

Southern District

Health Board



Annual Report Southern District Health Board

2010

DIRECTORY

Current Board Members

Mr Errol Millar	Chairman
Mr Paul Menzies	Deputy Chairman
Mrs Helen Algar	
Mr Peter Barron	
Mr Sajan Bhatia	
Ms Louise Carr	
Mr Neville Cook	
Mrs Kaye Crowther QSO	
Ms Karen Goffe	
Mrs Susie Johnstone	
Dr Malcolm Macpherson	
Ms Fiona McArthur	
Dr Judith Medlicott	
Mrs Katie O'Connor	
Mr TahuPotiki	
Ms Louise Rosson	
Dr BrankoSijnja	
Mr Richard Thomson	
Mr Tim Ward	
Ms Dot Wilson	

The Board Membership of the Committees is as follows:

Hospital Advisory Committee

Mr Paul Menzies	Chairman
Mr Neville Cook	
Mrs Susie Johnstone	
Dr Malcolm Macpherson	
Ms Fiona McArthur	
Dr Judith Medlicott (Dunedin Meetings)	
Mrs Katie O'Connor (Invercargill Meetings)	
Ms Louise Rosson	
Dr BrankoSijnja	
Mr Richard Thomson	
Mr Tim Ward	

Iwi Governance Committee

Ms Karen Goffe
Mr Paul Menzies
Mr Errol Millar
Mr TahuPotiki

Community and Public Health Advisory Committee & Disability Support Advisory Committee (Joint Meetings)

Mr Errol Millar	Chairman
Mrs Helen Algar	
Mr Peter Barron	
Ms Louise Carr	
Mr Neville Cook	
Mrs Kaye Crowther QSO	
Dr BrankoSijnja	
Ms Dot Wilson	

Audit, Finance and Risk Management Committee

Mrs Susie Johnstone	Chairperson
Ms Fiona McArthur	
Mr Paul Menzies	
Mr Errol Millar	
Mr Richard Thomson	
Mr Tim Ward	

Chief Executive Officer

Mr Brian Rousseau

Executive Management Team

Mr Brian Rousseau	Chief Executive Officer
Dr John Adams	Dean – Dunedin School of Medicine
Mrs Vivian Blake	Chief Operating Officer (Otago)
Mr Richard Bunton	Chief Medical Officer (Otago)
Dr Murray Fosbender	Interim Chief Medical Officer (Southland)
Mr Robert Mackway-Jones	General Manager, Finance and Funding
Mrs Lexie O'Shea	Deputy Chief Executive Officer & Chief Operating Officer (Southland)
Ms Karyn Penno	General Manager Human Resources (on leave from 14 th May)
Mr Alan Clarke	Acting General Manager Human Resources
Mrs Leanne Samuel	Chief Nursing & Midwifery Officer
Mr Grant Taylor	Chief Information Officer (resigned 20 th August)
Mr John Simpson	Acting Chief Information Officer

Registered Offices

Dunedin Hospital 201 Great King Street DUNEDIN	Southland Hospital Kew Road INVERCARGILL
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Postal Addresses

Private Bag 1921 DUNEDIN 9054	P O Box 828 INVERCARGILL 9840
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Contact Numbers

	Telephone	Facsimile
Dunedin Hospital	(03) 474 0999	(03) 474 7640
Southland Hospital	(03) 218 1949	(03) 214 5742
LakesDistrictHospital	(03) 441 0015	(03) 442 3305

Auditor

Mr Andy Burns
Audit New Zealand on behalf of the Controller and Auditor-General

Bankers

ASB Bank
Level 9, ASB Bank Centre
135 Albert Street
PO Box 35
Auckland

Bank of New Zealand
Dunedin North Branch
304 George Street
DUNEDIN

CONTENTS

Southern District Health Board (Southern DHB) was created from the merger of the Otago and Southland DHBs effective from 1 May 2010. This Annual Report presents a summary of Southern DHB's performance during the period 1 May 2010 to 30 June 2010. As the Southern DHB did not have a statement of Intent for this period there is no statement of service performance reporting.

The contents of the report are presented as follows:

About Southern DHB

An overview of Southern DHB's role, its catchment area and structure.

Vision and Values

The vision and values that guide Southern DHB.

Foreword from the Chairman and Chief Executive

An overview of the two months from the Chairman and Chief Executive.

Financial Statements, including Statements of Objectives and Service Performance

The organisation's financial accounts.

Auditor's Report

The independent auditor's report on the performance of Southern DHB's financial reports.

ABOUT THE SOUTHERN DHB

Southern DHB is responsible for the planning, funding and provision of publicly funded health care services to a population of approximately 286,209 people throughout the Southern DHB catchment area.

The statutory (New Zealand Public Health & Disability Act 2000 - NZPHD Act 2000) purpose of Southern DHB is to:

- Improve, promote and protect the health of its population
- Promote the integration of health services across primary and secondary care services
- To reduce health outcome disparities
- Manage national strategies and implementation plans
- Develop and implement strategies for the specific health needs of the local population.

Southern DHB encompasses the Territorial Local Authorities (TLAs) of the Central Otago District Council, the Clutha District Council, the Dunedin City Council, Invercargill City Council (ICC), the Southland District Council (SDC), the Gore District Council (GDC), the Queenstown Lakes District Council (QLDC) and the Waitaki District Council.

The population profile shows that 59.1% of the population lives in Dunedin and Invercargill. The population is projected to increase by 6.4% by 2021, which is lower than the average growth projections in NZ, however the Central Otago and Queenstown Lakes Districts are projected to have considerable population growth and have high numbers of tourists and visitors. Consideration for providing health services for this growing population will be important in the future.

THE BOARD

The Board provides governance to overall Southern DHB operations. Due to the merger and until the next election, the Board consists of all 20 elected and appointed board members from the former Otago and Southland DHBs. The Minister of Health has also appointed a Crown Monitor to assist the board with additional financial expertise.

The Board has three committees who play an advisory and monitoring role and are established under the NZPHD Act 2000:

- Community and Public Health Advisory Committee (CPHAC)
- Disability Support Advisory Committee (DSAC)
- Hospital Advisory Committee (HAC)

In addition the Board has established three committees that advise on delegated portfolios:

- Audit, Finance and Risk Management (AFRM) Committee
- Iwi Governance Committee
- Appointments and Remuneration Advisory Committee

The organisation consists of three distinct arms, each charged with specific functions and accountability.

Governance Arm

The Governance Arm is responsible for the development of policy and strategy. In addition, this Arm is accountable for ensuring that the needs of the population are identified and services are prioritised accordingly. Through the Delegation of Authority, policy matters pertaining to operational management are designated to the Chief Executive Officer (CEO), who in turn is supported by an Executive Management Team (EMT).

Provider Arm

The Provider Arm of Southern DHB provides tertiary, secondary, community, disability, and mental health care services to the Southern region.

The DHB operates the following hospitals:

- DunedinHospital
- LakesDistrictHospital (Queenstown / Frankton)
- SouthlandHospital (Invercargill)
- WakariHospital (Dunedin).

The services provided by these hospitals includes:

- Acute services

Acute services are for illnesses that have an abrupt onset. It is usually of short duration, rapidly progressive, and in need of urgent care

- Emergency Services

Emergency Departments are operated at Dunedin Hospital and Southland Hospital which have the main admitting specialties available to provide definitive care for most patients who require admission.

- Elective Services

Elective services (booked surgery) are for patients who do not require immediate hospital treatment.

Our DHB is committed to meeting the government's expectations around elective services, particularly the key principles underlying the electives system:

clarity – where patients know whether or not they will receive publicly funded services

timeliness – where services can be delivered within the available capacity, patients receive them in a timely manner; and

fairness – ensuring that the resources available are directed to those most in need.

- Non admitted Services

Generally known as outpatient services, the DHB provides a wide range of specialties to ensure patient referrals are managed within appropriate timeframes and contribute to the outcome that people with early conditions are treated and managed earlier with illness progression reduced.

Funder Arm

The primary role of the Funder Arm is to assess the health needs of the Southern population; prioritise and allocate funding; and contract with service providers in order to achieve the best possible health outcomes within available funding.

A key task of Southern DHB is to set priorities within the competing demands for health service expenditure.

The principles and processes that govern Southern DHB decision making are guided by the philosophies contained within the following publications and/or studies:

- Principles for Decision Making
- Decision Making Process
- Provider Selection Protocols
- Provider Performance Management Policy
- Health Needs Assessment (HNA) completed in 2005 and updated in 2008

Partnership with Iwi

The NZPHD Act 2000 outlines the responsibilities Southern DHB has in honouring the principles of the Treaty of Waitangi. The DHB acknowledges the special relationship between Iwi and the Crown and as a Crown agent recognises it has responsibility to assist the Crown in fulfilling its obligations under the Treaty of Waitangi. As a newly formed DHB, Southern DHB will seek to enter into a new memorandum of understanding with all Iwi across the district.

As an organisation, Southern DHB commits to adhere to the principles and objectives outlined in the Maori Health Strategy – He Korowai Oranga and the Maori Health Action Plan – Whakatataka. Southern DHB will continue to participate in the development of these strategies as they relate to improving the health status of Maori in the district.

VISION & VALUES

The Southern DHB Vision and Values

A new vision statement and single set of values for Southern DHB will be consulted on and created later in 2010. Until these are created the existing vision and value sets from the Otago and Southland DHBs remain in place. There are as follows.

Visions

“Working together to promote wellness and independence”

“Quality and Humanity in Health”

Values

- **Integrity**
Being honest and treating all people with respect and dignity, valuing individual and cultural differences and diversity.
- **Professionalism**
Acting with integrity and embracing the highest ethical standards and excellence.
- **Innovation**
Constantly seeking and striving for new ideas and solutions.
- **Teamwork**
Achieving success by working together and valuing each other’s skills and contributions.
- **Responsibility**
Using and developing our capabilities to achieve outstanding results and taking accountability for our individual and collective actions.

“I CARE”

- **Integrity:**
We are open and honest with each other and our patients; our actions reflect our words; and we honour our commitments.
- **Collaboration:**
We work together, across disciplines, to meet the needs of our patients, staff and wider community.
- **Accountability:**
We accept personal responsibility for our own actions and results, and for the impact that they have on others.
- **Respect:**
We treat others with the same personal and professional consideration we expect for ourselves.
- **Empathy:**
We seek to understand and act with care and respect for the concerns of others.

FOREWORD FROM THE CHAIRMAN AND CEO

This is the first annual report of Southern District Health Board (DHB), which came into effect on 1 May 2010 to govern the publicly funded health and disability services for the Southland and Otago communities.

At the end of its first two months Southern DHB recorded a deficit of \$1.66 million against a budgeted deficit for this period of \$1.51 million. This budget was that of the Otago DHB and Southland DHB combined for this period.

To put this result in context, it is important to note the result for the full twelve month period to June 30 for the Otago, Southland and Southern DHBs. This combined result was a deficit of \$14.78 million, which was slightly ahead of the budgeted deficit for this period of \$15.23 million. This was a pleasing result given the current difficult operating environment.

The newly established Southern DHB inherits the long standing financial difficulties of its predecessors. Under Population Based Funding (PBF), Southern DHB is calculated to be over-funded relative to other District Health Boards (DHBs) by \$12.3 million, so there are considerable challenges ahead to make certain we achieve clinical and financial sustainability. Sustainability is the essential element in many of our strategic initiatives. For example we are progressing a review of the models of care for rural hospital services. These include the current review of Lakes District Hospital and the delivery of services in the Wakatipu basin, which will inform future rural service planning.

We also consulted with staff on a proposed new management structure for the Southern DHB Provider Arm to best support our regional clinical services strategy and our "One Service, Many Sites" service delivery initiative.

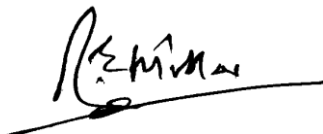
Significant feedback was received and the consensus was that strong clinical leadership and management support is required to achieve the "One Service, Many Sites" objective, and this must evolve from a process of engagement of all staff in each clinical area. Changing or reducing the Provider Arm Executive and the Senior Management structure, at this point in time, would not support development of regional service plans. Rather, an evolutionary service-led process should be adopted. As a result, the structure was essentially maintained albeit with a focus on the One Service, Many Sites regional clinical services objective.

Work also continues on the Disability Support Services utilisation to ensure that the community and the DHB work together to make certain that services are reaching those most in need of support.

In late 2009, the Boards decided that there should be a single Primary Health Organisation (PHO) for the Southern DHB region, replacing the previous nine PHOs. This move aims to create better efficiencies and avoid duplication of services, improve co-ordination between health providers and greater integration between hospital based services and those in the community. The new Southern PHO is planned to commence operation on 1 October 2010.

In June 2010, Southern DHB also received the welcome news that it will receive \$24.38m of government funding for the stage one redevelopment of the Dunedin Hospital. This will see the much needed work on the hospital facilities get underway. While much work has been progressed in the first few months of Southern DHB's existence, our new entity's success will depend on the continued commitment and enthusiasm of our staff. We are very fortunate at Southern DHB to have a skilled and enthusiastic team who we are sure will rise to this challenge.

The Board and Executive Management Team would also like to acknowledge the community based providers and stakeholders in our region. We look forward to working with you all to bring about exciting changes as the Southern DHB works to improve the health outcomes for the communities of Otago and Southland.



Errol Millar
Chairman



Brian Rousseau
Chief Executive Officer

STATEMENT OF RESPONSIBILITY

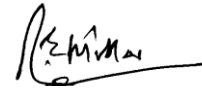
FOR THE TWO MONTHS ENDED 30 JUNE 2010

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

The Board and management of Southern DHB accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board and management of Southern DHB, the financial statements for the two months which ended on 30 June 2010, fairly reflect the financial position and operations of Southern DHB.

Mr Errol Millar
Chair
Date: 28 October 2010



Mr Paul Menzies
Deputy Chair
Date: 28 October 2010



Mr Brian Rousseau
Chief Executive Officer
Date: 28 October 2010



Mr David Dickson
Acting General Manager
Finance and Funding
Date: 28 October 2010



GOVERNANCE AND ACCOUNTABILITY STATEMENT

Role of the Board

The Board's governance responsibilities include:

- Communicating with Ministers and stakeholders to ensure their views are reflected in Southern DHB's planning
- Delegating responsibility for the achievement of specific objectives to the Chief Executive Officer (CEO)
- Monitoring the organisation's progress towards achieving objectives
- Reporting to stakeholders on plans and progress made towards fulfilling those plans; and
- Maintaining effective systems of internal control

STRUCTURE AND PHILOSOPHY OF SOUTHERN DHB

Board Membership

The Board is made up of elected and appointed members. All Board members are required to act in the best interests of the District Health Board. Members acknowledge that the Board must stand unified behind its decisions and individual members have no separate governing role outside the boardroom.

Operations

The Board has appointed a single employee, the CEO, to manage overall operations. All other employees have been appointed by the CEO. The Board directs the CEO by delegating responsibility and authority for the achievement of objectives through setting policy.

Division of Responsibility between the Board and Management

Key to the efficient running of Southern DHB is having a clear division between the roles of the Board and management. The Board concentrates on setting policy, approving strategy, and monitoring progress towards meeting objectives. Management implements policy and strategy. The Board has clearly distinguished these roles by ensuring the delegation of responsibility and authority to the CEO is concise and complete.

Connection with Stakeholders

The Board acknowledges its responsibility for keeping in touch with stakeholders and acknowledges the expectations of the Minister of Health and Associate Ministers of Health.

Board Committees

The Board has several standing committees to focus in detail on particular issues. Each committee has been delegated governance responsibility to advise the Board on policies and monitor the DHB's progress towards meeting its objectives. Committees do not get involved in day-to-day operational matters. The Board and its standing committees (including the statutory, permanent advisory committees) are:

Committee	Meets
Southern DHB Board	Monthly
Audit, Finance and Risk Management Committee	Monthly
Community and Public Health Advisory Committee	Monthly
Disability Support Advisory Committee	Monthly
Hospital Advisory Committee	Monthly
Iwi Governance Committee	Monthly

Quality Improvement Programme

Southern DHB has embraced and developed quality and risk management programmes supporting ongoing accreditation status against Quality Health New Zealand (QHNZ) Standards.

The following quality principles are embedded into all Southern DHB activities:

- the patient/client comes first
- all work is part of a process
- quality improvement is ongoing
- prevention is achieved through planning
- quality happens through people

The quality improvement programme:

- fosters a quality structure which supports clinical and non-clinical systems improvements
- enhances reporting, feedback and communication amongst the service groups and the quality and risk management committee
- facilitated building a clinical governance relationship across all clinical specialties and teams

Risk Management

The Board acknowledges it is ultimately responsible for the management of risks to Southern DHB. The Board has charged the CEO through its risk management policy with establishing and operating a risk management programme in line with the "Guidelines for Managing Risk in the Australian and New Zealand Public Sector SAA/NZSHB 143:1999".

Southern DHB's risk management programme aims to identify issues and manage risks within the DHB's financial and clinical constraints. Southern DHB has adopted effective strategies for handling risk to protect patients, families, staff, and the organisation to the best of its ability.

Risk management mainly involves the quality of management and operational systems, clarification of individual roles and responsibilities and providing a healthy, safe and secure environment for patients, families and staff.

The risk management programme involves:

- a risk management team, which advises managers and the overall organisation about the development of risk management strategies and links into other health providers
- core policies, procedures and guidelines, including identifying staff's training needs
- ensuring guidelines and practices identify risks and manage them in a timely manner
- identifying the implications of amended and new laws to ensure compliance

Accountability

The Board holds monthly meetings to monitor progress towards its strategic objectives and ensure Southern DHB is operating in line with its policies.

Conflicts of Interest

The Board has an Interests Register and ensures Board members are aware of their obligations to declare any potential conflicts of interest. The Executive Management Team also has an Interests Register.

Internal Audit

While many of the Board's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Board. Internal controls include the policies, systems and procedures set up to ensure the Board's specific objectives are achieved. The Board and management acknowledged their responsibility by signing the Statement of Responsibility.

Southern DHB has an internal audit function which monitors its systems of internal control and the quality and reliability of financial and other information reported to the Board. Internal Audit is independent of management and reports its findings to the Audit, Finance and Risk Management Committee. Internal Audit liaises closely with the external auditors, who review systems of internal control to the extent necessary for its audit.

Legislative Compliance

The Board acknowledges its responsibility to ensure the organisation complies with all laws. The Board has delegated responsibility to the CEO for a programme to systematically identify compliance issues and to ensure staff are aware of the relevant legal requirements.

Human Resources/Employment Relations/Good Employer Objectives

The DHB's human resources (staff) are its most valuable asset.

Workforce development and strong organisation health are central to our DHB to ensure that we provide high quality effective services and meet the continued challenges of the health needs of our community.

Southern DHB is committed to developing a workforce profile and understanding the needs and expectations of its workforce. We are committed to promoting leadership opportunities and a positive culture for our organisation.

Southern DHB remains fully supportive of collaborative workforce activity through the Workforce Group, the Workforce Champions' network and the framework of the Future Workforce programme (including the workforce strategy groups) as part of developing an effective and coordinated approach to workforce development sector-wide. Southern DHB will also be progressing a number of local and sub-regional (Otago/Southland) initiatives based on the potential to add value, while recognising that investment in workforce development is inherently medium to longer term.

Under the Crown Entities Act 2004, the DHB has to report whether it is meeting its Good Employers objectives. Southern DHB has several policies which relate to the “Good Employer” Framework promoted by

the Human Rights Commission. The following table demonstrates policy coverage under this framework.

Framework Area	DHB Policy and Activity
Leadership, Accountability and Culture.	<p>Southern DHB is implementing a clinical governance framework to ensure appropriate engagement for management and clinical staff pertaining to quality and safety of services.</p> <p>The DHB’s Executive Management Team promotes the organisation’s visions and values and encourages staff involvement in decision making which affects them, through formal change management protocols.</p>
Recruitment, Selection and Induction.	A suite of Equal Employment Opportunity policies are complemented by an orientation programme for new staff.
Employee Development, Promotion and Exit.	<p>The DHB has annual performance and development reviews for staff. Considerable funds are committed to staff education and development each year. The DHB promotes quality and innovation through workforce development, which includes having annual awards and scholarships.</p>
Flexibility and Work Design.	<p>The DHB has numerous part-time staff, some “job-shared” roles and tries to be flexible about staff’s on-site and off-site commitments. The DHB employs around 4300 staff (3406 Full Time Equivalents during the year).</p>
Remuneration, Recognition and Conditions.	<p>Southern DHB’s Human Resources aims to contribute to the development of an organisation which shares common values and ensures staff are recognised and valued in ways meaningful to them, because that is key to recruiting and retaining a highly skilled workforce.</p>
Harassment and Bullying Prevention.	<p>Southern DHB has adopted a zero tolerance stance towards harassment and bullying, supported by appropriate policies which include a Code of Conduct and Integrity policy.</p>
Safe and Healthy Environment.	<p>Dedicated Health and Safety staff take a proactive approach, through an accredited Accident Compensation Corporation partnership programme. A strong culture of workplace safety and consultation networks continues, including elected health and safety representatives on committees throughout the DHB. Southern DHB has strong and proactive management of health and safety issues. Southern DHB continually seeks to improve its ability to understand, measure and prevent incidents.</p> <p>The organisation also has an independent contracted employee assistance programme supported by staff mentors and advisors if needed.</p>

STATEMENT OF COMPREHENSIVE INCOME

For the two months ended 30 June 2010

(In thousands of New Zealand Dollars)

	Note	2010 Actual	2010 Budget
Revenue	1	133,142	135,824
Other operating income	2	1,336	210
Finance income	5a	226	339
Total income		134,704	136,373
Employee benefit costs	4	50,037	48,473
Depreciation and amortisation expense	7,8	3,278	3,265
Outsourced services		4,283	3,349
Clinical Supplies		11,501	11,163
Infrastructure and non-clinical expenses		6,671	7,229
Payments to non-health board providers		58,123	62,101
Other operating expenses	3	631	-
Finance costs	5b	886	962
Capital charge	6	1,005	1,341
Total expenses		136,415	137,883
Share of (loss)/profit in associates	10	53	-
(Deficit)/ surplus for the period	13	(1,658)	(1,510)
Other Comprehensive income			
Gains on property revaluations	13	-	-
Total other comprehensive income		-	-
Total Comprehensive income	22	(1,658)	(1,510)

STATEMENT OF CHANGES IN EQUITY

For the two months ended 30 June 2010

(In thousands of New Zealand Dollars)

	Note	2010 Actual	2010 Budget
Equity at beginning of the period		-	
Contribution from the Crown being the net assets transferred to Southern DHB from the Otago and Southland DHBs on 1 May 2010		98,479	96,986
Total comprehensive income		(1,658)	(1,510)
Capital contributions from the Crown (Deficit Support and Project Equity Funding)	13	10,616	15,662
Other equity movements	13	-	-
Equity at end of the period		107,437	111,138

Accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

(In thousands of New Zealand Dollars)

	Note	2010 Actual	2010 Budget
Assets			
Property, plant and equipment	7	258,228	274,074
Intangible assets	8	5,832	-
Investments in associates	10	238	127
Total non-current assets		264,298	274,201
Inventories held for distribution	9	4,202	4,025
Trade and other receivables	11	25,047	16,361
Cash and cash equivalents	12	30,084	18,097
Total current assets		59,333	38,483
Total assets		323,631	312,684
Equity			
Crown equity	13	22,781	32,325
Property revaluation reserves	13	86,314	80,323
Retained earnings / (losses)	13	(1,658)	(1,510)
Total equity		107,437	111,138
Liabilities			
Interest-bearing loans and borrowings	14	73,726	82,054
Employee benefits	15	14,576	12,412
Total non-current liabilities		88,302	94,466
Cash and cash equivalents	12	-	-
Interest-bearing loans and borrowings	14	29,925	15,223
Trade and other payables	16	46,960	43,612
Employee benefits	15	47,407	45,349
Custodial & special purpose funds		3,600	2,897
Total current liabilities		127,892	107,080
Total liabilities		216,194	201,546
Total equity and liabilities		323,631	312,684

Accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the two months ending 30 June 2010

(In thousands of New Zealand Dollars)

	Note	2010 Actual	2010 Budget
Cash flows from operating activities			
Cash receipts from Ministry of Health and patients		133,578	134,484
Cash paid to suppliers		(79,793)	(83,605)
Cash paid to employees		(48,040)	(49,460)
Cash generated from operations		5,745	1,419
Interest received		226	339
Interest paid		(923)	(762)
Net taxes refunded/ (paid) (goods and services tax)		(1,207)	(187)
Capital charge paid		(1,191)	(1,910)
Net cash flows from operating activities	12	2,650	(1,101)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment			-
Acquisition of property, plant and equipment		(2,181)	(4,412)
Net appropriation from trust funds		53	
Net cash flows from investing activities		(2,128)	(4,412)
Cash flows from financing activities			
Proceeds from equity injection		10,616	15,662
Repayment of borrowings		(373)	(364)
Net cash flows from financing activities		10,243	15,298
Net increase in cash and cash equivalents		10,765	9,785
Cash and cash equivalents at beginning of year		19,319	8,312
Cash and cash equivalents at end of year	12	30,084	18,097

Accompanying notes form part of these financial statements.

STATEMENT OF CONTINGENCIES

As at 30 June 2010

(In thousands of New Zealand Dollars)

Contingent Liabilities

Legal proceedings against Southern DHB
Personal grievances

2010 Actual
20
-
20

Southern DHB has been notified of one claim.

Contingent Assets

Legal proceedings by Southern DHB

2010 Actual
-
-

Southern DHB has legal proceedings underway for the recovery of funds from one provider and following audits undertaken by the Audit and Compliance Unit of the Ministry of Health is seeking to recover amounts from a small number of other providers. As at balance date any recovery is unable to be quantified and any recovery will not be material.

The DHB is currently in mediation with a provider regarding a substantial claim relating to savings from unspent contractual funds. Any successful recovery however would result in funds returned being spent on similar services. Hence there is no dollar value recorded against contingent assets or contingent liabilities

As at 30 June 2010

(In thousands of New Zealand Dollars)

Capital Commitments

Non-cancellable commitments - provider commitments

Not more than one year
One to two years
Two to three years
Three to four years
Four to five years
Over five years

2010 Actual
6,459
74,659
47,154
36,339
34,734
34,081
33,958
260,925

Non-cancellable commitments - operating lease commitments

Not more than one year
One to two years
Two to three years
Three to four years
Four to five years
Over five years

2,160
1,501
517
220
57
3
4,458

Accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Reporting Entity

Southern District Health Board (Southern DHB) is a Health Board established by the New Zealand Public Health and Disabilities Act 2000. Southern DHB is a Crown entity in terms of the Crown Entities Act 2004, owned by the Crown and domiciled in New Zealand.

Southern DHB is a reporting entity for the purposes of the New Zealand Public Health and Disability Act 2000, the Financial Reporting Act 1993, the Public Finance Act 1989 and the Crown Entities Act 2004.

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

Southern DHB's activities involve delivering health and disability services and mental health 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 comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Functional and presentation currency

The financial statements are presented in New Zealand Dollars (NZD), rounded to the nearest thousand.

Measurement base

The assets and liabilities of the Otago and Southland DHBs were transferred to the Southern DHB at their carrying values which represent their fair values as at 30 April 2010. This was deemed to be the appropriate value as the Southern District Health Board continues to deliver the services of the Otago and Southland District Health Boards with no significant curtailment or restructure of activities. The value on recognition of those assets and liabilities has been treated as capital contribution from the Crown.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value, financial instruments classified as available-for-sale, land and buildings and investment property, and certain borrowings.

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

The preparation of financial statements in conformity with NZIFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements

about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Comparatives

As this is the first set of financial statements for Southern DHB there are no comparative figures shown

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted.

Standards, amendments, and interpretations issued that are not yet effective that have not been early adopted and which are relevant to the DHB are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IAS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods used in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The DHB has not yet assessed the effect of the new standard and expects it will not be early adopted.

Significant Accounting Policies

Associates

Associates are those entities in which Southern DHB has significant influence, but not control, over the financial and operating policies.

The financial statements include Southern DHB's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When Southern DHB's share of losses exceeds its interest in an associate,

Southern DHB's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Southern DHB has incurred legal or constructive obligations or made payments on behalf of an associate.

Foreign Currency Transactions

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

Budget Figures

Southern District Health Board did not have an approved budget for this two month period. In order to provide comparability the Board has determined that reporting against the Otago and Southland DHBs budget for this period provides a more meaningful reporting basis.

Property, Plant and Equipment

Classes of property, plant and equipment

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

- freehold land
- freehold buildings
- plant, equipment and fixture and fittings
- computer equipment
- vehicles
- work in progress.

Owned assets

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

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

recognised as an expense in the statement of financial performance.

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

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

Disposal of Property, Plant and Equipment

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

Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Additions

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value as at date of acquisition.

Leased assets

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

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 Southern DHB. All other costs are recognised in the statement of financial performance as an expense as incurred.

Depreciation

Depreciation is provided on a straight line basis on all fixed assets other than freehold land, at rates which will write off the cost (or revaluation) of the assets to their estimated residual values over their useful lives.

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

Buildings	15 to 80 years	1.25-6.67%
Plant and Equipment	5 to 15 years	6.67-20%
Computer Equipment	3 to 10 years	10-33%
Motor Vehicles	5 years	20%

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings and/or plant and equipment on its completion and then depreciated.

The residual value of assets is reassessed annually, and adjusted if applicable, at each financial year-end.

Intangible assets

Intangible assets that are acquired by Southern DHB are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite lives are subsequently recorded at cost less any amortisation.

Amortisation

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

Type of asset	Estimated life	Amortisation rate
Software	3 to 10 years	10-33%

Investments

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance.

Other financial instruments held by Southern DHB are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of financial performance. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statement of financial performance.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by Southern DHB on the date it commits to purchase / sell the investments.

Trade and other receivables

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

Inventories

Inventories are stated at the lower of cost, on a first in first out basis 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.

Inventories held for distribution

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

Cash and cash equivalents

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

Impairment

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

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

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

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

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

Calculation of recoverable amount

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

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

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

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

Reversals of impairment

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

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

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

Interest-bearing and Interest-free borrowings

Interest-bearing and interest-free borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of financial performance over the period of the borrowings on an effective interest basis.

Employee Benefits

Defined contribution plans

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

Long service leave, sabbatical leave and retirement gratuities

Southern DHB's net obligation in respect of long service leave, sabbatical leave and retirement gratuities is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated by AON New Zealand Ltd, using accepted actuarial principles and complies with all requirements of NZ IAS. The discount rates adopted are in accordance with NZ IAS 19.

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

Annual leave, conference leave, sick leave and medical education leave are short-term obligations and are calculated on an actual basis at the amount Southern DHB expects to pay. Southern DHB accrues the obligation for paid absences when the obligation both relates to employees' past services and it accumulates.

Provisions

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

Restructuring

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by Southern DHB from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Trade and other payables

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

Insurance

ACC Partnership Programme

Southern DHB belongs to the ACC Partnership Programme whereby Southern DHB accepts the management and financial responsibility of work related illnesses and accidents of employees. Under the ACC Partnership Programme Southern DHB is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance sheet date for which Southern DHB has responsibility under the terms of the Partnership Programme.

The liability for claims reported prior to balance date has been determined by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not enough reported, has been determined by reference to historical information of the time it takes to report injury or illness.

The value of the liability is measured at the present value of the future payments for which Southern DHB has responsibility using a risk free discount rate. The value of the liability includes a risk margin that represents the inherent uncertainty of the present value of the expected future payments.

Revenue relating to service contracts

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

Income tax

Southern DHB is a crown entity under the New Zealand Public Health and Disability Act 2000 and is exempt from income tax under section CW38 of the Income Tax Act 2007.

Goods and services tax

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

Revenue

Crown funding

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

Goods sold and services rendered

Revenue from goods sold is recognised when Southern DHB has transferred to the buyer the significant risks and rewards of ownership of the goods and Southern 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 Southern DHB and that payment can be measured or estimated reliably and to the extent that any obligations and all conditions have been satisfied by Southern DHB.

Expenses

Operating lease payments

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

Finance lease payments

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

Net financing costs

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

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

Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in

accordance with applicable NZIFRS. Then, on initial classification as held for sale, a non-current asset and/or a disposal group is recognised at the lower of its carrying amount and its fair value less costs to sell.

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

Custodial/Trust and Bequest Funds

Donations and bequests to Southern DHB are recognised as revenue when control over assets is obtained. A liability, rather than revenue, is recognised where fulfilment of any restrictions attached to those assets is not probable. Those donations and bequests with restrictive conditions are appropriated from retained earnings to the trust funds component of equity. When expenditure is subsequently incurred in respect of these funds it is recognised in the statement of financial performance and an equivalent amount is transferred from the trust funds component of equity to retained earnings.

Financial Instruments

Southern DHB is party to financial instruments as part of its normal operations. Financial instruments are contracts which give rise to assets and liabilities or equity instruments in another equity. These financial instruments include bank accounts, short-term deposits, investments, interest rate swaps, debtors, creditors and loans. All financial instruments are recognised in the balance sheet and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Cost of Service Statements

The cost of service statements, as reported in the statement of objectives and service performance, reports the net cost of services for the outputs of Southern DHB and are represented by the cost of providing the output less all the revenue that can be allocated to these activities.

Cost Allocation

Southern 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/usage information.

Criteria for Direct and Indirect Costs

"Direct costs" are those costs directly attributable to an output class. "Indirect costs" are those costs which cannot be identified in an economically feasible manner with a specific output class. Indirect costs are therefore charged to output classes in accordance with prescribed Hospital Costing Standards based upon cost drivers and related activity/usage information.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue	2010 Actual
Health and disability services (MOH contracted revenue)	125,988
ACC contract	1,627
Inter district patient flows	4,062
Other revenue	1,465
	133,142

Revenue for health services includes all revenue received from the Crown (via the Ministry of Health), Accident Rehabilitation and Compensation Insurance Corporation (ACC), and other sources.

2 Other operating income	2010 Actual
Gain on sale of property, plant and equipment	-
Donations and bequests received	40
Rental income	314
Other	982
	1,336

3 Other operating expenses	Note	2010 Actual
Impairment of trade receivables (doubtful debts)		-
Bad debts written off		57
Loss on disposal of property, plant and equipment		1
Audit fees (for the audit of financial statements)		47
Audit related fees (for assurance and related services)		-
Fees paid to other auditors for assurance and related services including internal audit		53
Board member fees	19	92
Operating lease expenses		380
Koha		1
		631

4 Employee benefit costs	2010 Actual
Wages and salaries	48,443
Increase/ (decrease) in employee benefit provisions	1,594
	50,037

5a Finance income	2010 Actual
Interest income	226
	226

5b Finance costs	2010 Actual
Interest expense	886
	886

6 Capital charge

Southern DHB pays a monthly capital charge to the Crown based on the greater of its actual or budgeted closing equity balance for the month. The capital charge rate for the period ended 30 June 2010 was 8 per cent. The amount charged during the period was \$1,005.

7 Property, plant and equipment

Cost	Freehold land (at valuation)	Freehold buildings (at valuation)	Plant and equipment	Vehicles	Leased Assets	Work in progress	Total
Balance at 1 May 2010	25,263	199,023	115,403	259	16,429	1,596	357,973
Additions	-	55	980	-	-	1,136	2,171
Disposals	-	-	(300)	-	(675)	-	(975)
Transfers	-	-	900	-	11	(911)	-
Revaluations	-	-	-	-	-	-	-
Balance at 30 June 2010	25,263	199,078	116,983	259	15,765	1,821	359,169
Depreciation and impairment losses							
Balance at 1 May 2010	-	-	89,638	204	9,027	-	98,869
Depreciation charge for the year	-	1,162	1,257	3	618	-	3,040
Impairment losses	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-
Disposals	-	-	(293)	-	(675)	-	(968)
Transfers	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Balance at 30 June 2010	-	1,162	90,602	207	8,970	-	100,941
Carrying amounts							
At 1 May 2010	25,263	199,023	25,765	55	7,402	1,596	259,104
At 30 June 2010	25,263	197,916	26,381	52	6,795	1,821	258,228

Impairment

There were no impairment losses recognised in the 2010 year

Revaluation

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

The revaluation of land and buildings of the Otago and Southland District Health Boards was carried out as at 30 April 2010 by Tony Chapman, an independent registered valuer with Chapman Consultancy and a member of the New Zealand Institute of Valuers. That valuation conformed to International Valuation Standards and was based on an optimised depreciation replacement cost methodology. The valuer was contracted as an independent valuer. The land and buildings were transferred to Southern DHB at these values.

Restrictions

Southern DHB does not have full title to Crown land it occupies but transfer is arranged if and when land is sold. Some of the land is subject to Waitangi Tribunal claims. The disposal of certain properties may be subject to the provision of section 40 of the Public Works Act 1981.

Titles to land transferred from the Crown to Southern DHB are subject to a memorial in terms of the Treaty of Waitangi Act 1975 (as amended by the Treaty of Waitangi (State Enterprises) Act 1988). The effect on the value of assets resulting from potential claims under the Treaty of Waitangi Act 1975 cannot be quantified.

8 Intangible assets

Cost

Balance at 1 May 2010	11,703
Additions	18
Disposals	(1)
Balance at 30 June 2010	11,720

Amortisation and impairment losses

Balance at 1 May 2010	5,650
Amortisation charge for the year	238
Impairment losses	-
Reversal of impairment losses	-
Disposals	-
Balance at 30 June 2010	5,888

Carrying amounts

At 1 May 2010	6,053
At 30 June 2010	5,832

Impairment

There were no impairment losses recognised in the 2010 year

9 Inventories held for distribution

	2010
	Actual
Pharmaceuticals	508
Surgical & Medical supplies	3,694
	4,202

The carrying amount of inventories held for distribution carried at current replacement cost at 30 June 2010 was \$4,202.

The write-down of inventories held for distribution amounted to \$0 for 2010, while reversals of write-downs were \$0 for 2010. No inventories are pledged as security for liabilities but some inventories are subject to retention of title clauses (Romalpa clauses). The value of stocks subject to such clauses cannot be quantified due to the inherent difficulties in identifying the specific inventories affected at year-end.

10 Investments in associates

Southern DHB has the following investments in associates:

a) General information

Name of entity	Principal activities	Interest held at 30 June	
		2010	Balance Date
South island Shared Service Agency Limited	Support the activities of DHBs' in providing: <ul style="list-style-type: none"> • health services planning and review, • provider and stakeholder management, • contract management, • project management, • contract audit and monitoring, and • financial analysis and planning 	30%	30 June

10 Investments in associates (continued)

b) Summary of financial information on associate entities (100%)

2010 Actual	Assets	Liabilities	Equity	Revenues	Profit/ (loss)
South Island Shared Service Agency Limited	2,290	1,498	792	2,834	35
	2,290	1,498	792	2,834	35

c) Share of profit of associate entities

Share of profit/ (loss) before tax
Less: tax expense
Share of profit/ (loss) after tax

2010

Actual

53

-

53

d) Investment in associate entities

Carrying amount at beginning of year
Acquisition of new investments
Disposal of investments
Share of total recognised revenue and expenses
Dividends
Other movements

2010

Actual

185

-

-

53

-

-

238

e) Share of associates' contingent liabilities and commitments

Contingent liabilities
Contracted capital commitments
Other contracted commitments

2010

Actual

-

-

-

11 Trade and other receivables

Trade receivables from non-related parties
Ministry of Health receivables
Accrued income
Prepayments

2010

Actual

4,951

3,172

15,483

1,441

25,047

Trade receivables are shown net of provision for doubtful debts amounting to \$711 recognised in the current year and arising from identified debts unlikely to be recovered.

12 Cash and cash equivalents

Bank balances
Call deposits
Cash and cash equivalents
Bank overdrafts
Cash and cash equivalents in the statement of cash flows

2010

Actual

347

29,725

12

-

30,084

12 Cash and cash equivalents (continued)

Working capital facility

The bank overdrafts are secured by a negative pledge which requires Southern DHB to comply with certain covenants such as limitations on borrowings, secured liabilities and disposal of assets. The facilities available total \$10 million.

Reconciliation of (deficit)/ surplus for the year with net cash flows from operating activities

	Note	2010 Actual
(Deficit) / surplus for the period		(1,658)
Add back non-cash items:		
Depreciation and assets written off		3,278
Share of profit/ (loss) after tax from associate companies	10	(53)
Other non cash items		
Increase/ (decrease) in fair value		60
Increase/ (decrease) in provision for doubtful debts		-
Add back items classified as investing activity:		
Net loss/ (gain) on disposal of property, plant and equipment		1
Movements in working capital:		
(Increase)/ decrease in trade and other receivables		(186)
(Increase)/ decrease in inventories		86
Increase/ (decrease) in trade and other payables		(472)
Increase/ (decrease) in employee benefits		1,594
Net movement in working capital		1,022
Net cash inflow/ (outflow) from operating activities		2,650

13 Capital and reserves

	Crown equity	Property revaluation reserve	Retained earnings	Total equity
Balance at 1 May 2010	-	-	-	-
Contribution from the Crown being the net assets transferred to Southern DHB from the Otago and Southland DHBs on 1 May 2010	12,165	86,314	-	98,479
Capital contributions from the Crown (Deficit Support and Project Equity Funding)	11,323	-	-	11,323
Equity repayment to the crown	(707)	-	-	(707)
Movement in revaluation of land and buildings	-	-	-	-
Transfers from revaluation of land and buildings on disposal	-	-	-	-
Surplus for the period	-	-	(1,658)	(1,658)
Balance at 30 June 2010	22,781	86,314	(1,658)	107,437

Revaluation reserve

The revaluation reserve relates to land and buildings. Where buildings are reclassified as investment property, the cumulative increase in the fair value of the buildings at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

14 Interest-bearing loans and borrowings

Non-current

Secured loans
Unsecured loans
Finance lease liabilities

2010 Actual
68,480
642
4,604

73,726

Current

Current portion of secured loans
Current portion of finance lease liabilities
Current portion of unsecured loans

26,804
2,802
319

29,925

Secured loans

Southern DHB has a secured loan with the Crown Health Financing Agency.

The details of terms and conditions are as follows:

Interest rate summary

Crown Health Financing Agency

2010 Actual
2.43% to 6.96%

Repayable as follows:

Within one year
One to two years
Two to three years
Three to four years
Four to five years
Later than five years

2010 Actual
27,123
919
22,919
680
6,850
39,604

Term loan facility limits

Crown Health Financing Agency
Term loan facility

2010 Actual
97,400

-

Security and terms

The term loan is a secured loan.

The loan facility is provided by the Crown Health Financing Agency, which is part of the Treasury.

The Crown Health Financing Agency term liabilities are secured by a negative pledge. Without the Crown Health Financing Agency's prior written consent Southern DHB cannot perform the following actions:

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

From November 2007 all covenants in application over the loan from the Crown Health Financing Agency were waived. However the Crown Health Financing Agency retains the right to reinstate the covenants at any time.

14 Interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments	Interest	Principal
	2010 Actual	2010 Actual	2010 Actual
Less than one year	3,252	450	2,802
Between one and five years	5,156	552	4,604
More than five years	0	0	0
	8,408	1,002	7,406

Under the terms of the lease agreements, no contingent rents are payable.

15 Employee benefits

Non-current liabilities

Liability for long-service leave
Liability for sabbatical leave
Liability for retirement gratuities

Current liabilities

Liability for long-service leave
Liability for sabbatical leave
Liability for retirement gratuities
Liability for annual leave
Liability for sick leave
Liability for continuing medical education
Salary and wages accrual

2010 Actual
2,848
994
10,734
14,576
3,173
112
1,235
25,515
241
5,242
11,889
47,407

16 Trade and other payables

Trade payables due to associates
Trade payables to non-related parties
GST payable
Income in advance relating to contracts with specific
performance obligations
Capital charge due to the Crown
Other non-trade payables and accrued expenses

2010 Actual
-
6,688
5,684
2,388
209
31,991
46,960

17 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year
Between one and five years
More than five years

2010 Actual
2,160
2,295
3
4,458

During the two months ended 30 June 2010, \$380 was recognised as an expense in the statement of financial performance in respect of operating leases.

18 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of Southern DHB's operations.

Credit risk

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

The health board places its cash and short-term deposits with high-quality financial institutions and the health board has a policy that limits the amount of credit exposure to any one financial institution.

Concentrations of credit risk from accounts receivable are limited due to the large number and variety of customers. The Ministry of Health is the largest single debtor (approximately 35.9 per cent). It is assessed to be a low risk and high-quality entity due to its nature as the government funded purchaser of health and disability support services.

The Crown Retail Deposit Guarantee Scheme for deposits held with banks that have opted into the scheme provides a guarantee of \$1million per depositor per guaranteed institution. Deposits beyond this level are not covered by this scheme.

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

	Gross Receivable	Impairment
Trade receivables		
Not past due	5,689	
Past due 0-30 days	355	
Past due 31-120 days	1,598	(48)
Past due 121-360 days	577	(216)
Past due more than 1 year	615	(447)
Total	8,834	(711)

In summary, trade receivables are determined to be impaired as follows:

	2010 Actual
Trade receivables	
Gross trade receivables	8,834
Individual impairment	(711)
Collective impairment	-
Net total trade receivables	8,123

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

Liquidity risk

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

18 Financial instruments (continued)

The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis.

2010	Balance sheet	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Secured loans	95,284	121,629	29,313	2,112	4,521	39,037	46,646
Unsecured loans	961	1,036	159	159	319	399	-
Finance lease liabilities	7,406	8,408	1,672	1,580	2,660	1,970	526
Loan from associate	-	-	-	-	-	-	-
Unsecured bank facility	-	-	-	-	-	-	-
Trade and other payables	46,960	46,960	46,960	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-
Total	150,611	178,033	78,104	3,851	7,500	41,406	47,172
Forward exchange contracts							
Inflow							
Outflow	150,611	178,033	78,104	3,851	7,500	41,406	47,172

Interest rate risk

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

Southern DHB adopts a policy of ensuring that interest rate exposure will be managed by an appropriate mix of fixed rate and floating rate debt.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	Effective interest rate (%)	2010 Actual					
		Total	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Cash and Cash Equivalents	2.50%	30,084	30,084	-	-	-	-
Secured bank loans:							
NZD fixed rate loan *							
Crown health Funding Agency *	2.43%	4,500	4,500	-	-	-	-
Crown health Funding Agency *	5.80%	22,000	22,000	-	-	-	-
Crown health Funding Agency *	0.00%	6,308	152	152	600	1,800	3,604
Crown health Funding Agency *	6.96%	5,000	-	-	-	5,000	-
Crown health Funding Agency *	6.55%	6,250	-	-	-	6,250	-
Crown health Funding Agency *	4.90%	5,000	-	-	-	5,000	-
Crown health Funding Agency *	6.11%	12,000	-	-	-	12,000	-
Crown health Funding Agency *	6.42%	10,000	-	-	-	-	10,000
Crown health Funding Agency *	5.99%	20,000	-	-	-	-	20,000
Crown health Funding Agency *	5.75%	6,000	-	-	-	-	6,000
Finance lease liabilities*	3.34%- 8.93%	7,406	1,420	1,382	2,413	1,708	483
Unsecured Bank Loans	0.00% 3.25%-	1,036	159	159	319	399	-
Bank overdraft	8.90%	-	-	-	-	-	-

* These assets/liabilities bear interest at fixed rates

18 Financial instruments (continued)

Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Southern DHB is exposed to foreign currency risk on sales, purchases that are denominated in a currency other than NZD. The currencies giving rise to this risk are primarily United States and Australian Dollars.

Capital management

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

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

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

Sensitivity analysis

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

At 30 June 2010, it is estimated that a general change of one percentage point in interest rates would increase or decrease Southern DHB's operating result by approximately \$963.

Classification and fair values

The classification and fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Designated at fair value		Loans and receivables	Available for sale	Other amortised cost	Carrying amount Actual	Fair value Actual
		Held for trading	through profit & loss					
2010								
Trade and other receivables	11	-	-	25,047	-	-	25,047	25,047
Cash and cash equivalents	12	-	-	30,084	-	-	30,084	30,084
Secured loans	14	-	-	103,651	-	-	103,651	95,177
Finance lease liabilities	14	-	-	7,406	-	-	7,406	6,354
Unsecured liabilities	14	-	-	1,036	-	-	1,036	961
Trade and other payables	16	-	-	46,960	-	-	46,960	46,960
Bank overdraft	12	-	-	-	-	-	-	-

Estimation of fair values analysis

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogenous lease agreements. The estimated fair values reflect change in interest rates.

Trade and other receivables/payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

18 Financial instruments (continued)

Interest rates used for determining fair value

The entity uses the government yield curve as of 30 June 2010 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2010 Actual %
Finance Leases	9.25%
Loans and borrowings	6.10%

19 Related parties

Ownership

Southern DHB is a crown entity in terms of the Crown Entities Act 2004 and is owned by the Crown.

Identity of related parties

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

Board members' authorised remuneration, either paid or accrued, during the period was:

	Board Members Fees \$'000
	2010 Actual
Errol Millar	9
Paul Menzies	7
Helen Algar	4
Peter Barron	4
Sajan Bhatia	4
Louise Carr	4
Neville Cook	4
Kaye Crowther QSO	4
Karen Goffe	4
Susie Johnstone	5
Malcolm Macpherson	4
Fiona McArthur	5
Judith Medicott	4
Katie O'Connor	4
Tahu Potiki	4
Louise Rosson	4
Branko Sijnja	4
Richard Thomson	5
Tim Ward	5
Dot Wilson	4

The remuneration paid relates solely to Board members' role on the Board and various statutory committees.

Compensations

The key management remuneration is as follows:

	2010 Actual
Salary and short-term benefits	498
Superannuation	2
	500

The compensations above excludes amounts paid to board members as these are separately shown above

The FTE associated with key personnel was 7.9

19 Related Parties (continued)

Employee Termination Payments

Three employees received remuneration in respect of the termination or personal grievance relating to their employment with Southern DHB. The total payments were \$43,797.

2010
41
2
1

Employee Remuneration

The number of employees who received remuneration and other benefits of \$100,000 or more for the two months ending 30 June 2010 were:

Total Remuneration and Other Benefits \$000	Number of Employees
100 - 110	2010 1

The employee shown above is a medical/dental employee. If the remuneration of part-time employees was grossed-up to a Full Time Equivalent (FTE) basis, the total number with FTE salaries of \$100,000 or more would be 7, compared with the actual total number of 1.

The Chief Executive's remuneration and other benefits, either paid or accrued are in the band \$80-\$90.

Transactions with Board Members

	2010			
	Purchased by Southern DHB	Purchased from Southern DHB	Owed by Southern DHB	Owed to Southern DHB
Board Members				
Helen Algar				
Waitaki District Council (A)	2	-	-	-
Waitaki District Health Services (A)	13	45	7	21
Peter Barron				
Aspiring Pharmacy (S)	69	0	-	0
Associated Chemists Ltd (Urgent Pharmacy Dunedin) (S)	89	0	0	0
Central Otago Pharmacy Limited (S & D)	177	-	-	-
Dunedin Pharmacy Limited (S)	114	-	-	-
Southland Pharmacy Limited (S & D)	358	-	-	-
Sajan Bhatia				
Mobile Surgical Services Limited (D)	-	0	-	-
Mobile Medical Technology Limited (D)	16	0	-	0
Louise Carr				
PACT Group (CEO)	658	-	3	-
Uruuruwhenua Health Incorporated (E)	30	-	-	-
Kaye Crowther				
WHK (NZ) Ltd (E)	31	-	-	-
Karen Goffe				
Nga Kete Matauranga Pounamu Charitable Trust (E)	159	-	16	-

19 Related parties (continued)
Transactions with Board Members (continued)

Board Members

Susie Johnstone

Clutha Health First (A)	973	64	7	40
Otago Polytechnic (DC)	10	58	0	1
Roxburgh District Medical Services Trust Board (S)	45	-	-	-
Tuapeka Community Health Co Ltd (S)	111	-	-	-
West Otago Health Limited (S)	39	-	-	-
Wyndham Rest Home (S)	48	-	-	-

Malcolm Macpherson

ACC (S)	-	1,545	-	809
Centennial Health (S)	13	-	-	-
Central Otago District Council	2	-	-	-
Otago Community Hospice (T)	381	0	-	0
Otago Polytechnic (B)	10	58	0	1

Judith Medicott

Ashburn Hall Charitable Trust (T)	38	-	-	-
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Errol Millar

Southern Community Laboratories Otago Southland Ltd (D)	5,408	148	26	62
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Tahu Potiki

Arai Te Uru Whare Hauora Ltd (D)	113	-	-	-
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Branko Sijnja

Balclutha General Practitioners Limited (E)	6	-	-	-
Clutha Health First (B)	973	64	7	40
University of Otago (Rural Immersion Programme) (D)	1,537	490	413	353

Richard Thomson

Hawksbury Community Living Trust (C & T)	-	0	-	0
Healthcare Otago Charitable Trust (T)	0	-	-	-

Tim Ward

Southern Institute of Technology (B)	0	2	-	122
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	2010			
	Purchased by Southern DHB	Purchased from Southern DHB	Owed by Southern DHB	Owed to Southern DHB
Board Members				
Susie Johnstone				
Clutha Health First (A)	973	64	7	40
Otago Polytechnic (DC)	10	58	0	1
Roxburgh District Medical Services Trust Board (S)	45	-	-	-
Tuapeka Community Health Co Ltd (S)	111	-	-	-
West Otago Health Limited (S)	39	-	-	-
Wyndham Rest Home (S)	48	-	-	-
Malcolm Macpherson				
ACC (S)	-	1,545	-	809
Centennial Health (S)	13	-	-	-
Central Otago District Council	2	-	-	-
Otago Community Hospice (T)	381	0	-	0
Otago Polytechnic (B)	10	58	0	1
Judith Medicott				
Ashburn Hall Charitable Trust (T)	38	-	-	-
Errol Millar				
Southern Community Laboratories Otago Southland Ltd (D)	5,408	148	26	62
Tahu Potiki				
Arai Te Uru Whare Hauora Ltd (D)	113	-	-	-
Branko Sijnja				
Balclutha General Practitioners Limited (E)	6	-	-	-
Clutha Health First (B)	973	64	7	40
University of Otago (Rural Immersion Programme) (D)	1,537	490	413	353
Richard Thomson				
Hawksbury Community Living Trust (C & T)	-	0	-	0
Healthcare Otago Charitable Trust (T)	0	-	-	-
Tim Ward				
Southern Institute of Technology (B)	0	2	-	122

C = Chairperson; DC = Deputy Chairperson; B = Board members; CEO = Chief Executive Officer; E = Employee; A = Associated with organisation; S = Spouse associated with organisation; D = Director; T = Trustee

20 Mental Health Ringfence

The Mental Health blueprint is a model that proposes levels of funding required for effective Mental Health Services. Within the context of the blueprint model the Mental Health ringfence policy is designed to ensure that funding allocated for Mental Health is expended in full for mental health services. The Mental Health ringfence is calculated by taking the expenditure base in the previous year, adding specific 'blueprint' funding allocations and adding a share of demographic funding growth plus a share of any inflationary growth funding. Any underspend resulting in a surplus within the service must be reinvested in subsequent periods. The two months ended 30 June 2010 has resulted in a deficit of \$354k for Mental Health services. Additionally Southern DHB has a brought forward under spend, vested from the Otago and Southland DHBs of \$3,786k meaning that \$3,432k will be expended during the next financial year

21 Accounting estimates and judgements

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

Critical accounting judgements in applying the Southern DHB's accounting policies

In preparing these financial statements the Southern DHB has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

22 Explanation of financial variances from budget

The unfavourable variance in comprehensive income against budget for the two months was \$148k. As noted below this budget was the combined Otago and Southland DHBs budget for this two month period. To aid the understanding of this 'two month period, as well as the previous 10 month period of the Otago and Southland DHBs a summary and commentary for the full 12 month period follows.

Statement of Comprehensive Income For the 12 Months ended 30 June 2010 (In thousands of New Zealand Dollars)

	2010 Actual	2010 Budget	2010 Variance
Revenue	802,461	795,469	6,992
Other operating income	9,356	4,910	4,446
Finance income	1,203	2,115	(912)
Total income	813,020	802,494	10,526
			-
Employee benefit costs	290,415	287,393	(3,022)
Depreciation and amortisation expense	19,446	19,903	457
Outsourced services	23,203	20,492	(2,711)
Clinical Supplies	67,286	65,915	(1,371)
Infrastructure and non-clinical expenses	41,079	40,893	(186)
Payments to non-health board providers	369,538	366,531	(3,007)
Other operating expenses	4,590	2,468	(2,122)
Finance costs	6,439	6,251	(188)
Capital charge	5,819	7,880	2,061
Total expenses	827,815	817,726	(10,089)
			-
Share of (loss)/profit in associates	16	-	(16)
			-
(Deficit)/ surplus for the period	(14,779)	(15,232)	453
			-
Other Comprehensive income			
Gains on property revaluations	6,801	-	6,801
Total other comprehensive income	6,801	-	6,801
Total Comprehensive income	(7,978)	(15,232)	7,254

At a very high level, the following items (unfavourable variances shown as negatives) contribute to the overall \$7.3m favourable variance to budget:

- (\$2.9m) of additional employee costs due to entitlement valuations, which include long service leave, retiring gratuities, and sick leave
- (\$3.7m) of greater than budgeted costs for home support due to higher utilisation
- (\$1.6m) increased patient travel and accommodation costs
- (\$2.6m) of increased costs for hospital level continuing care
- \$1.0m of residential rest home costs below budget
- \$2.0m of higher kiwisaver credits received in the year
- \$2.1m of lower management / admin salaries due to lower staff numbers
- \$2.1m of lower capital charges due partly to a washup related to prior year
- \$1.0m of mental health underspend relating to unfilled positions
- \$0.7m of additional revenues with no cost offset
- \$1.2m of additional electives funding due to volumes completed in the current year
- \$1.2m additional PHARMAC rebate due to the change in the rebate pool size
- \$6.8m gain on property revaluation, due to the revaluation completed as at 30 April

23 Budget Figures

Southern District Health Board did not have an approved budget for this two month period. In order to provide comparability, the Board has determined that reporting against the Otago and Southland DHBs budget for this period provides a more meaningful reporting basis.

This is a technical breach of section 154(3)(c) of the Crown Entities Act 2004 which requires the Health Board's financial statements to include the forecast financial statements prepared at the start of the financial year.

24 Statement of Service Performance

The Crown Entities Act 2004 specifies the form and content of statement of service performance. It must

- be prepared in accordance with generally accepted accounting practice;
- describe each class of outputs supplied by the entity during the financial year;
- include, for each class of outputs,—
 - (i) the standards of delivery performance achieved by the entity, as compared with the forecast standards included in the entity's statement of forecast service performance at the start of the financial year; and
 - (ii) the actual revenue earned and output expenses incurred, as compared with the expected revenues and proposed output expenses included in the entity's statement of forecast service performance at the start of the financial year.

Southern District Health Board did not have a statement of service performance in place at the start of the financial year, and was not required to have one for this two month period as the date the new DHB commenced was within four months of the end of the financial year (section 140(6)CE Act 2004). As such this annual report does not include a statement of service performance.

Audit Report

To the readers of Southern District Health Board's financial statements and statement of service performance for the two months ended 30 June 2010

The Auditor-General is the auditor of Southern District Health Board (the Health Board). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Health Board for the two months ended 30 June 2010.

Qualified opinion – omission of statement of service performance

As stated in note 24 on page 33, the Health Board did not prepare a statement of forecast service performance for the two month period ended 30 June 2010. Normally that statement would outline the forecast standards of delivery by which the performance of the Health Board could be measured and the expected revenues and proposed output expenses for each class of outputs. Because the Health Board did not have a statement of forecast service performance it has been unable to prepare a statement of service performance that fairly reflects the standards of delivery performance achieved and the actual revenue earned and output expenses incurred.

In our opinion, except for the matter outlined above:

- The financial statements of the Health Board on pages 10 to 33:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Health Board's financial position as at 30 June 2010; and
 - the results of its operations and cash flows for the two months ended on that date.

The audit was completed on 28 October 2010, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. We found a material misstatement in relation to the omission of a statement of service performance because the Health Board did not prepare a statement of forecast service performance against which the Health Board's standards of delivery performance achieved and the actual revenue earned and output expenses incurred would have been measured.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We did not obtain all the information and explanations we required to support our opinion, as explained above.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Health Board as at 30 June 2010 and the results of its operations and cash flows for the two months ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Health Board's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses at the start of the period. The Board's responsibilities arise from the New Zealand Public Health and Disability Act 2000 and the Crown Entities Act 2004.

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

Independence

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

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



A P Burns
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of Southern District Health Board for the two months ended 30 June 2010 included on the Southern District Health Board's website. The Southern District Health Board's Board is responsible for the maintenance and integrity of the Southern District Health Board's website. We have not been engaged to report on the integrity of the Southern District Health Board's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 28 October 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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