valuer at least every three years or, where there is evidence of a significant change in fair value. The net revaluation results are credited or debited to other comprehensive revenue and is accumulated to an

asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

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

Property, plant and equipment vested from the Hospital and Health Service

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

Disposal of property, plant and equipment

Where an item of plant and equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sales price and the carrying amount of the asset. The gain or loss is recognised in the reported net surplus or deficit in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Additions to property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to Northland DHB and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred, if it is probable that the service potential or future economic benefits embodied within the new item will flow to Northland DHB. All other costs are recognised in the statement of comprehensive revenue as an expense as incurred. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided using the straight line method on all property plant and equipment other than land, and recognised in the surplus or deficit.

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

Class of asset	Estimated life	Depreciation rate
Buildings (including components)	10 to 70 years	(1.4% - 10%)
Plant and Equipment	1 to 15 years	(6.6% - 100%)
Motor Vehicles	5 to 15 years	(6.6% - 20%)

The residual value of assets is reassessed annually to determine if there is any indication of impairment.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period which they are incurred.

Intangible Assets

Intangible assets that are acquired by Northland DHB are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset.

Costs that are directly associated with the development of software for internal use, are recognised as an intangible asset. Direct costs can include the software development employee costs and an appropriate portion of relevant overheads.

Finance Procurement Supply Chain, including National Oracle Solution

The Finance Procurement Supply Chain (FPSC), which includes the National Oracle Solution (NOS), is a national initiative funded by DHBs and facilitated by NZ Health Partnerships Limited (NZHPL) to deliver sector wide benefits. NZHPL holds an intangible asset recognised at the capital cost of development relating to this programme. Northland DHB holds an asset at cost of capital invested by Northland DHB in the FPSC programme. This investment represents the right to access the FPSC assets and are considered to have an indefinite life. DHBs have the ability and intention to review the service level agreement indefinitely and the fund established by NZHPL through the on-charging of depreciation and amortisation on the assets to the DHBs will be used to, and is sufficient to, maintain the assets standard of performance or service potential indefinitely. As the rights are considered to have an indefinite life, the intangible asset is not amortised and is tested for impairment annually.

Subsequent expenditure

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

Amortisation

Amortisation is provided in the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Class of asset	Estimated life	Amortisation rate
Software	2 to 3 years	(33% - 50%)

Impairment of property, plant and equipment and intangible assets

Northland DHB does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a cash return.

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the fair value of an asset cannot be reliably determined by reference to market based evidence. Specialised Hospital Buildings are an example of this.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive revenue to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Employee benefits

Defined contribution schemes

Obligations for contributions to defined contribution plans are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

Northland DHB makes employer contributions to the Defined Benefits Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Long service leave, sabbatical leave and retirement gratuities

Northland DHB's obligation in respect of long service leave, sabbatical leave and retirement gratuities is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated on an actuarial basis and involves the projection, on a year by year basis, of the entitlements, based on accrued service. These benefits are estimated in respect of their incidence according to assumed rates of death, disablement, resignation and retirement and in respect of those events according to assumed rates of salary progression. A value is placed on the resulting liabilities by discounting the projected entitlements back to the valuation date using a suitable discount rate. All other employee entitlements are classified as current liabilities.

Annual leave, conference leave and medical education leave and expenses

Annual leave, conference leave and medical education leave are short-term obligations and are calculated on an actual basis at the amount Northland DHB expects to pay. These are recognised in the surplus or deficit when they accrue to employees. Northland DHB accrues the obligation for paid absences when the obligation both relates to employees' past services and it accumulates.

Sick leave

Northland DHB recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent the Northland DHB anticipates it will be used by staff to cover those future absences.

Bonuses

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Provisions

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

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

ACC Accredited Employers Programme

Northland DHB belongs to the ACC Accredited Employers Programme (the "Full Self Cover Plan") whereby Northland DHB accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, Northland DHB is liable for all claims costs for a period of two years after the end of the cover period in which the injury occurred. At the end of the two-year period, Northland DHB pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Accredited Employers Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely to possible, the estimated future cash outflows.

Equity

Equity is the community's interest in Northland DHB and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components.

The components of equity are Retained Earnings, Revaluation Reserve (consisting of Land and Buildings), Fair value through other Comprehensive Revenue Reserve (Bond Investments), non-controlling interest in the group and Trust/Special Funds. The minority interest in the group is represented by the joint venture partner in the controlled entity. Trust/Special funds are funds donated or bequeathed for a specific purpose. The use of these assets must comply with the specific terms of the sources from which the funds were derived. The revenue and expenditure in respect of these funds is included in the surplus or deficit. An amount equal to the expenditure is transferred from the trust fund component of equity to retained earnings. An amount equal to the revenue is transferred from revenue earnings to trust funds.

Property revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change of financial assets (Bond Investments) classified as fair value through other comprehensive revenue and expense.

Revenue

The specific accounting policies for significant revenue items are explained below.

Ministry of Health population-based revenue

Northland DHB receives annual funding from the Ministry of Health, which is based on population levels within the Northland DHB region.

Ministry of Health population-based revenue for the financial year is recognised based on the funding entitlement for that year.

Ministry of Health Contract Revenue

The revenue recognition approach for Ministry of Health contract revenue depends on the contract terms. Those contracts where the amount of revenue is substantively linked to the provision of quantifiable units of service are treated as exchange contracts and revenue is recognised as Northland DHB provides the services. For example, where funding varies based on the quantity of services delivered, such as number of screening tests or heart checks. Other contracts are treated as non-exchange and the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to provide services to the satisfaction of the funder to receive or retain funding. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the service requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as the past practice of the funder. Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year funding arrangements.

Goods sold and services rendered

Revenue from goods sold is recognised when Northland DHB has transferred to the buyer the significant risks and rewards of ownership of the goods and Northland DHB does not retain either continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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

Revenue from other DHB's

Inter-district patient inflow revenue occurs when a patient treated within the Northland DHB region is domiciled outside of Northland. The Ministry of Health credits Northland DHB with a monthly amount based on an estimated patient treatment for non-Northland residents within Northland. An annual wash-up occurs at year end to reflect the number of non-Northland patients treated at Northland DHB.

Donated services

Certain operations of the Northland DHB are reliant on services provided by volunteers. Volunteer services received are not recognised as revenue or expenditure by Northland DHB.

ACC contract revenue

ACC contract revenue is recognised as revenue when eligible services are provided and any contract conditions have been fulfilled.

Rental revenue

Rental revenue is recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease term.

Interest

Interest revenue is recognised using the effective interest method.

Expenses

Operating leases

An operating lease is a lease whose term is short compared to the useful life of the asset or piece of equipment and does not transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases where Northland DHB is the lessee are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Net financing costs comprise interest paid and payable on borrowings, calculated using the effective interest rate method and are recognised as an expense in the financial year in which they are incurred.

Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates. The intention of the capital charge is to make explicit the true costs of the taxpayers' investment by requiring recognition of those costs.

Contingent liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Cost allocation

Northland DHB has arrived at the net cost of service for each significant activity using the cost allocation system outlined below:

Cost allocation policy

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

Direct costs are those costs directly attributable to an output class.

Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output class.

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

Income tax

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

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

4 Stewardship

4.1 Managing our business

4.1.1 Organisational performance management

Northland DHB has clear lines of accountability for reporting and monitoring that are captured in position descriptions. Reports on management performance are provided monthly, quarterly and annually and presented at various venues including the Board, ELT, Clinical Governance, Medical ELT, and the Organisational Management Group.

Northland DHB has an ELT dashboard that is continually being improved and refreshed.

Processes for specific areas of operation are described in more detail in 4.1.2 to 4.1.6.

4.1.2 Funding and financial management

Northland DHB's finances are thoroughly monitored both internally and by external agencies.

Internally:

- our financial management systems enable us to set targets and monitor performance on finance, workforce and service delivery
- monthly Internal Planning, Performance Monitoring and Reporting meetings monitor finance and other performance based on the targets set above
- financial reports and reviews occur at the Board's Audit and Risk Committee, and at Board meetings
- delegated authorities are reviewed annually and approved by the Board.

Externally:

- MoH monitors our financial performance through the reports we send them monthly
- once a year Audit NZ audits our financial statements and our Annual Report
- the regional internal audit service audits and monitors our financial systems and performance, as well as those of the Northern Region's shared service agency healthAlliance
- healthAlliance provides regional oversight of information systems and technology, and NZ Health Partnerships was established nationally to save money by reducing administrative, support and procurement costs.

Our infrastructure, clinical equipment and information systems investment portfolios are each governed by a steering group comprising clinical staff, consumer representatives and management. NDHB is currently in the process of embedding the P3M3 framework to support our programme management.

4.1.3 Investment and asset management

Northland DHB is a Tier 2 Intensive Investment Agency under Treasury's Investment Management and Asset Performance (IMAP) with a Cabinet-approved Investor Confidence Rating of 'C' based on the assessment undertaken in 2016. The rating reflects Northland DHB's ability to manage investment portfolios and to successfully deliver promised benefits in the medium and long term. A review of The Northern Regional Health Plan with a focus on primary and secondary integration is currently underway to update this document with approved strategic goals aligning to Ministry of Health priorities, NZ Health Strategy, Northland DHB planning documentation and the Long Term Investment Plan. Northland's long term intentions include the redevelopment of the Whangārei Hospital campus and an electronic health record covering primary and secondary services.

A second Treasury lead Investor Confidence Rating assessment is underway in the first half of 2019 which will include a complete review and update to Asset Management Plans, Polices, Strategy and the Long Term Investment Plan.

4.1.4 Shared service arrangements and ownership interests

The Northland DHB group consists of the parent, Northland DHB, and Kaipara Joint Venture Trust (51% ownership by Northland DHB). Northland DHB has a joint venture with the other Northern Region DHBs in healthAlliance NZ Limited (25%). The DHB's subsidiary, associates and joint venture are incorporated and domiciled in New Zealand.

4.1.5 Risk management

Northland DHB manages its risk through a Risk Committee that provides oversight and management of all risks. The Risk Committee provides an in-depth appraisal and management of corporate risks each month, and prepares a report to the Operational Management Group that provides governance of risk. The Risk Committee delivers monthly reports to the Finance, Risk and Audit Committee. The Emergency and Corporate Risk Manager attends these meetings and provides any updates and clarifications that may be needed for the Board members.

The governance of risk is managed in the following way:

- a clear risk policy that all staff are made aware of
- a guide for staff on how to appropriately identify and manage risks
- monthly review of the high to extreme risks in Datix
- a monthly Risk Committee meeting to review the top risks and identify management plans where necessary
- monthly reporting to the Operational Management Group
- monthly reporting to the Finance, Risk and Audit Committee.

4.1.6 Quality assurance and improvement

Our commitment to quality and safety aligns with the national vision and includes:

- six-weekly quality reports produced for the Board's Hospital Advisory Committee, the Patient Safety Committee and the Clinical Governance Board
- monitoring clinical risk, adverse events and errors, complaints, benchmarking with other DHBs, improvements to clinical systems
- a dedicated clinical audit position that is supported by the Clinical Audit Committee
- robust documents control process to ensure high quality of policies, procedures, processes and patient information
- an electronic risk register so all parts of the organisation can record and manage risk
- a Patient Safety and Quality Improvement framework, a commitment to our patients/clients, staff and community to improve quality through focused targets and actions.
- coordination of and support for the Consumer Council
- monitoring and driving improvement for established national quality safety markers
- incorporation of equity in all we do.

4.1.7 Partnership with Public Health

Northland DHB will work in partnership with our public health unit in their work on promoting and protecting population and environmental health, delivering services that improve the effectiveness of prevention activities in other parts of the health system, cross-sectorally, and in undertaking regulatory functions.

4.2 Building capability

4.2.1 Capital and infrastructure development

Northland DHB received approval on 30 May 2017 from the Capital Investment Committee (CIC) to develop a programme business case for a major redevelopment of Whangārei Hospital. The aim of the redevelopment will be to transform health services in Northland with a focus on service and campus redesign. Interim projects currently underway or in planning stages include an Endoscopy Theatre,

Additional Theatre Capacity, a Cardiac Cath Lab, Bay of Islands Redevelopment Stage 2 and Community Mental Health.

The Programme Business Case for the Whangārei Hospital Redevelopment has now been placed on hold by Ministry due to funding constraints. A second Business Case for capacity and critical compliance will be submitted to the CIC in April. Further business cases for Community Mental Health; condition and health and safety will follow.

BECA has been engaged for a condition assessment on the main Whangārei Hospital. The assessment will focus on fitness for purpose, structure and fire compliance. Results from the assessment will help inform the capacity and critical compliance Business Case.

NDHB allocates budget to baseline Facilities Minor Works and Clinical Equipment in the Annual Plan.

Annual capital bid approval processes see bids rated and prioritised by Capital Planning and Review Committees. This informs the makeup of the clinical equipment and buildings baseline funding allocation. Of the clinical equipment budget, 20% is set aside as breakdowns to ensure there is immediate funding available to replace clinical equipment which breaks down during the year. The fund also covers the scenario where the cost of equipment repair is no longer viable or the equipment cannot be repaired. Major Clinical Equipment projects, for example MRI or Patient Monitoring, are detailed a separate projects in the Annual Plan.

Northland DHB is to review Facilities and Clinical Equipment asset management plans in the first half of 2019. The results will assist prioritisation processes.

4.2.2 IT and communications systems

The Northern Region has developed its Long Term Investment Plan (LTIP) to provide an investment path for the region to address its key healthcare delivery issues around capacity and capability. A key element of the LTIP is the information systems strategic plan (ISSP), including the roadmaps that support its delivery. The Northern Region ISSP is fully aligned with the National Health Strategy and the Ministry of Health's Digital Strategy, and this alignment has been detailed in the ISSP which has been reviewed by the Ministry of Health. The four key investment objectives in the ISSP are to strengthen our ICT foundations, simplify our layers of applications, become experts at interoperability, and become a capable region.

Strengthening our ICT foundations. The scope of this includes moving our infrastructure to the all-of-government private cloud datacentres, developing a robust telecommunications capability, identity and access management, moving to Windows 10 / Office 365, and developing our hybrid cloud approach and capability.

Simplify our layers of applications. Within this investment stream, the implementation of an Application Portfolio Management (APM) tool is complete. It is planned to commence the analysis of the results that will be accumulated by this tool as from January 2019, and these results will be used to support a number of initiatives focused on application stabilisation, as well as the replacement of ageing systems. It is expected that these initiatives will support the ISSP strategy in its objectives to rationalise, standardise, and simplify the number and diversity of applications wherever possible. It is expected that this process will extend to 2024, that is,to accommodate the larger investments in transforming major application sets, such as those involved in HARP, RCCC, and HIP.

Interoperability. We will grow our capability through embedding the MuleSoft Application programme interface (API) capability, and beginning the design of our regional data sharing and health information platform.

Become a capable region. Our focus in growing our regional capabilities includes further developing our P3M3 and business case capabilities as well as continuing to invest in innovation and digital acceleration.

4.2.3 Workforce

Organisational culture and workforce development

Staff wellbeing continues to be an organisation priority. Additional programmes will be implemented to support employee mental health and wellbeing, violence prevention, employee engagement, and leadership development. The organisation's Values will also be updated to reflect the importance of the employee experience.

We will attract, recruit and develop a talented workforce. An updated employee value proposition and branding will be implemented, along with a new role to advance the recruitment of Māori candidates. We will continue to grow the capacity and capability of our Māori workforce, with new programmes including a new Māori staff development symposium.

We will continue to reshape the workforce to deliver innovative care and integrate models of care in responding to changing population needs. District Nursing and Allied Health workforce capacity and capability strategies will be enhanced through the implementation of the Calderdale Framework, enabling tasks to be shared between roles. To support innovation there will also be increased opportunity for staff research coordinated through a new hub.

Leadership

Strong leadership is paramount for the overall effectiveness of Northland DHB and is encouraged and supported at all levels of the organisation. Leaders do not have all the answers nor do they need to. What leaders must strive for is to unlock the potential of our highly skilled staff by providing what they need to perform their roles successfully.

Northland DHB has adopted the State Services Commission Leadership Success Profile (LSP). The LSP establishes 'what good looks like' for leadership at all levels. There are five core dimensions of the LSP:

- navigating for the future
- stewardship – of people, functions, organisations and systems
- making it happen – with and through others
- identifying and developing talent
- leadership character.

Over the next year and beyond, Northland DHB is committed to implementing our LSP-based leadership programme. In addition to the five core dimensions Northland DHB recognises that leadership does not sit in isolation but is a critical to achieving and supporting the organisation's future direction.

Key requirements underpinned by leadership and the organisation's Values include:

- achieving equity
- staff wellbeing
- fostering a highly engaged workforce
- growing the capacity and capability of our Māori workforce
- attracting, recruiting and developing a talented workforce
- ability to reshape the workforce to deliver innovative and integrated models of care in response to changing population needs.

Active engagement with the organisational-wide leadership programme is a 2019/20 priority that will be regularly reported to the Executive Leadership Team. Capturing LSP competencies into the existing HR information system will be explored, as will connecting to national talent management systems.

Māori workforce development

Northland DHB is committed to developing the Māori workforce across the organisation (2.3.12a Workforce priorities and 2.3.12b Workforce diversity). We will:

- grow the capacity and capability of our Māori workforce
- recruit more Māori professionals and more Māori into the workforce generally
- to achieve this, implement the positive discrimination process contained in policy, align to ELT targets and appoint a Workforce Equity Manager
- strengthen cultural competency across the workforce

- improve information to more accurately and completely capture ethnicity among the workforce, and to make Māori participation more visible in reporting.

4.2.4 Cooperative developments

the Northland Intersectoral Forum (NIF) comprises local and central government agencies working in a collaborative way to make a positive difference to the wellbeing of Northlanders; its vision is to ”accelerate solutions to complex challenges through collaborative action”. NIF has four subgroups:

- rangatiratanga (economic development)
- kaitiakitanga (environment)
- ora (health and social)
- matauranga (education).

NIF intends to reconstitute its Social Wellbeing Governance Group now that the Northland-wide Kainga Ora contract has been terminated. This will allow Northland to focus on the social wellbeing issues that Northlanders need to address including youth suicide, family violence, high need children and families.

Northland DHB is also involved in the governance and funding of Otangarei Kainga Ora, an ongoing place-based project in a suburb of Whangārei.

Appendix: Significant Accounting Policies

Reporting entity

Northland District Health Board (Northland DHB) is a Health Board established by the New Zealand Public Health and Disability Act 2000. Northland DHB has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes. It is domiciled and operates in New Zealand. Northland DHB is a Crown Entity as defined by the Crown Entities Act 2004. Northland DHB's ultimate parent is the Crown.

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

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZGAAP). They have been prepared in accordance with Tier 1 PBE Accounting Standards. These financial statements comply with PBE accounting standards.

Presentation currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest thousand dollars ($000).

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

Critical accounting estimates and assumptions

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating useful lives and residual values of property, plant and equipment

The useful lives and residual values of property, plant and equipment are reviewed at each balance date. Assessing the appropriateness of useful life and residual value estimates requires Northland DHB to consider a number of factors such as the physical condition of the asset, advances in medical technology, expected period of use of the asset by Northland DHB, and expected disposal proceeds (if any) from the future sale of the asset.

Critical judgments in applying accounting policies

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Northland DHB.

Judgment is required on various aspects that include, but are not limited to, the fair value of the leased

asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

Northland DHB has exercised its judgement on the appropriate classification of leases, and has classified finance lease appropriately.

Foreign currency transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit with NZ Health Partnership Limited, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that Northland DHB will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Trade and other payables

Trade and other payables are recorded at their face value.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Inventories

Inventories held for distribution in the provision of services that are not supplied on a commercial basis are measured at cost (using the average weighted cost method) and adjusted when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the average weighted cost method) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the surplus or deficit over the period

of the borrowings on an effective interest basis. Borrowings are classified as current liabilities unless Northland DHB has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: land, buildings and plant, equipment and motor vehicles.

Owned assets

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

Land and buildings are revalued to fair value as determined by an independent registered valuer at least every three years or where there is evidence of a significant change in fair value. The net revaluation results are credited or debited to other comprehensive revenue and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

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

Property, plant and equipment vested from the Hospital and Health Service

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

Disposal of property, plant and equipment

Where an item of plant and equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sales price and the carrying amount of the asset. The gain or loss is recognised in the reported net surplus or deficit in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Additions to property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to Northland DHB and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Subsequent costs

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

comprehensive revenue as an expense as incurred. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided using the straight line method on all property plant and equipment other than land, and recognised in the surplus or deficit.

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

Class of asset	Estimated life	Depreciation rate
Buildings (including components)	10 to 70 years	(1.4% - 10%)
Plant and equipment	1 to 15 years	(6.6% - 100%)
Motor vehicles	5 to 15 years	(6.6% - 20%)

The residual value of assets is reassessed annually to determine if there is any indication of impairment.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period which they are incurred.

Intangible Assets

Intangible assets that are acquired by Northland DHB are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs can include the software development employee costs and an appropriate portion of relevant overheads.

Finance Procurement Supply Chain, including National Oracle Solution

The Finance Procurement Supply Chain (FPSC), which includes the National Oracle Solution (NOS), is a national initiative funded by DHBs and facilitated by NZ Health Partnerships Limited (NZHPL) to deliver sector wide benefits. NZHPL holds an intangible asset recognised at the capital cost of development relating to this programme. Northland DHB holds an asset at cost of capital invested by Northland DHB in the FPSC programme. This investment represents the right to access the FPSC assets and are considered to have an indefinite life. DHBs have the ability and intention to review the service level agreement indefinitely and the fund established by NZHPL through the on-charging of depreciation and amortisation on the assets to the DHBs will be used to, and is sufficient to, maintain the assets standard of performance or service potential indefinitely. As the rights are considered to have an indefinite life, the intangible asset is not amortised and is tested for impairment annually.

Subsequent expenditure

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

Amortisation

Amortisation is provided in the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Class of asset	Estimated life	Amortisation rate
Software	2 to 3 years	(33% - 50%)

Impairment of property, plant and equipment and intangible assets

Northland DHB does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a cash return.

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the fair value of an asset cannot be reliably determined by reference to market based evidence. Specialised Hospital Buildings are an example of this.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive revenue to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Employee benefits

Defined contribution schemes

Obligations for contributions to defined contribution plans are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

Northland DHB makes employer contributions to the Defined Benefits Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Long service leave, sabbatical leave and retirement gratuities

Northland DHB's obligation in respect of long service leave, sabbatical leave and retirement gratuities is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated on an actuarial basis and involves the projection, on a year by year basis, of the entitlements, based on accrued service. These benefits are estimated in respect of their incidence according to assumed rates of death, disablement, resignation and retirement and in respect of those events according to assumed rates of salary progression. A value is placed on the resulting liabilities by discounting the projected entitlements back to the valuation date using a suitable discount rate. All other employee entitlements are classified as current liabilities.

Annual leave, conference leave and medical education leave and expenses

Annual leave, conference leave and medical education leave are short-term obligations and are calculated on an actual basis at the amount Northland DHB expects to pay. These are recognised in the surplus or deficit when they accrue to employees. Northland DHB accrues the obligation for paid absences when the obligation both relates to employees' past services and it accumulates.

Sick leave

Northland DHB recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent the Northland DHB anticipates it will be used by staff to cover those future absences.

Bonuses

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Provisions

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

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

ACC Accredited Employers Programme

Northland DHB belongs to the ACC Accredited Employers Programme (the “Full Self Cover Plan”) whereby Northland DHB accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, Northland DHB is liable for all claims costs for a period of two years after the end of the cover period in which the injury occurred. At the end of the two-year period, Northland DHB pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Accredited Employers Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely to possible, the estimated future cash outflows.

Equity

Equity is the community’s interest in Northland DHB and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components.

The components of equity are Retained Earnings, Revaluation Reserve (consisting of Land and Buildings), Fair value through other Comprehensive Revenue Reserve (Bond Investments), non-controlling interest in the group and Trust/Special Funds. The minority interest in the group is represented by the joint venture partner in the controlled entity. Trust/Special funds are funds donated or bequeathed for a specific purpose. The use of these assets must comply with the specific terms of the sources from which the funds were derived. The revenue and expenditure in respect of these funds is included in the surplus or deficit. An amount equal to the expenditure is transferred from the trust fund component of equity to retained earnings. An amount equal to the revenue is transferred from revenue earnings to trust funds.

Property revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change of financial assets (Bond Investments) classified as fair value through other comprehensive revenue and expense.

Revenue

The specific accounting policies for significant revenue items are explained below.

Ministry of Health population-based revenue

Northland DHB receives annual funding from the Ministry of Health, which is based on population levels within the Northland DHB region.

Ministry of Health population-based revenue for the financial year is recognised based on the funding entitlement for that year.

Ministry of Health Contract Revenue

The revenue recognition approach for Ministry of Health contract revenue depends on the contract terms. Those contracts where the amount of revenue is substantively linked to the provision of quantifiable units of service are treated as exchange contracts and revenue is recognised as Northland DHB provides the services. For example, where funding varies based on the quantity of services delivered, such as number of screening tests or heart checks. Other contracts are treated as non-exchange and the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to provide services to the satisfaction of the funder to receive or retain funding. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the service requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as the past practice of the funder. Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year funding arrangements.

Goods sold and services rendered

Revenue from goods sold is recognised when Northland DHB has transferred to the buyer the significant risks and rewards of ownership of the goods and Northland DHB does not retain either continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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

Revenue from other DHBs

Inter-district patient inflow revenue occurs when a patient treated within the Northland DHB region is domiciled outside of Northland. The Ministry of Health credits Northland DHB with a monthly amount based on an estimated patient treatment for non-Northland residents within Northland. An annual wash-up occurs at year end to reflect the number of non-Northland patients treated at Northland DHB.

Donated services

Certain operations of the Northland DHB are reliant on services provided by volunteers. Volunteer services received are not recognised as revenue or expenditure by Northland DHB.

ACC contract revenue

ACC contract revenue is recognised as revenue when eligible services are provided and any contract conditions have been fulfilled.

Rental revenue

Rental revenue is recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease term.

Interest

Interest revenue is recognised using the effective interest method.

Expenses

Operating leases

An operating lease is a lease whose term is short compared to the useful life of the asset or piece of equipment and does not transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases where Northland DHB is the lessee are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Net financing costs comprise interest paid and payable on borrowings, calculated using the effective interest rate method and are recognised as an expense in the financial year in which they are incurred.

Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates. The intention of the capital charge is to make explicit the true costs of the taxpayers' investment by requiring recognition of those costs.

Contingent liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Cost allocation

Northland DHB has arrived at the net cost of service for each significant activity using the cost allocation system outlined below:

Cost allocation policy

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

Direct costs are those costs directly attributable to an output class.

Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output class.

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

Income tax

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

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Signatories

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Minister of Health

Sally Macauley
Chairman
Northland District Health Board

June McCabe
Chairman
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