AUCKLAND
DISTRICT HEALTH BOARD
Te Toka Tumai

Annual Report 2019|20

Auckland District Health Board

Presented to the House of Representatives pursuant to Section 150 of the Crown Entities Act 2004

Contents

About Auckland DHB

Who we are and what we do

Auckland DHB is the Government's funder and provider of health services to 488,000 residents living in the Auckland district.

Our population is diverse. 8% of Auckland residents are Māori, 11% are Pacific, and 33% are Asian. The health status of the majority of our population is very good and we are a relatively affluent population. We have one of the highest life expectancies in New Zealand, at 82.9 years (2017-19), this is an increase of 2.7 years since 2001.

Close to 12,000 people are employed by Auckland DHB.

Auckland DHB operates the largest teaching hospital and research centre in New Zealand. We provide many highly specialised services to the whole country.

Services are delivered from Auckland City Hospital (New Zealand's largest public hospital), Starship Children's Hospital (also New Zealand's largest), Greenlane Clinical Centre and the Buchanan Rehabilitation Centre. We also provide community child health and disability services, community mental health services and district nursing.

Our budget in 2019/20 was $2.5 billion.

Our strategy for health, wellbeing and equity

Our vision for the Auckland district is Kia kotahi te oranga mo te iti me te rahi o te hāpori: healthy communities, world-class healthcare, achieved together. Our vision translates to three **strategic outcomes**, which are the key priorities we want to achieve over the longer term:

Healthy communities	Achieving the best, most equitable health outcomes for Auckland communities
World-class healthcare	Ensuring that people receive reliable, equitable, high quality, safe and empowering support when they need it
Achieved together	Working as one system with practitioners, patients, iwi, whānau, communities, and other sectors

The DHB vision is supported by a set of values that reflect our culture and the way we work:

Welcome *Haere Mai* |
Respect *Manaaki* | Together *Tūhono* |
Aim High *Angamua*

Equity

Auckland DHB is committed to achieving health equity for all those in our community, in particular for Māori. We are developing strong partnerships focused on health equity.

Māori and Pacific communities in our region experience inequalities in health outcomes and we have identified ethnicity as the strongest equity parameter. One in five (18%) of our total population, but 27% of our Māori population and 40% of our Pacific population live in areas ranked as highly deprived (NZDep13). These areas are mainly in eastern areas from Glen Innes south to Mt Wellington and Otahuhu.

We are proud of our progress towards health equity, demonstrated by the increase in life expectancy observed for all population groups. Over the last decade, life expectancy in Māori and Pacific has shown a greater increase than that of all other ethnicities combined.

2019/20 achievements

Although results for many of our performance measures were adversely affected by COVID-19, Auckland DHB remains one of the healthiest communities in New Zealand. We performed well against our key population health indicators achieving improved results for all our medium-term outcome measures in 2019/20.

Our achievements in 2019/20 include:

- Amenable mortality rates declined by 30% over the past decade. We exceeded the cancer, coronary angiography and urgent colonoscopy waiting times targets, meaning that people quickly receive the healthcare they need.
- Our smoking rate (10%) is the lowest in New Zealand and has decreased since the 2013 census. 97% of pregnant women and 87% of PHO-registered smokers were given advice and help to quit smoking. More six-week old babies live in smokefree homes.
- Our children receive a great start to life. Our immunisation rates are among the highest in New Zealand and we exceeded our influenza vaccination target for children with respiratory illness.
- Suicide rates have decreased and more people are able to access mental health services.
- People are spending less time in hospital and are receiving higher quality care. Acute bed days have reduced 8% since 2017/18, and we improved on all of our HQSC quality and safety indicators in 2019/20.

Our COVID-19 response

The novel coronavirus 2019 (COVID-19) pandemic had an immense impact on the way we plan and deliver services. Our ongoing local and regional response work underscores the importance of flexibility, adaptability and rapid decision making. We responded quickly and effectively to the first outbreak, transforming our whole model of care over a very short timeframe and adapting swiftly to challenges as they arose, and were well prepared for the resurgence in August 2020.

Together with Northland and the other metropolitan Auckland DHBs, we are operating a regional response to the COVID-19 pandemic through the Northern Region Health Coordination Centre (NRHCC).

The NRHCC demonstrates how well we can address health protection, social welfare and cultural needs in a crisis.

In the metro Auckland region, testing for COVID-19 was established rapidly and early in the response. All testing is overseen by NHRCC.

A flexible model is in place that provides accessible testing in a range of settings. These include Community Testing Centres (CTCs), mobile testing units, general practice and urgent care clinics. We have additional Māori and Pacific mobile services providing augmented primary care, influenza vaccination and testing services.

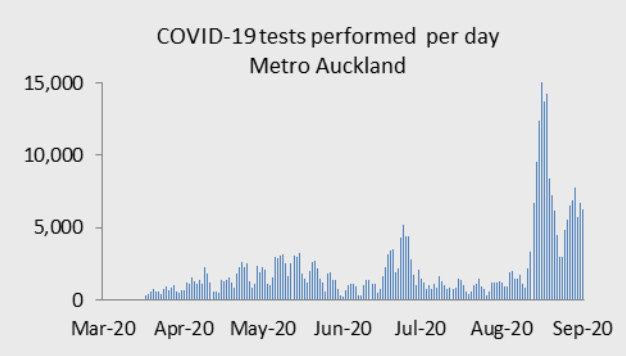
New Zealand reported its first case of COVID-19 on 28 February 2020. By 21 March (when there were 35 positive cases identified in the Northern region), 7 community testing centres (CTCs) were operating across the region. At the peak of the first outbreak, there were 14 CTCs in operation, and 6 mobile services providing testing for people who found it difficult to access CTCs or general practice. Community swabbing (in CTCs and general practice) peaked at around 2,500 tests per day in late April.

The primary care testing model adapted rapidly to changing circumstances. Testing volumes are able to be quickly ramped up in response to Ministry of Health directives and heightened demand in the community, and capacity re-directed and service models altered as the focus shifted from symptomatic community cases to testing of returning New Zealanders in managed isolation facilities and surveillance testing in the community.

On 11 August 2020, after 102 days with no community cases, a new outbreak was detected in Auckland. The NRHCC immediately increased testing capability across the region.

Within 24 hours, 16 new testing centres were opened across the Auckland region, with over 500 healthcare workers redeployed to support testing.

Testing volumes peaked at around 16,000 swabs per day, and there were more than 30 testing centres, pop-up sites and mobile units operating across Auckland.



Testing capacity across Metro Auckland rapidly increased to meet demand

Additional contact tracing teams were put in place at the Auckland Regional Public Health Service, and laboratories vastly increased their processing capacity.

The August outbreak predominantly affected our Pacific (61% of cases) and Māori (22% of cases) communities living in less affluent areas of south and west Auckland. Housing and other adverse socioeconomic problems, along with a high prevalence of other health issues (e.g. diabetes and heart disease), combine to increase the risk of infection and death in these communities.

Our Māori and Pacific teams played a significant role in limiting the outbreak by working with community leaders and healthcare and social service providers to provide equitable access to testing and wider support. Testing rates for Māori and Pacific are currently higher than those for the overall Auckland DHB population.

COVID-19 tests for Auckland DHB residents, as at 20 September 2020	
Total tests	94,362
Test rate per 1,000 people	172
Positive results	0.2%
COVID-19 test rates per 1,000 Auckland DHB residents, by ethnicity, as at 20 September 2020	
Māori	189
Pacific	263
Asian	116
Other	186

A COVID-19 community testing centre in Ōtara.

The NRHCC has assumed responsibility for the entire health component of the Managed Isolation and Quarantine (MIQ) system in the Northern Region and has robust procedures in place to ensure the safety of our workers, their families and our communities. The NRHCC also undertakes asymptomatic surveillance testing of border staff (airport and MIQ) as directed by the Ministry of Health testing strategy. Large programmes of asymptomatic testing through workplaces and the community were carried out to support New Zealand's COVID-19 elimination strategy.

Outbreaks of COVID-19 in aged residential care (ARC) facilities can be devastating. After a COVID-19 outbreak in several Auckland DHB ARC facilities, contingency planning for future outbreaks in ARC is now a priority. All ARC facilities have undertaken COVID-19 preparedness assessments and are being supported to address any identified issues.

An outbreak management process was developed. This process includes an On-Call Response Team which would execute oversight and management in the first 72 hours following a notification, and an Outbreak Management Team to support management of the facility throughout the outbreak.

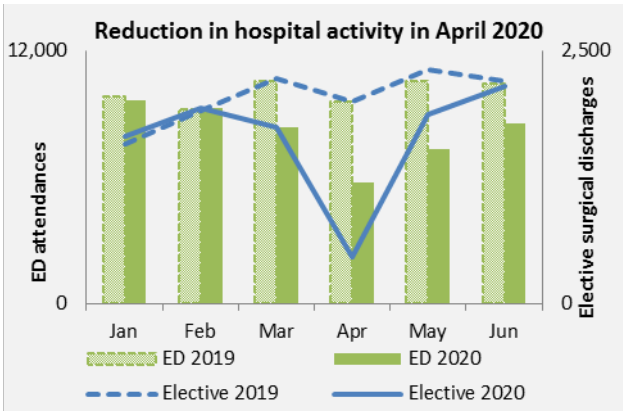
Healthcare workers play an essential role in the pandemic response and our employees' health, safety and wellbeing is more important than ever. We developed a number of tools and services to help support ourselves and each other to manage uncertainty and anxiety.

The reduction in clinical activity as a result of restrictions under the Alert Level 3 and 4 lockdown period (late March to mid-May 2020), and the re-purposing of staff and facilities for COVID-19 functions, was immediate and dramatic. In both hospital settings and in primary care, significantly less care was able to be provided than expected under normal circumstances.

Members of the public generally stayed away from health care facilities, with general practices, urgent care centres and Auckland City Hospital and Starship Children's Hospital emergency departments reporting very low attendance. Routine elective care was delayed. As a consequence, in-patient admissions were very low in comparison to the same period in previous years.

The majority of routine elective surgeries were delayed during the lockdown period, with less than one quarter of the expected number of elective surgical procedures carried out in our hospitals in April.

Emergency department volumes decreased by 40% in April 2020, compared with April 2019, and acute inpatient volumes were reduced by a quarter. Auckland DHB bed occupancy declined from 86% in March 2020 to 61% in April 2020.



Elective surgery and emergency department attendances were significantly reduced during the lockdown period

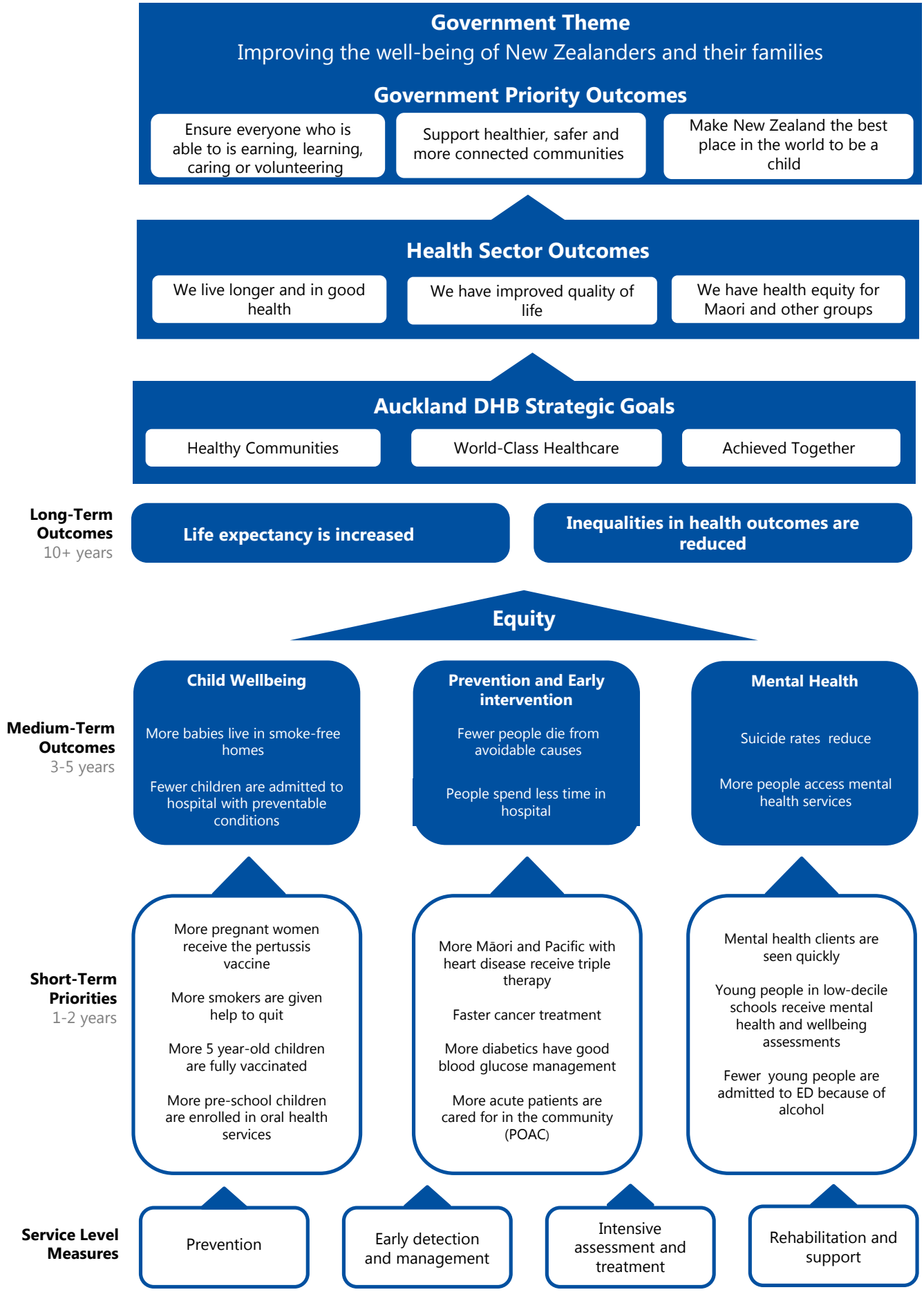
Outpatient activity was less affected as we moved rapidly to offer telephone and video consultations. Auckland DHB delivered three quarters of medical outpatient consultations via telehealth during Alert Level 4.

During the August resurgence we quickly transitioned again to virtual appointments, where appropriate. Auckland DHB is now working to support increased telehealth in the longer term by developing more electronic tools to assist with the delivery of virtual and paperless clinics.

New Zealand was relatively successful to date at limiting the direct impact of COVID-19 on the population. This success has come with a significant financial cost to the country and Auckland DHB. The estimated financial impact of COVID-19 on Auckland DHB's statement of comprehensive revenue and expense for the year ended 30 June 2020 is a net cost of $26 million. The financial impacts of COVID-19 are detailed further in Note 26 of the Financial Statements.

In addition to the financial impacts, there were significant impacts on the ability of the DHB to meet our performance targets. These impacts are further detailed in the Statement of Performance.

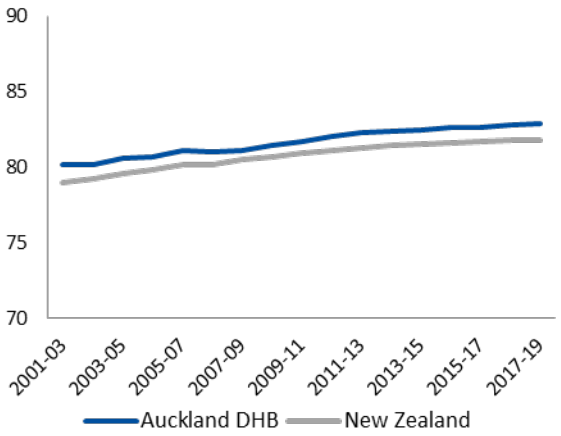
Our focus is now on a sustainable community response and recovery. We are working to ensure our community has equitable and timely access to the services they need. Our people are engaged in significant programmes of work to clear the backlog of activity that was deferred during lockdown and return access and participation rates to levels seen prior to COVID-19.


Government Theme
Improving the well-being of New Zealanders and their families
Government Priority Outcomes
Ensure everyone who is able to is earning, learning, caring or volunteering
Support healthier, safer and more connected communities
Make New Zealand the best place in the world to be a child
Health Sector Outcomes
We live longer and in good health
We have improved quality of life
We have health equity for Maori and other groups
Auckland DHB Strategic Goals
Healthy Communities
World-Class Healthcare
Achieved Together
Long-Term Outcomes
10+ years
Life expectancy is increased
Inequalities in health outcomes are reduced
Equity
Medium-Term Outcomes
3-5 years
Child Wellbeing
More babies live in smoke-free homes
Fewer children are admitted to hospital with preventable conditions
Prevention and Early intervention
Fewer people die from avoidable causes
People spend less time in hospital
Mental Health
Suicide rates reduce
More people access mental health services
Short-Term Priorities
1-2 years
More pregnant women receive the pertussis vaccine
More smokers are given help to quit
More 5 year-old children are fully vaccinated
More pre-school children are enrolled in oral health services
More Māori and Pacific with heart disease receive triple therapy
Faster cancer treatment
More diabetics have good blood glucose management
More acute patients are cared for in the community (POAC)
Mental health clients are seen quickly
Young people in low-decile schools receive mental health and wellbeing assessments
Fewer young people are admitted to ED because of alcohol
Service Level Measures
Prevention
Early detection and management
Intensive assessment and treatment
Rehabilitation and support

Long-term outcomes

The overall outcomes that we aim to achieve are an increase in life expectancy (measured by life expectancy at birth) and reduce inequalities (measured by the ethnic gap in life expectancy).

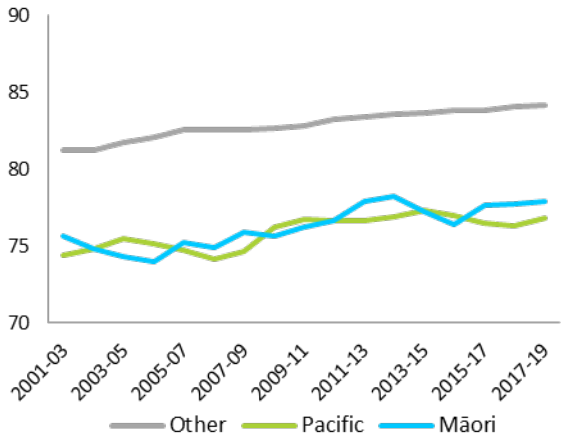
LIFE EXPECTANCY AT BIRTH – 3-YEAR COMBINED ESTIMATE



Life expectancy at birth (LEB) is recognised as an overall measure of population health status. Life expectancy at birth is defined as how long, on average, a newborn is expected to live, if current death rates do not change. Gains in life expectancy at birth can be attributed to a number of factors, including greater access to quality health services and healthier lifestyles.

We have one of the highest life expectancies in New Zealand at 82.9 years (2017-19[1]), which is 1.1 years higher than New Zealand as a whole. Life expectancy for our overall population has increased slightly over the last year, and shows an increase of nearly 2 years over the last decade.

LIFE EXPECTANCY AT BIRTH, BY ETHNICITY – 3-YEAR COMBINED ESTIMATE



Life expectancy differs significantly between ethnic groups in our district. Māori and Pacific people have a lower life expectancy than other ethnic groups, with a gap of 6.2 years for Māori and 7.3 years for Pacific.

Life expectancy for our Māori population increased by 2 years over the past decade and the gap in life expectancy continues to gradually close. Māori now have a life expectancy of 77.9 years, but this is more than 5 years lower than other ethnicities (excluding Pacific).

Life expectancy for Pacific remains significantly lower than other ethnicities at 76.8 years, but has increased by 2.2 years over the past decade. The gap between Pacific life expectancy, and that of other ethnicities has decreased by 0.6 years since 2007-09.

[1] The most recent life expectancy data available is for deaths occurring in the 2019 calendar year. Three-year combined estimates were produced to reduce the effect of year-to-year variations in death rates, which is particularly relevant due to smaller numbers seen at the ethnicity level.

Medium-term outcome measures

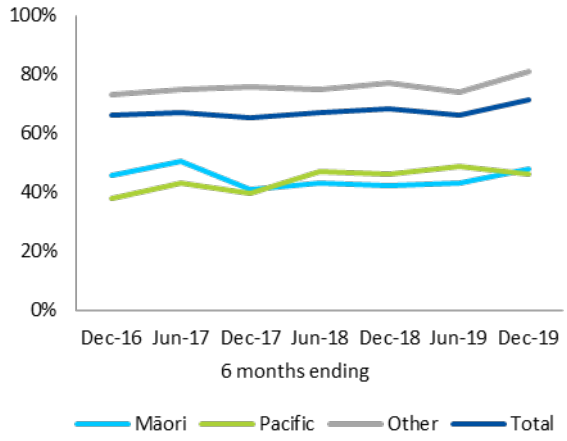
We performed well against our key population health indicators and achieved improvement in all of our medium-term outcome measures in 2019/20.

Measure	Prior year result[2]	Current year result[3]	% change
% of WCTO[4] registered babies living In smokefree homes at 6 weeks post-partum	68%[5]	71%[6]	4.4%
Ambulatory sensitive hospital admissions in those aged 0-4 years, per 100,000 population	7,930[7]	6,082	23.3%
- Māori	7,988[7]	6,529	18.3%
- Pacific	15,724[7]	11,051	29.7%
- Other	6,099[7]	4,807	21.2%
Mortality rate from conditions considered amenable, per 100,000 population	72.9[7,8]	72.8[8]	0.1%
Acute hospital bed days rate per 1,000 population	449[9]	417	7.1%
- Māori	679[9]	587	13.6%
- Pacific	824[9]	781	5.2%
- Other	387[9]	359	7.2%
Rate of suicide per 100,000 population	8.5[7,10]	8.2[10]	3.5%
Access rates to mental health services (in 0-19 year olds)	3.4%[7]	3.7%	8.8%

Note: a green % change indicates the result is better in 2019/20 than in the previous year, a red % change indicates the result is worse than the previous year.

More babies live in smokefree homes

PROPORTION OF WCTO REGISTERED BABIES LIVING IN SMOKEFREE HOMES AT 6 WEEKS POST-PARTUM



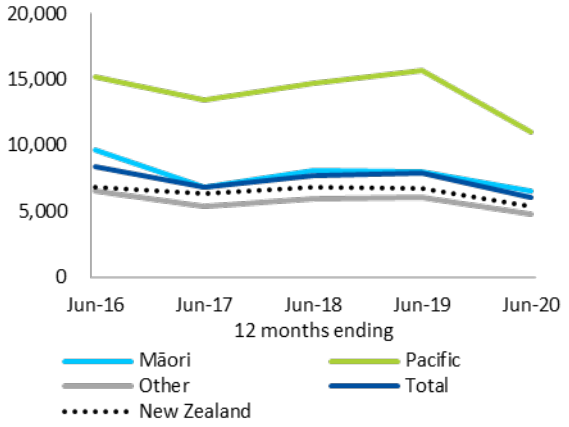
This measure aims to reduce the rate of infant exposure to cigarette smoke by focusing attention beyond maternal smoking to the home and family/whānau environment and encouraging an integrated approach between maternity, community and primary care.

The percentage of babies living in smokefree homes is improving for most ethnicities, however there has been little improvement for Pacific. Programmes like the maternal incentives smoking cessation programme aim to improve performance against this indicator and reduce the inequities for our Māori and Pacific populations.

[2] 2018/19 unless specified.
[3] 2019/20 unless specified.
[4] Well Child Tamariki Ora service.
[5] The denominator was changed in 2019/20 so the 2018/19 figure differs from that published in our previous Annual Report. The 2018/19 denominator is the total number of babies enrolled with WCTO providers, the 2019/20 denominator is the total number of registered births.
[6] Six months ending in December 2019 (the latest available data).
[7] Result updated in 2020 using the revised 2019 population projections, therefore it differs from the result published in the 2018/19 Annual Report.
[8] The 2018/19 result is the number of 2016 deaths; the 2019/20 result is the number of 2017 deaths.
[9] Updated using latest coded data and revised 2019 population projections, , therefore this result differs from that published in our 2018/19 Annual Report.
[10] The 2018/19 result is based on the number of 2012-16 deaths; the 2019/20 result is based on the number of 2013-17 deaths.

Fewer children are admitted to hospital with preventable conditions

AMBULATORY SENSITIVE HOSPITALISATION ADMISSIONS IN THOSE AGED 0-4 YEARS, PER 100,000 POPULATION

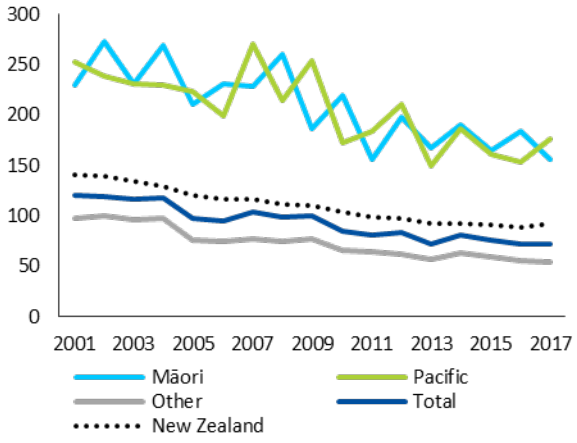


Ambulatory sensitive hospitalisations (ASH) are unplanned hospital admissions for a defined set of conditions that are potentially avoidable through prevention or management in primary care. In children, these conditions are primarily respiratory illnesses, gastroenteritis, dental and skin conditions. ASH rates are much higher for Māori and Pacific children. Access to primary and community health care programmes can help reduce ASH rates, but underlying determinants of health (e.g. housing, exposure to smoking and poverty) also influence the incidence of ASH.

During the COVID-19 lockdown period (Apr-May 2020), many people avoided seeking treatment at healthcare facilities, including hospitals, therefore lower rates of acute hospital admissions were observed during this period than expected. This included admissions for ambulatory sensitive conditions, impacting on performance for the last quarter of 2019/20 and appearing to improve performance when compared to the previous year. The incidence of some ASH conditions improved through the efforts to reduce the spread of COVID-19 – seasonal influenza and other respiratory infection rates dropped due to social distancing and good hygiene practices (improved vaccination rates may also have impacted influenza rates). Performance will need to be monitored over time to determine if this improvement is sustained.

Fewer people die from avoidable causes

MORTALITY RATE FROM CONDITIONS CONSIDERED AMENABLE, DEATHS PER 100,000 POPULATION (AGED UNDER 75 YEARS)



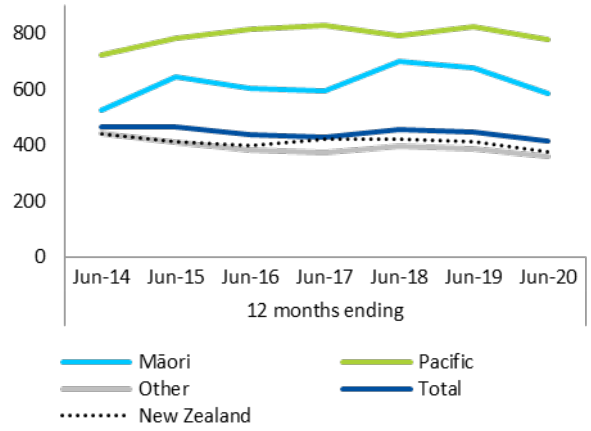
Amenable mortality is deaths in those aged under 75 that were potentially avoidable through healthcare intervention. Waitemata DHB has the second lowest rate of amendable mortality in New Zealand and is declining, however annual fluctuations are seen, especially when viewing the smaller numbers of deaths at ethnicity group level.

Since 2010 the rate of decline has slowed. This is largely due to an increasing number of deaths related to coronary disease, mainly in the 65+ age group.

In 2018 the Ministry of Health released a new cardio-vascular disease (CVD) risk assessment and management tool which aims to more accurately identify those that should be risk assessed, and better inform decision making around the treatment and management of CVD. Importantly, for Māori, Pacific and South Asian populations, risk assessment is now recommended to commence at a much earlier age than for other population groups.

People spend less time in hospital

ACUTE HOSPITAL BED DAYS PER 1,000 POPULATION



Acute hospital bed days per capita is a measure of the demand for unplanned care in hospitals.

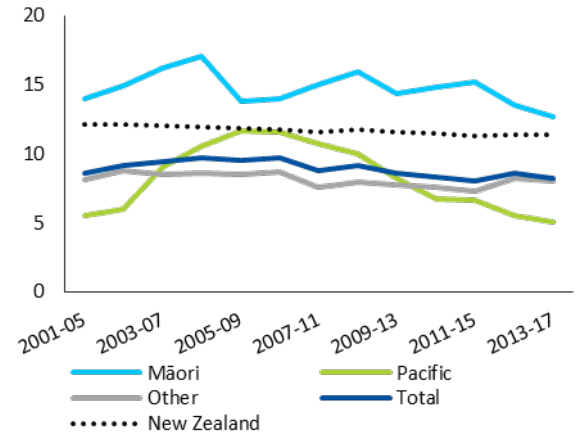
During the COVID-19 lockdown period many people avoided seeking treatment at healthcare facilities, including hospitals, therefore lower than usual rates of acute hospital admissions (thus bed days), were observed.

Efforts to reduce the spread of COVID-19 (social distancing, good hygiene) also reduced the rate of seasonal influenza (combined with increased vaccination rates) and other respiratory infections.

Performance is continuing to be monitored to determine if improvements will be sustained or if presentation for some conditions has been deferred.

Suicide rates are reduced

SUICIDE RATE - DEATHS FROM SUICIDE, PER 100,000 POPULATION



Suicide rates reflect the mental health and social wellbeing of the population. Reducing suicide requires a whole-of-government approach to supporting wellbeing and addressing multiple social determinants. Suicide prevention initiatives aim to promote protective factors, reduce risk factors for suicide and improve the services available for people in distress.

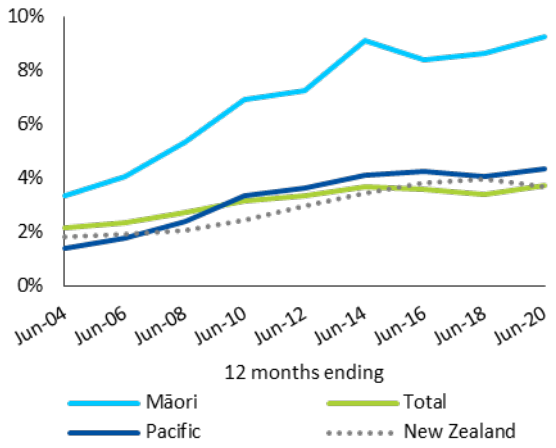
Our suicide rates are lower than the national rate, but there is a clear equity issue for Māori, even though rates are declining.

During Alert Level 4, there was speculation in the community around increased suicide numbers. To address this the Chief Coroner issued a statement on provisional suicide numbers confirming that suspected suicides during lockdown were lower than for the preceding month and lower than for the same period each year from 2008 to 2020 nationally, which is a trend we have observed for Waitematā and Auckland DHBs.

Our long term aim is for zero suicides.

More people access mental health services

MENTAL HEALTH ACCESS RATE - PROPORTION OF POPULATION ACCESSING MENTAL HEALTH SERVICES



While not all individuals with mental health and addiction challenges need, or will seek, support services, over time, more people should be able to access help. Accessible services mean people can obtain health care at the right place and right time taking account of different population needs.

Auckland DHB access rates have steadily increased over time, with much higher rates for Māori.

Some mental health services were reduced or the method of delivery changed over the COVID-19 lockdown period.

Overview

The Statement of Performance (SP) presents a snapshot of the services provided for our population, and how these services are performing across the continuum of care provided. The SP is grouped into four output classes: Prevention Services, Early Detection and Management, Intensive Assessment and Treatment, and Rehabilitation and Support Services. Measures that help to evaluate the DHB's performance over time are reported for each output class, recognising the funding received, Government priorities, national decision-making and Board priorities.

Measuring our outputs helps us to understand how we are progressing towards our system level measure targets and overall outcome goals, set out in the Improving Health Outcomes section of this report. The two high level health outcomes we want to achieve are an increase in life expectancy and a reduction in the difference in life expectancy between population groups. Life expectancy for the Auckland DHB population is now 82.9 years, an increase of 1.8 years over the last decade. The life expectancy gap is 6.2 years for Māori and 7.3 years for Pacific, compared with all other ethnicities. This is a decrease of 0.4 years for Māori, and 0.6 years for Pacific, over the last decade.

Our DHB is responsible for monitoring and evaluating service delivery, including audits, for the full range of funded services. Some of the measures in each section reflect the performance of the broader health and disability services provided to Auckland residents, not just those provided by the DHB. We have a particular focus on improving health outcomes and reducing health inequalities for Māori. Therefore, a range of measures throughout the SP monitor our progress in improving the health and wellbeing of our Māori population.

Output class measures

Outputs are goods or activities provided by the DHB and other entities and provide a snapshot of the services we deliver. Output measures are intended to reflect our performance for the year. The criteria against which we measure our output performance are applied to assess progress against each indicator in the Output Measures section. A rating is not applied to demand-driven indicators.

Criteria	Rating
On target or better	Achieved
0.1-5% away from target	Substantially achieved
>5% to 10% away from target and improvement on previous year	Not achieved but progress made
>10% away from target, or >5% to 10% away from target and no improvement on previous year	Not achieved

The following tables include our output measures from the 2019/20 Statement of Performance Expectations by Output Class. The 'measure type' symbols define the type of measure and are included in brackets after the measure description. Some indicators expected performance directions rather than set quantitative targets, and these were assigned with the below symbols in the target column.

Measure type		Target symbol	
Q	Measure of quality	Ω	Demand-driven measure, not appropriate to set target or grade the result
V	Measure of volume	↓	A decreased number indicates improved performance
T	Measure of timeliness	↑	An increased number indicates improved performance
C	Measure of coverage	n/a	Not available

Population Projections

In February 2020, Stats New Zealand released revised population estimates and projections, which included adjusted 2018 Census counts. This resulted in a 13% reduction in the projected 2019/20 population for Auckland DHB, and changes between ethnic groups. This had a substantial impact on those measures that use DHB population as the denominator. Where possible, we recalculated our prior year's results using the revised population estimates to provide a more accurate comparator. This means some results will differ to those reported in our 2018/19 Annual Report. Any changes to previously reported results are disclosed in the footnotes.

Impact of COVID-19 on the services we provide

The reduction in clinical activity as a result of restrictions under the lockdown period, and the re-purposing of staff and facilities for COVID-19 functions, had a significant impact on our ability to meet performance targets. In both hospital and in primary care settings, our capacity to provide healthcare was significantly reduced than if we were operating under normal circumstances. The majority of the disruption occurred in April and May 2020, therefore, the quarter four results are the most affected. To demonstrate the impact of COVID-19 on our 2019/20 performance, we report the cumulative Q1-3 'pre-COVID-19' result, the Q4 'COVID-19-affected' result, and the full year result for each indicator. For a small number of measures, services could not be delivered, or data was not collected in Q4. Where this is the case, we rated our performance according to the Q1-3 result.

The operational impact of COVID-19 is significant and led to changes in existing services and implementation of new services. The Auckland DHB response to COVID-19 include:

- Implementing an incident management team to coordinate COVID-19 response activities locally and in collaboration with the regional emergency management response
- Postponing non-acute planned care to reduce the risk of COVID-19 spreading, create capacity for potential patients with COVID-19 infection and allow staff to be redeployed to support our regional response
- Implementing telehealth and virtual appointments to ensure continuity of planned care, where possible and appropriate
- Re-purposing facilities to be able to manage a potential surge of patients with COVID-19 infection
- Supporting COVID-19 laboratory testing
- Deploying non-clinical staff and non-acute clinical staff to work in other areas to support the community effort and regional co-ordination
- Conducting preparedness assessments of age, mental health, and disability residential care facilities and responding to outbreaks in facilities, including deploying staff to support
- Establishing additional on-call rosters to enable teams to 'split', as well as having dedicated teams for patients suspected of or positive for COVID-19
- Implementing additional triage and screening of all patients and visitors, including screening stations and triage tents
- Implementing work-from-home policies, where possible, and other wellbeing and welfare initiatives for our employees.

As part of the regional response work, we worked with the other Northern Region DHBs, Auckland Regional Public Health Service and the Ministry of Health, alongside other government agencies to set up and manage:

- Community testing centres, including mobile services and specific services for Māori and Pacific
- Border assessment and testing services
- Managed isolation facility assessment and testing services
- Personal protective equipment (PPE) logistics
- Intelligence and IT support services
- Welfare and wellness services
- Communication services, including non-English languages.

More detailed discussion on our COVID-19 response can be found in the Introductory section.

Output Class 1: Prevention Services

Prevention services help to protect and promote health in our population. These services include health promotion to help prevent the development of disease, statutorily mandated health protection services to shield the public from communicable diseases and toxic environmental risk, and population health protection services, e.g. immunisation and screening services.

Output measure	Previous years		2019/20				
	2017/18 baseline	2018/19 result	Q1-3	Q4	Full year	Target	Rating
HEALTH PROMOTION							
% of PHO-enrolled patients who smoke have been offered brief advice to stop smoking in the last 15 months (C)	92%	89%	85%[11]	87%[11]	87%	90%	
% of PHO-enrolled patients who smoke who received cessation support (Q)[12]	31%	31%	31%[18]	32%[18]	32%	n/a	n/a
% of pregnant women who identify as smokers upon registration with a DHB midwife or LMC are offered brief advice and support to quit smoking (C)	97%	98%	98%[13]	95%	97%	90%	
No. of pregnant women smokers referred to the stop smoking incentive programme (Q)	104[14]	95	120	34	154	110	
% of children identified as obese in the B4SC programme who are offered a referral to a registered health professional (Q)	100%	100%	99.8%	100%	99.8%	95%	
No. of clients engaged with Green Prescriptions (V)	4,444[15]	4,398	2,935	688	3,623[16]	4,500	
% of clients engaged with Green Prescriptions (C)							
- *Māori*	*14%*	*13%*	*13%*	*11%*	*13%*	*11%*	
- *Pacific*	*21%*	*21%*	*23%*	*21%*	*22%*	*17%*	
- *South Asian*	*16%*	*17%*	*15%*	*17%*	*15%*[17]	*18%*	
IMMUNISATION							
% of pregnant women receiving pertussis vaccination in pregnancy (C)	54%	57%	61%[18]	62%[18]	60%	50%	
- *Māori*	*34%*	*32%*	*34%*[18]	*38%*[18]	*34%*[19]	(or	
- *Pacific*	*30%*	*38%*	*44%*[18]	*44%*[18]	*42%*[19]	maintain	
- *Asian*	*62%*	*65%*	*72%*[18]	*73%*[18]	*71%*	if >50%)	
% of pregnant women receiving influenza vaccination in pregnancy (C)[20]	35%	43%	48%[18]	51%[18]	51%	50%	
- *Māori*	*23%*	*27%*	*31%*[18]	*34%*[18]	*34%*[19]	(or	
- *Pacific*	*29%*	*33%*	*40%*[18]	*42%*[18]	*42%*[19]	maintain	
- *Other*	*38%*	*46%*	*46%*[18]	*50%*[18]	*50%*	if >50%)	
Influenza vaccination coverage in children aged 0-4 years and hospitalised for respiratory illness (C)	18%[21]	17%[21]	n/a[21]	n/a[21]	20%[21]	15%	
- *Māori*	*10%*[21]	*9%*[21]	n/a[21]	n/a[21]	*10%*[21,22]		
- *Pacific*	*13%*[21]	*12%*[21]	n/a[21]	n/a[21]	*14%*[21]		
% of eight months olds will have their primary course of immunisation on time (C)	94%	94%	92%	94%	93%	95%	
- *Māori*	*86%*	*84%*	*85%*	*83%*	*85%*[23]		
- *Pacific*	*93%*	*94%*	*90%*	*92%*	*91%*		

[11] Rolling 15-months data. Q1-3 is rolling 15 months to March 2020; single quarter data is not available.
[12] Measure inadvertently left out of 2019/20 SPE, but is a Short Term Priority measure, so results included in SP. There is no set target for this measure.
[13] Does not include Q3 results; Ministry of Health is unable to provide Q3 data due to COVID-19 constraints.
[14] Q4 2017/18 to Q3 2018/19 data.
[15] Differs from the result in previous Annual Reports, as this now includes the full year effect of new providers and aligns to the 2019/20 SPE.
[16] Low Q4 activity due to COVID-19 restrictions.
[17] Performance is improving. The provider is continuing their promotional work with the South Asian community.
[18] Rolling 12-months data. Q1-3 is rolling 12 months to March 2020; single quarter data is not available.
[19] Vaccine uptake in pregnancy is increasing, although many clinic appointments were delivered virtually during COVID-19 lockdown, removing the opportunity for vaccination. Health promotion campaigns were launched to raise awareness for Māori and Pacific pregnant mothers.
[20] Measure inadvertently left out of 2019/20 SPE, but is a Short Term Priority measure, so results included in SP.
[21] To align with the influenza season, all results are for the calendar year prior to the end of each financial year; quarterly results are not relevant.
[22] Lists of 0-4 year-olds eligible for funded influenza vaccine are provided to PHOs, who are actively working with their practices on recalling these children. COVID-19 has raised awareness of respiratory disease prevention and is likely to drive increased demand for the vaccine in the future.
[23] COVID-19 affected immunisation coverage, with the sector reporting whānau reluctant to access primary care or the Outreach Immunisation Service. The new National Immunisation Register team is implementing improved tracing processes for unvaccinated children.

Output measure	Previous years 2017/18 baseline	Previous years 2018/19 result	2019/20 Q1-3	2019/20 Q4	2019/20 Full year	2019/20 Target	2019/20 Rating
% of five year olds will have their primary course of immunisation on time (C)	86%	87%	89%	91%	89%	95%	
- *Māori*	*78%*	*82%*	*84%*	*86%*	*84%*[23]		
- *Pacific*	*85%*	*86%*	*90%*	*89%*	*89%*		
- *Asian*	*89%*	*90%*	*90%*	*94%*	*91%*		
Rate of HPV immunisation coverage (C)	83%[24]	74%[24]	n/a[24]	n/a[24]	86%[24]	75%	
POPULATION-BASED SCREENING							
% of women aged 50-69 years having a breast cancer screen in the last 2 years (C)	67%[25]	68%[25]	70%[25,26]	n/a[26]	67%[26]	70%	
% of women aged 25-69 years having a cervical cancer screen in the last 3 years (C)[26]	69%[25]	70%[25]	70%[26]	n/a[26]	69%[27]	80%	
HEEADSSS assessment coverage in DHB funded school health services (C)	99%[24]	90%[24]	n/a[24]	n/a[24]	84%[24,28]	95%	
% of 4-year-olds receiving a B4 School Check (C)	91%	89%	79%	21%	65%[29]	90%	
Proportion of newborn babies offered and received completed hearing screening within 1 month (V)	97%	96%	96%	89%	95%	90%	
AUCKLAND REGIONAL PUBLIC HEALTH SERVICE (ARPHS)[30]							
Number of tobacco retailer compliance checks conducted (V)	372	432	183	1	184[31]	300	
Number of alcohol license applications and renewals (on, off club and special) received and are risk assessed (V)	2,112	4,153	3,091	534	3,625	Ω	n/a
% of smear-positive pulmonary tuberculosis cases contacted by the Public Health Nurse within 3 days of clinical notification (Q)	New indicator	83%	94%	100%	95%	98%	
% of high risk enteric disease cases for which the time of initial contact occurred as per protocol (Q)	New indicator	89%	95%	100%	96%	95%	
% of compliance assessments conducted of large/ medium networked drinking water supplies (Q)	100%	100%	100%	n/a[31]	100%	100%	

[24] To align with the school year, all results are for the calendar year prior to the end of each financial year; quarterly results are not relevant.
[25] Prior years results updated in 2020 using revised 2019 population projections, therefore differs from result published in previous Annual Reports.
[26] Result as at the end of the reporting period; single quarter data not applicable.
[27] Cervical screening coverage is declining nationally. Services were substantially reduced during COVID-19 lockdown, thus little gain was made in 2019/20. We continue to work with primary care to improve Māori and Pacific uptake. The planned HPV Primary Screening Programme will offer significant advantages to improve equity and coverage.
[28] Normal programme delivery was affected by vacancies in some schools and additional work required by school nurses due to the 2019 measles outbreak in the Auckland region.
[29] Services ceased or were substantially reduced during COVID-19 lockdown.
[30] Services are delivered by ARPHS on behalf of the three Metro Auckland DHBs. Reported results are for all three DHBs.
[31] Service provision was significantly affected by the ARPHS response to the COVID-19 pandemic, which included redeploying many staff. Compliance activity will resume as capacity allows.

Output Class 2: Early Detection and Management

Early detection and management services are delivered by a range of health professionals including general practice, community and Māori health services, pharmacist services, and child and adolescent oral health and dental services. These services are preventative and treatment services focusing on individuals and smaller groups. They support people to maintain good health, and through prompt diagnosis and treatment, intervene in less invasive and more cost-effective ways with better long-term outcomes. These services also enable patients to maintain their functional independence and reduce complications or acute illness, reducing the need for specialist intervention.

Output measure	Previous years		2019/20				
	2017/18 baseline	2018/19 result	Q1-3	Q4	Full year	Target	Rating
PRIMARY HEALTH CARE							
Rate of primary care enrolment (Māori) (C)	83%[25]	80%[25]	82%[26]	82%[26]	82%	90%	
Number of referrals to Primary Options for Acute Care (POAC) (V)	6,028	5,984	3,792	1,153	4,945[32]	6,036	
% of people with diabetes aged 15-74 years and enrolled with Auckland DHB practices who does not have an HbA1c in the last 15 months (C)	12%	10%	10%[26]	n/a[26]	11%	<12.0%	
- *Māori*	*14%*	*13%*	*16%*[26]		*16%*[33]		
- *Pacific*	*14%*	*12%*	*12%*[26]		*12%*		
% of people with diabetes aged 15-74 years enrolled with Auckland DHB practices whose latest HbA1c in the last 15 mths was ≤64 mmol/mol (Q)	*62%*	*61%*	61%[26]	n/a[26]	61%	65%	
- *Māori*	*53%*	*50%*	*49%*[26]		*50%*[33]		
- *Pacific*	*51%*	*49%*	*49%*[26]		*49%*[33]		
% patients with prior CVD who are prescribed triple therapy (Q)							
- *Māori*	*58%*	*59%*	*55%*[26]	*n/a*[26]	*56%*[34]	*62%*	
- *Pacific*	*65%*	*66%*	*65%*[26]		*65%*	*67%*	
Ambulatory sensitive hospitalisation (ASH) rate per 100,000 for 45-64 year olds (Q)	*3,704*[25]	3,762[25]	3,640[18]	n/a[18]	3,458	<3,719[35]	
- *Māori*	*7,350*[25]	*7,205*[25]	*6,907*[18]		*6,663*	*<7,321*[35]	
- *Pacific*	*8,277*[25]	*8,311*[25]	*8,199*[18]		*7,704*	*<8,654*[35]	
Average response score to the primary care survey question 'in the last 12 months, when you ring to make an appointment how quickly do you usually get to see your current GP?'[36] (T)	6.1	5.8	5.7[37]	n/a[37]	n/a[37]	6.7	n/a
PHARMACY							
Number of prescription items subsidised (V)	6,780,428[38]	7,073,711[38]	5,569,933	1 ,817,327	7,387,260	Ω	n/a
COMMUNITY-REFERRED TESTING AND DIAGNOSTICS							
Number of radiological procedures referred by GPs to hospital (V)	28,713	31,562	22,129	4,610	26,739	Ω	n/a
Number of community laboratory tests (V)	3,260,656	3,408,529[38]	2,577,362	636,556	3,213,918	Ω	n/a

[32] Limited primary care activity took place in Q4 due to COVID-19 restrictions.
[33] Improving diabetes management for Māori and Pacific continues to be a focus. A co-design project with GP practices focused on equity to improve access to diabetic medications and dietician and psychological services. COVID-19 affected primary care's ability to undertake routine diabetes care, but PHOs are working with their practices to re-engage patients.
[34] Primary Care's ability to undertake CVD risk assessment and risk management was affected by COVID-19 but this indicator has been prioritised for acheivement in 2021.
[35] Target recalcuted to reflect revised 2019 population projections, therefore differs to that published in 2019/20 Annual Plan.
[36] Answers are assigned a value ('over a week'= 0, 'within a week'= 3, 'next working day' = 7, 'same day' = 10) and summed, then divided by the total number of responses to give an average response score.
[37] The Primary Healthcare patient experience survey was halted at the end of Q2 2019/20 for review, therefore results are available only to Q2.
[38] Differs from the result published in the 2017/18 and 2018/19 Annual Reports, which is for Q1-3.

Output measure	Previous years 2017/18 baseline	Previous years 2018/19 result	2019/20 Q1-3	2019/20 Q4	2019/20 Full year	2019/20 Target	2019/20 Rating
ORAL HEALTH[39]							
% of preschool children enrolled in DHB-funded oral health services (C)	95%[25]	94%[25]	n/a	n/a	97%	95%	●
- *Māori*	*78%*[25]	*77%*[25]			*77%*[40]		●
- *Pacific*	*89%*[25]	*89%*[25]			*92%*		●
- *Asian*	*91%*[25]	*92%*[25]			*93%*		●
Ratio of mean decayed, missing, filled teeth (DMFT) at Year 8 (Q)	0.64	0.65	n/a	n/a	0.63	<0.65	●
- *Māori*	*0.89*	*0.87*			*0.81*[40]		●
- *Pacific*	*1.04*	*1.04*			*0.93*[40]		●
- *Asian*	*0.57*	*0.56*			*0.58*		●
% of children caries free at five years of age (Q)	61%	62%	n/a	n/a	58%	61%	●
- *Māori*	*50%*	*49%*			*46%*[40]		●
- *Pacific*	*31%*	*33%*			*30%*[40]		●
- *Asian*	*58%*	*57%*			*55%*[40]		●
Utilisation of DHB-funded dental services by adolescents from School Year 9 up to and including age 17 years (C)	77%[41]	81%[41]	n/a	n/a	87%	85%	●

[39] To align with the Scholl year, aall results are for the calendar year prior to the end of each financial year. Because the 2019/20 full year result is actually for calendar year 2019, it is not necessary to show the impact of COVID-19.

[40] A significant work programme continues to support attendance and overall efficiency and effectiveness of dental services. The service is implementing topical fluoride application to pre-schoolers in early childhood education (ECE) centres, specifically targeting Kohanga Reo, Pacific language nests and ECE centres with high Māori or Pacific numbers. All Māori and Pacific children are appropriately assigned a 6-month recall to increase preventative approaches.

[41] Prior years' results have not been updated to reflect revised 2019 population projections.

Output Class 3: Intensive Assessment and Treatment

Intensive assessment and treatment services are delivered by specialist providers in facilities that enable co-location of clinical expertise and specialised equipment such as a 'hospital' or surgery centre. These services include:

- Ambulatory services (including outpatient, district nursing and day services) across the range of secondary preventative, diagnostic, therapeutic, and rehabilitative services
- Emergency Department services including triage, diagnostic, therapeutic and disposition services
- Inpatient services (acute and elective streams) including diagnostic, therapeutic and rehabilitative services.

Effective and prompt resolution of medical and surgical emergencies and acute conditions reduces mortality and elective surgery restores functional independence and improves health-related quality of life, thereby improving population health.

Output measure	Previous years 2017/18 baseline	Previous years 2018/19 result	2019/20 Q1-3	2019/20 Q4	2019/20 Full year	2019/20 Target	2019/20 Rating
ACUTE SERVICES							
Number of ED attendances (V)	117,019	121,946	87,633	21,582	109,215	Ω	n/a
% of ED patients discharged admitted or transferred within six hours of arrival (T)	91%	91.1%	86%	94%	87%[42]	95%	🔴
Rate of alcohol-related ED admissions (to Auckland DHB facilities) for 15-24 year olds(Q)	7.7%	7.2%	6.4%[18]	n/a[18]	6.7%	↓	🟢
% of patients who receive their first cancer treatment (or other management) within 62 days of being referred with a high suspicion of cancer and a need to be seen within two weeks[43] (T)	95%	93%	95%	100%	96%	90%	🟢
% of eligible stroke patients thrombolysed (C)	12%	13%	14%	9%	13%	10%	🟢
% of ACS inpatients receiving coronary angiography within 3 days[44] (T)	90%	84%	86%	75%	84%	70%	🟢
MATERNITY							
Number of births in Auckland DHB hospitals (V)	6,758	6,594	5,106	1,528	6,634	Ω	n/a
ELECTIVE (INPATIENT/OUTPATIENT)							
Number of planned care interventions (V)	New indicator	New indicator	16,999	4,579	21,578	23,831	🟡
Inpatient surgical discharges			*10,629*	*2,837*	*13,466*	*15,994*	*n/a*
Minor procedures			*6,240*	*1,871*	*8,111*	*7,742*	*n/a*
Non-surgical interventions			*1*	*0*	*1*	*95*	*n/a*
% of people receiving urgent diagnostic colonoscopy in 14 days[44] (T)	100%	95%	96%	98%	96%	90%	🟢
% of people receiving non-urgent diagnostic colonoscopy in 42 days[44] (T)	74%	59%	44%	24%	39%[45]	70%	🔴
% of patients waiting longer than four months for their first specialist assessment (ESPI 2) (T)	0.1%	0.6%	5.8%[26]	15.5%[26]	15.5%[29]	0%	🔴
% of accepted referrals receiving their CT scan within 6 weeks[44] (T)	93%	93%	87%	86%	85%[46]	95%	🔴
% of accepted referrals receiving their MRI scan within 6 weeks[44] (T)	68%	71%	53%	46%	52%[46]	90%	🔴

[42] Increasing demand and staff constraints resulted in reduced capacity; various initiatives are underway in adult and paediatric EDs to increase capacity and flow.
[43] Only includes patients who received their first treatment; patients who are still waiting at the end of the reporting period are not included in this result.
[44] Patients still waiting at the end of the reporting period, who have waited less than the target waiting time, are counted as compliant at that point in time, even if they go on to breach the waiting time; patients who have waited longer than the target waiting time are counted as non-compliant. Once a patient is seen, their wait time will be be-recalculated based on their actual wait time.
[45] The majority of procedures were deferred during COVID-19 lockdown. The service is now scheduling patients waiting the longest with the aim to reduce the maximum wait times.
[46] Some non-urgent procedures were delayed during COVID-19 lockdown. At June 2020, the CT measure is at 93%. MRI volumes are increasing and we are working to fill medical imaging therapist vacancies.

Output measure	Previous years 2017/18 baseline	Previous years 2018/19 result	2019/20 Q1-3	2019/20 Q4	2019/20 Full year	Target	Rating
QUALITY AND PATIENT SAFETY							
% of opportunities for hand hygiene taken (Q)	86%	86%	86%[47]	n/a[48]	n/a[48]	80%	●
Rate of healthcare-associated Staphylococcus bacteraemia per 1,000 inpatient bed days (Q)	0.21	0.26	0.25	0.12	0.23	<0.25	●
% of older patients assessed for the risk of falling	90%	81%	86%[49]	n/a[48]	n/a[48]	90%	●
% of falls risk patients who received individualised care plan (Q)	94%	79%	91%[49]	n/a[48]	n/a[48]	90%	●
Rate of in-hospital falls resulting in fractured neck of femur per 100,000 admissions (Q)	3.9	9.5	6.3	4.6	5.9	<8.4[50]	●
% of hip and knee arthroplasty operations where antibiotic is given in one hour before incision (Q)	97%	98%[51]	98%	n/a[48]	n/a[48]	100%	●
% of hip and knee procedures given right antibiotic in right dose (Q)	96%	97%[51]	97%	n/a[48]	n/a[48]	95%	●
Surgical site infections per 100 hip and knee operations (Q)	1.17[52]	1.24[51]	0.54	n/a[48]	n/a[48]	<0.93	●
% of 'yes, completely' responses to the national inpatient survey question 'did a member of staff tell you about medication side effects to watch for when you went home' (Q)	53%	52%	58%[53]	n/a[53]	n/a[53]	55%	n/a
MENTAL HEALTH							
Percentage of population who access mental health services (C)							
- Age 0–19 years	3.48%[25]	3.44%[25]	3.16%[18]	n/a[18]	3.38%	3.42%[54]	●
- *Māori*	*6.41%*[25]	*6.35%*[25]	*6.06%*[18]	n/a[18]	*5.93%*	*6.16%*[54]	●
- Age 20–64 years	4.02%[25]	4.13%[25]	3.50%[18]	n/a[18]	3.95%	3.70%[54]	●
- *Māori*	*11.61%*[25]	*12.12%*[25]	*10.82%*[18]	n/a[18]	*11.76%*	*10.16%*[54]	●
- Age 65+ years	3.17%[25]	3.11%[25]	2.93%[18]	n/a[18]	3.17%	3.15%[54]	●
- *Māori*	*3.77%*[25]	*4.16%*[25]	*3.70%*[18]	n/a[18]	*4.33%*	*3.50%*[54]	●
% of 0-19 year old clients seen within 3 weeks[44] (T)							
- Mental Health	68%	66%	68%[18]	n/a[18]	69%[55]	80%	●
- Addictions	95%	82%	99%[18]	n/a[18]	97%	80%	●
% of 0-19 year old clients seen within 8 weeks[44] (T)							
- Mental Health	89%	94%	81%[18]	n/a[18]	81%[55]	95%	●
- Addictions	98%	100%	100%[18]	n/a[18]	100%	95%	●

[47] July 2019 to February 2020 result.
[48] In response to the COVID-19 pandemic, the Health Quality & Safety Commission temporarily suspended the requirement for DHBs to report on manually collected quality and safety marker measures from 23 March to 30 June 2020, therefore Q4 result are not available. Rating was applied to the Q1-3 result.
[49] Does not include Q3 results; unavailable from HQSC.
[50] September 2014 to June 2017 national median.
[51] 2018/19 result. May differ from that published in the 2018/19 Annual Report, which is the Q1-3 result.
[52] Differs from the result published in the 2017/18 Annual Report, which is for Q1-3.
[53] The Inpatient patient experience survey was halted at the end of Q2 2019/20 for review, therefore results are available only to Q2.
[54] Target is based on old population projections.
[55] During COVID-19 lockdown, only urgent and acute cases were seen in person, and not all non-urgent patients accepted the telehealth options offered. Psychologist strike action also reduced workforce capacity.

Output Class 4: Rehabilitation and Support Services

Rehabilitation and support are delivered following a 'needs assessment' process and coordination input by Needs Assessment and Service Coordination (NASC) Services for services including palliative care, home-based support and residential care. By helping to restore function and independent living, the main contribution of rehabilitation and support services to health is in improving health-related quality of life. There is evidence this may also improve length of life. Ensuring rehabilitation and support services are targeted to those most in need helps to reduce health inequalities. Effective support services make a major contribution to enabling people to live at home for longer, improving their well-being and also reducing the burden of institutional care costs on the health system.

Output measure	Previous years		2019/20				
	2017/18 baseline	2018/19 result	Q1-3	Q4	Full year	Target	Rating
HOME-BASED SUPPORT							
% of people aged 65+ years receiving long-term home and community support who have had a comprehensive clinical assessment and a completed care plan (interRAI) (Q)	97%	96%[51]	96%	n/a[56]	n/a[56]	95%	●
PALLIATIVE CARE							
Total number of contacts in the community (V)	9,226	8,325	6,063	2,080	8,143	Ω	n/a
% of acute patients who waited >48 hours for a hospice bed (T)	2%	2%	0%	0%	0%	<4%	●
RESIDENTIAL CARE							
ARC bed days (V)	931,284	952,854	746,144	249,510	997,066	Ω	n/a

[56] Due to COVID-19, service provision was reduced to minimise transmission risk, and providers were switched to fixed funding rather than fee for service, which means accurate data for this measure is not available for Q4. Rating is applied to the Q1-3 result.

Cost of Service Statement – for year ended 30 June 2020

Summary of revenues and expenses by output class	Actual 2019/20 $000	Plan 2019/20 $000
Prevention		
Total revenue	31,329	22,166
Total expenditure	62,895	31,382
Net surplus/(deficit)	**(31,566)**	**(9,216)**
Early detection		
Total revenue	514,895	505,783
Total expenditure	436,471	465,873
Net surplus/(deficit)	**78,424**	**39,910**
Intensive assessment and treatment		
Total revenue	1,691,705	1,671,657
Total expenditure	1,835,042	1,751,040
Net surplus/(deficit)	**(143,337)**	**(79,383)**
Rehabilitation and support		
Total revenue	258,557	251,880
Total expenditure	265,846	260,159
Net surplus/(deficit)	**(7,289)**	**(8,279)**
Overall		
Total revenue	2,496,486	2,451,486
Total expenditure	2,600,253	2,508,454
Consolidated surplus/(deficit)	**(103,767)**	**(56,968)**

Being a good employer

'As an employer, we are committed to: providing outstanding professional and personal development opportunities for all; championing employee physical and mental wellbeing to ensure a mindful, safe and healthy workforce; role modelling the health practices we champion in our communities; transparently and fairly fulfilling our employment promises; and living our values – consistently getting the basics right.' – *Our employee value proposition*

Auckland DHB is committed to meeting its statutory, legal and ethical obligations to be a good employer, including providing equal employment opportunities at all ages and stages of our employees' careers. This is supported by policy and our good employer practices.

We strive to:

- Progress the aims, aspirations, cultural differences and employment requirements of our Māori employees and those from other ethnic or minority groups
- Provide an organisational culture, with strong clinical leadership and accountability, where everyone is able to contribute to the way the organisation develops, improves and adapts to change
- Ensure that employees maintain proper standards of integrity and conduct in accordance with our values
- Provide a healthy and safe workplace that promotes the wellbeing of our people
- Offer recruitment, selection and induction processes that recognise the employment requirements of women, men and people with disabilities
- Provide opportunities for employee development and career advancement.

Leadership, Accountability and Culture

Our shared organisational values of Haere Mai (Welcome), Manaaki (Respect), Tūhono (Together) and Angamua (Aim High) reflect the priorities of our staff and for our patients. Through a collaborative process, we identified our 'Values in Action' ('Te tino o matou | Us at our best'), which describe what it looks like when we are at our best in our workplace relationships. These 'values in action' are:

- See me for who I am
- My voice counts
- Be kind to each other
- Thank you goes a long way
- I have your back
- I am part of the team.

We highlighted these values in action and embed them in the organisation.

Auckland DHB champions clinician leadership, with accountability for most directorates held by a clinician. Implementation of our Management Development Programme is near completion and is available to all DHBs via the Ko Awatea LEARN online platform.

The impact of COVID-19 escalated the work that we have undertaken in our Supportive Employment programme. This focused on supporting the welfare needs of certain employee populations and individuals and ensuring a wellbeing approach that is underpinned by Te Whare Tapa Whā (Durie, 1984), the four cornerstones of Māori health (physical, spiritual, family and mental health). Our 'To Thrive' programme continues to support our unregulated workforce to maximise their career pathways and financial and digital literacy.

This work supports our people to grow and develop, by:

- Helping increase opportunities for our Māori and Pacific employees
- Helping prevent our employees falling into poverty and potentially ill health
- Supporting our employees who are dealing with mental health challenges
- Enhancing our reputation as an employer committed to greater social responsibility
- Providing equitable, fulfilling employment opportunities for people with access needs.

At Auckland DHB, we celebrate the rich diversity we have in our team, and valuing inclusion is part of who we are. Auckland DHB was re-accreditation for the Rainbow Tick this year, a certification mark for organisations that complete a Diversity & Inclusion assessment process, and ensures we continually improve our processes, environment and culture.

The Accessibility Tick acknowledges our efforts to make our work place more accessible and inclusive for people with disabilities. 0.26% of our staff have declared that they have a disability.

Recruitment, Selection and Induction

Our recruitment processes comply fully with safety checking regulations. To create an organisation-wide culture of child protection, all interviews include specific Children's Act questions.

We are committed to a diverse workforce. Shortlisting of all eligible Māori and Pacific candidates, who meet the minimum requirements for any role is mandatory. This policy has been in place for the last two years and has gained traction. In some areas, we have 100% shortlisting of Māori and Pacific candidates.

Navigate – Kai Arahi sessions welcome new employees to Auckland DHB. An expo shows what we offer to care for our people, and helps them settle in and feel part of our community. Guides for managers and new employees provide information on how to make the most of the first few weeks at Auckland DHB. Given the challenges that COVID-19 has presented for face-to-face engagements, an online version of Navigate – Kai Arahi is now available.

Our Rangatahi Programme facilitates Māori and Pacific student recruitment and retention in secondary school, tertiary education, and transition into the health workforce. COVID-19 impacted this programme's face-to-face activities, but we implemented digital content to support Rangatahi in their career decision-making journey.

A+ Trust Scholarships are available for Māori and Pacific students undertaking their first tertiary qualification in health.

To Thrive Scholarships are available for members of our Cleaning and Orderly workforce to undertake internships within Auckland DHB services as part of a career development pathway.

Employee Development, Promotion and Exit

Auckland DHB is committed to providing development opportunities for individuals, teams and services.

- Our employee Kiosk hosts the tracking of performance and development progress and support needs.
- A range of internal training programmes are provided.
- Senior Medical Officers are able to take sabbatical leave to strengthen clinical knowledge or skills, or undertake a course of study or research.
- The Pacific Nurse Educator provides clinical support, supervision and mentorship for our Pacific nursing and health care assistant students and new graduates.
- An Associate Nurse Director is responsible for the development of the Māori nursing and midwifery workforce.
- The ANIVA Nursing Leadership programme funds 3-5 Pacific nurses annually to complete post-graduate programmes in leadership.
- Exit interviews are offered to all leavers, with emerging themes fed back into the organisation.

Flexibility and Work Design

Auckland DHB offers flexible rostering practices where possible, and this is demonstrated by our large part-time workforce. An automated rostering system simplifies rosters for managers and a nursing FTE management tool helps to improve recruitment forecasting.

A staff crèche/early learning centre is provided on each of the two major sites.

Remuneration, Recognition and Conditions

Auckland DHB recognises the valuable contribution our employees make to patient care through recognition programmes and/or awards:

- Our Local Heroes Awards celebrate those who go above and beyond for our patients
- A+ Trust Nursing and Midwifery Awards recognise the quality of achievement from our nurses and midwives
- Health Excellence Awards publically recognise staff who deliver sustainable improvements for our patients and the organisation and inspire others by sharing excellence around Auckland DHB and the wider health community
- Annual profession-specific recognition events are held for Nursing and Midwifery, and Allied Health Scientific and Technical employees
- Long-service awards and tributes to retiring staff in NOVA
- A 'shout out' feature is included on our staff intranet (HIPPO), which allows peer recognition to be made publically.

The majority of employees are on transparent Multi Employer Collective Agreements. Annual review of IEA (Individual Employment Agreement) remuneration is based on external market data and employee performance. Job size evaluation methods meet the New Zealand standard for gender neutrality.

Harassment and Bullying Prevention

The **Speak Up - Kaua ē patu wairua** (do not offend my spirit or my soul) programme supports all employees to speak up when they experience, witness or are accused of bullying, discrimination or harassment. A group of Speak Up supporters, known as 'Navigators', help our people navigate and be supported appropriately through a complaint.

Safe and Healthy Environment

Our **Security for Safety** programme ensures employees are safe and secure at work, with work streams focusing on all aspects of safe working, from security ID, Lone Worker initiatives, CCTV to a culture of keeping self and colleagues safe, including online training.

A Wellbeing Steering Group manages the numerous initiatives that contribute to staff wellbeing. Early in 2020 we conducted a survey, workshops and other activities to understand what wellbeing means to our people. These insights, along with our experiences during the early phases of the COVID-19 pandemic, were used to develop a set of Wellbeing Priorities for the organisation, in the programme Kia Ora to Wahi Mahi, a healthy workplace plan for Te Toka Tumai.

Auckland DHB Board members

Current Board members


Pat Snedden, Chair


Michelle Atkinson


Michael Quirke


William (Tama) Davis


Zoe Brownlie


Peter Davis


Jo Agnew


Bernie O'Donnell


Fiona Lai


Douglas Armstrong QSO


Ian Ward

Ministerial directions

Directions issued by a Minister that remain current, are as follows:

- Direction to support a whole of government approach as to implementation of a New Zealand Business Number, issued in May-16 under section 107 of the Crown Entities Act. http://www.mbie.govt.nz/info-services/business/better-for-business/nzbn
- Health and Disability Services Eligibility Direction 2011, issued under section 32 of the New Zealand Public Health and Disability Act 2000. https://www.health.govt.nz/system/files/documents/pages/eligibility-direction-2011.pdf
- Directions to support a whole of government approach, issued in Apr-14 under section 107 of the Crown Entities Act. The three directions cover Procurement, ICT and Property. http://www.ssc.govt.nz/whole-of-govt-directions-dec2013
- The direction on use of authentication services, issued in Jul-08, continues to apply to all Crown agents apart from those with sizeable ICT business transactions and investment specifically listed within the 2014 direction. www.ssc.govt.nz/sites/all/files/AoG-direction-shared-authentication-services-july08.PDF
- The direction from the Minister of Health on COVID-19 Response 2020 issued on 17 March 2020 pursuant to Section 32 of the New Zealand Public Health & Disability Act 2000 and section 103 of the Crown Entities Act 2004, continues to apply.

Subsidiaries, associates and joint ventures

Auckland DHB has two independent charitable trusts that are consolidated into the DHB Group financial statements, i.e. Auckland DHB Charitable Trust (A+ Trust) and Auckland Health Foundation. The DHB is also a shareholder in a number of Crown Entities: healthAlliance N.Z. Limited (owned by Auckland, Waitematā, Counties Manukau and Northland DHBs, each with a 25% A Class Shareholding); HealthSource New Zealand Limited (owned by Auckland, Waitematā, Counties Manukau and Northland DHBs, each with the following A Class Shareholdings: Auckland DHB 40%; Counties Manukau DHB 25%; Waitematā DHB 25%, Northland DHB 10%); Northern Regional Alliance Limited (owned equally by Auckland, Waitematā and Counties Manukau DHBs). In 2018/19 Auckland DHB co-owned the New Zealand Health Innovation Hub Management Limited (equal limited partner together with Waitematā, Counties Manukau and Canterbury DHBs). Auckland DHB transferred its shares in the Health Innovation Hub to Canterbury DHB for $1 on 1 July 2019).

Statement of Waivers

The New Zealand Public Health and Disability Act 2000 s 42(4) provides as follows:
For the purposes of s 151 (1)(j) of the Crown Entities Act 2004, the annual report of a DHB must disclose any interests to which a permission, waiver, or modification given under clause 36(4) or clause 37(1) of Schedule 3 or clause 38(4) or clause 39(1) of Schedule 4 relates, together with a statement of who gave the permission, waiver, or modification, and any conditions of amendments to, or revocation of, the permission, waiver, or modification. For the 2019/20 year there were no permissions, waivers or modifications given under the clauses of this legislation.

Vote Health: Health and Disability Support Services – Auckland DHB Appropriation

An appropriation is a statutory authority from Parliament allowing the Crown or an Office of Parliament to incur expenses or capital expenditure. The Minster of Health is responsible for appropriations in the health sector. Each year, the Ministry of Health allocates the health sector appropriations through 'Vote Health' to DHBs, who use this funding to plan, purchase and provide health services, including public hospitals and the majority of public health services, within their areas. An assessment of what has been achieved with Auckland DHB's 2019/20 appropriations is detailed below.

Appropriations allocated and scope

This appropriation is limited to personal and public health services and management outputs from Auckland DHB.

What is intended to be achieved with this appropriation?

This appropriation is intended to achieve services provided by the DHB that align with: Government priorities; the strategic direction set for the health sector by the Ministry of Health; the needs of the district's population; and regional considerations.

How performance will be assessed and end-of-year reporting

Each DHB has a statutory responsibility to prepare:

- an Annual Plan for approval by the Minister of Health (Section 38 of the New Zealand Public Health and Disability Act 2000) - providing accountability to the Minister of Health
- a Statement of Performance Expectations (Section 149C of the Crown Entities Act 2004 as amended by the Crown Entities Amendment Act 2013) - providing financial accountability to Parliament and the public annually
- a Statement of Intent (Section 139 of the Crown Entities Act) - providing accountability to Parliament and the public at least triennially.

These documents are brought together into a single DHB Annual Plan with the Statement of Intent and Statement of Performance Expectations, and are known as the 'Annual Plan'. The Statement of Performance Expectations provides specific measures/targets for the coming year, with comparative prior year and current year forecast (at a minimum).

Four Output Classes are used by all DHBs to reflect the nature of services provided:

- Prevention
- Early Detection and Management
- Intensive Assessment and Treatment
- Rehabilitation and Support.

Amount of appropriations

The appropriation revenue received by Auckland DHB equals the Government's actual expenses incurred in relation to the appropriation, which is a required disclosure from the Public Finance Act 1989.

	2018/19		2019/20	
	Final budgeted $000	Actual $000	Budget $000	Actual $000
Original appropriation	1,320,417	1,320,417	1,391,484	1,391,484
Supplementary estimates		9,772		30,667
Addition to the supplementary estimates				3,328
Total appropriation revenue	1,320,417	1,330,189	1,391,484	1,425,479

Asset performance

Introduction

The performance of Auckland DHB's assets, in particular our critical assets, is critical to our ability to provide sustainable and high quality health services. Some of our assets are of strategic importance to New Zealand, as we are a major tertiary services provider and a provider of last resort of specific specialist health services for the country. Measuring the actual performance of our critical assets against our target expectations helps to identify and manage asset-related risks and enable effective planning and timely implementation of capacity step increases needed to continue meeting the growth in service demand.

Auckland DHB is designated a Tier 1 entity for the purposes of the Investor Confidence Rating (ICR) implemented by Treasury in 2016 in response to the Cabinet Circular C0(15) 5: investment Management and Asset Performance in the State Services, superseded by Cabinet Circular CO (19) 6 in 2019. The Circular gives effect to Cabinet's intention that there is active stewardship of government resources and strong alignment between individual investments and the government's long-term priorities. In line with Cabinet's intentions, Auckland DHB is required to report annually on the performance of its significant asset portfolios, which compromise Property, Clinical Equipment and Information Communication Technology (ICT).

Managing our assets is one of the core functions of managing Auckland DHB's business. We have a comprehensive asset management system improvement programme to continuously increase our asset management maturity. We periodically review and update our 10-year Asset Management Plan, which describes the assets we currently use (owned and leased), their condition, utilisation, functionality, any risks associated with them, the major maintenance programmes, plans for refurbishments, upgrades or renewal of these assets and associated costs.

The 20-year Northern Region Long Term Investment Plan (NRLTIP) outlines the additional capacity required in our assets to meet the projected future demand for health services. The plan outlines key investments required to address asset condition, quality, compliance issues and risks, increase capacity and improve technology. Asset performance measures enable us to monitor effectiveness and adequacy of our assets in delivering expected levels of service and to allow for timely upgrades and/or replacement.

Auckland DHB's Asset Portfolios

Auckland DHB's main asset portfolios and their purpose, capacity and values are summarised below.

Asset portfolio, description and purpose	Capacity
Property Book Value 30 June 2020 - $969m (2019 - $977m). Replacement Cost (Indicative) $2.4 billion. The performance of our property portfolio is a key enabler for the: efficient movement of people through our campuses and buildings; sustained delivery and quality of our water, electricity, steam, heating, cooling, ventilation, fresh air, lighting and medical gasses; control and management of infections. It is important that our infrastructure, buildings, plant and services comply with relevant legislation and regulations, meet accreditation requirements, are fit for purpose and are properly maintained. Well maintained and performing facilities translates to improved patient care and shorter days stayed in hospital for our patients.	Includes land, infrastructure, buildings and related plant and services, mainly located at Auckland City Hospital, Starship Children's Hospital, Greenlane Clinical Centre and Point Chevalier. These facilities currently deliver the following capacity: • 1,177 inpatient beds, including ICU, HDU, CCU, PICU and maternity; • 42 surgical theatres, 33 procedure rooms and 100 day bed/chairs; • 123 Emergency Department beds/trolleys and treatment rooms; • 143 mental health beds; • Cancer: 81 chemotherapy beds/chairs, 1 brachytherapy; • Renal: 5 dialysis units; • 12 dental clinics; • 40 community-based properties leased by Auckland DHB. **Key infrastructure:** includes main site incomers for gas and electricity, site HV electrical rings, site steam and hot water networks, site services tunnels and plant rooms, and site water bores. **Key plant:** includes gas boilers, cogeneration plant, central plant chillers and cooling towers, and emergency power generators. **Key building services:** includes domestic hot and cold water and waste water networks, fire protection systems, medical gas reticulation, heating, ventilation and air-conditioning systems, and electrical networks.
Clinical equipment Book Value 30 June 2020 - $79m (2019 - $79m). Replacement Cost (Indicative) $279m. Clinical equipment is a key enabler for: patient care and comfort; timely interventions, quality analysis and diagnostics and, surgical procedures Most of the clinical equipment (87%) is maintained in-house by our resident clinical engineering team with the balance under external maintenance agreements. All equipment is managed under a preventative	Clinical Equipment includes a wide range of equipment fleets and single item assets. Auckland DHB is also a provider of last resort with specialist services and equipment not used in other DHBs, e.g. national organ transplants, paediatric services. Our clinical equipment includes: • 6 linear accelerators (LINACs) • 3 MRIs • 6 CT scanners • 95 ultrasounds • 102 x-ray machines

Asset portfolio, description and purpose	Capacity
maintenance programme of regular inspections and testing. Equipment is maintained to a high standard to meet our own internal clinical quality standards and also to ensure they fully comply with national electrical, radiation safety regulations.	• 121 ventilators • 700+ patient physiological monitors. There are more than 30,000 items of clinical equipment in our asset management information systems.
Information Communications Technology (ICT) Book Value 30 June 2020 - $4m (2019 - $4m). Replacement Cost (Indicative) $10m. ICT is a key enabler supporting both the clinical service delivery to our patients and the non-clinical aspects of running a hospital. 24/7 availability, accessibility and functionality of critical clinical applications and information systems is a key priority for our staff. Fast, reliable and quality information facilitates timely decision making which also translates to improved patient care and shorter days stayed in hospital for our patients.	There are over 10,000 ICT users at Auckland DHB and in total 26,000 healthcare workers over the northern region who are all supported by healthAlliance (our shared service agent). The majority of our ICT assets are owned and managed by healthAlliance and are not included in the book or replacement values shown here. Auckland DHB ICT assets which form part of the book and replacement values include: • clinical and business applications • hard wired and Wi-Fi networking infrastructure • IT devices.

Auckland DHB also has other assets not included above, which are less significant in value and criticality but play an important role in our service delivery, e.g. vehicle fleet of 348, including 10 special purpose vehicles.

Property Asset Performance

Auckland DHB has a range of buildings on its campuses, some dating back to the late 1800s. The age and condition of the DHB's critical infrastructure, plant, building services and some buildings was previously identified as a major risk to the continuity of our services. We are currently implementing Tranche 1 of 5 of the Facilities Infrastructure Remediation Programme (FIRP) for renewing our aged critical infrastructure (planned to take 10 years to complete). Tranche 2 of the Facilities Infrastructure Remediation Programme (FIRP) will commence in September 2020 for renewal of the Central Plant and Tunnel.

The FIRP programme will provide the renewed infrastructure and resilience in our building plant and services systems, which is needed to allow for any new development on our two hospital campuses, Auckland City and Greenlane. This critical programme of works will enable Auckland DHB to provide for the wellbeing of future generations. Asset Performance Measures are provided below, including comparatives.

Measure	Indicator	2019/20 target	2019/20 actual	2018/19 target	2018/19 actual
Building floor space utilised versus total floor space available % of floor space utilised in buildings on all campuses versus total space available in buildings on all campuses (space is identified in Asset Revaluation reports).	Utilisation	85%	97%	85%	97%
Building condition grading measured by floor space % of campus floor space graded as Average to Very Good to total campus floor space. Condition Grading levels are: Very Poor, Poor, Average, Good and Very Good; refer to comments in opening paragraph.	Condition	85%	67%	85%	67%
Building condition grading measured by meeting building compliance requirements % of Buildings used with valid Building Warrant of Fitness (BWOF) to total buildings in the portfolio. BWOF is a compliance requirement.	Condition	100%	100%	100%	100%
Seismic compliance % of floor space assessed as being earthquake prone (i.e. 33% or less of New Building Strength (NBS)).	Condition	0%	1%	0%	1%[57]
Building Functionality grading measured by floor space % of buildings (by floor space) graded as Moderate to Full functionality. Functionality Grading levels are: Unfit, Partial, Moderate, Good and Full.	Functionality	65%	68%	65%	68%

[57] An expert assessment completed in 1999 identified 10 buildings with seismic issues, 7 of these have since been demolished, two are not occupied, and planning is in progress to vacate and demolish the remaining occupied building 7 at Auckland City Hospital.

ICT Asset Performance

healthAlliance owns, manages and maintains the Northern Region ICT assets. In 2018, the Information Systems Strategic Plan (ISSP) was released as part of the NRLTIP and this identifies the ICT investment plan, which includes a strategic project prioritised for the Auckland DHB Hospital Administration Replacement System (HARP); a business case is being developed.

The regional ICT portfolio asset performance measures were extended to a more detailed level and there are now 17 measures (which include eight availability performance measures) that are documented in the 2017/18 Service Level Agreement (SLA) between healthAlliance and DHBs. The performance measures are reported to DHB management and Board every monthly and quarterly, respectively.

The agreed Condition, Functionality and Utilisation measures are presented in the table below. Actuals are an average of the four quarters, except where noted. Comparatives are provided where the same measure was used in the prior year.

Asset performance measure and description	Indicator	2019/20 target	2019/20 actual	2018/19 target	2018/19 actual
% of devices compliant with asset age replacement policy >75% of devices are within the DHB asset age replacement policy.	Condition	>75%	94.58%	>75%	75.33%
% of SOEs compliant with security update policy >80% of EUD have signature updates that are <30 days as at the end of the quarter.	Condition	>80%	58.2%[58]	>80%	99.09
% of apps with installed version no older than n-1 >55% of apps with installed version no older than n-1 across 'Top 55' (Critical Tier) apps.	Condition	>55%	63%	>55%	58%
Number of SLA breaches ('service interruptions') recorded against application asset over a 12-month period >80% of 'Top 55' apps did not experience 2 or more SLA breaches over the last 12 months.	Condition	>80%	94%	>80%	99.99%
Number of Apps Is asset architected for redundancy or resiliency >30% of 'Top 55' apps are deployed compliant with TIER 1 architecture guidelines.	Functionality	>30%	38.7%	>30%	17.62%
Number of Apps Is asset supportable under TIER 1 SLA guidelines >30% of 'Top 55' apps can be supported under TIER 1 SLA guidelines.	Functionality	>30%	54.4%	>30%	37.58%
% of Windows systems checked and patched, across all PROD and non-PROD environments. >75% of technology platforms is patched to 13 weeks or less.	Condition	>75%	73%[59]	>75%	100%
Number of SLA breaches ('service interruptions') recorded against application asset over a 12-month period An average of <20 unplanned service interruptions.	Condition	<20	6.71	<20	3.11
% staff have accessed clinical/non-clinical system platforms remotely >35% of users have accessed citrix/remote platform in the last 12 months.	Utilisation	>35%	50.1%	>35%	40.51%

[58] During COVID-19 Feb-April no SOE security updates were applied. New security build is currently being tested and forecast to be completed during September with the forecast compliance of 90%.

[59] The patching cycle April to June was paused due to COVID-19 priorities. This has been restarted and scheduled to be complete September 2020 with the forecast of compliance of 93%.

Clinical Equipment Asset Performance

Auckland DHB implemented the nationally developed clinical equipment criticality and asset performance measures framework in its asset management system in 2018/19. This will be validated by services for full adoption in 2020/21. The framework will improve the ability to review and compare all assets at a glance and will assist in prioritising our replacement planning at an enterprise level across this portfolio. The following asset performance measures apply to critical clinical equipment items in our Cancer and Blood and Radiology Services. Comparatives are provided where the same measure was used in the prior year.

Asset performance measure and description	Indicator	2019/20 target	2019/20 actual	2018/19 target	2018/19 actual
LINAC fleet: maintenance hours Number of units needing a sustained increase in maintenance hours.	Condition	0	0	0	0
LINAC fleet: performance against Auckland DHB equipment specifications for patient treatment LINAC fleet to pass the comprehensive QA programme and be operable for work for ≥98% of the planned treatment hours.	Functionality	98%	97%	98%	97%
LINAC fleet: performance against physical capacity of the fleet LINAC fleet % of total downtime hours ≤13% of the operable hours.	Utilisation	13%	12%	13%	2.8%
MRI fleet: average condition grading using Auckland DHB criteria MRI scanner fleet condition graded as ≤3 on a scale of 1-10 (1 = best; 10 = worst).	Condition	3	6.3	3	6.3
MRI fleet: average functionality grading using Auckland DHB criteria MRI scanners fleet functionality (fit for purpose) graded ≤2.5 on a scale of 1-5 (1 = new; 2 = operationally sound; 3 = old technology; 4 =discontinued; 5 =obsolete).	Functionality	2.5	2.7	2.5	2.7
MRI fleet: total fleet unplanned downtime for the MRI scanner portfolio <25.6 hours (1%) of operable hours are spent on unplanned maintenance.	Utilisation	26 hrs	73hrs	26 hrs	8 hrs
CT scanner fleet: average condition grading using Auckland DHB criteria CT scanners fleet condition graded as <3 on a scale of 1-10 (1 = best; 10 = worst).	Condition	3	5.8	3	5.8
CT scanner fleet: average functionality grading using Auckland DHB criteria CT scanner fleet functionality (fit for purpose) graded as ≤2.5 on a scale of 1-5 (1 = new; 2 = operationally sound; 3 = old technology; 4 =discontinued; 5 =obsolete).	Functionality	2.5	2.8	2.5	2.8
CT scanner fleet: total fleet unplanned downtime for the CT scanner portfolio <34.6 hours (1%) of operable hours are spent on unplanned maintenance**.**	Utilisation	35 hrs	86 hrs	35 hrs	120 hrs

Statement of Responsibility

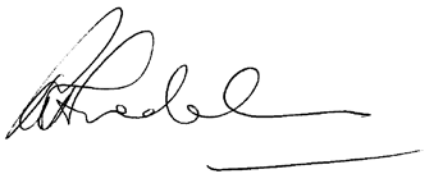
We are responsible for the preparation of the Auckland District Health Board and group's financial statements and the statement of performance, and for the judgements made in them.

We are responsible for any end-of-year performance information provided by Auckland District Health Board under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the Auckland District Health Board for the year ended 30 June 2020.

Signed on behalf of the Board:



Pat Snedden

Chair

Dated: 10 December 2020

William (Tama) Davis

Deputy Chair

Dated: 10 December 2020

Statement of comprehensive revenue and expense for the year ended 30 June 2020

	Notes	Group			Parent		
		Budget 2020 $000	Actual 2020 $000	Actual 2019 $000	Budget 2020 $000	Actual 2020 $000	Actual 2019 $000
Revenue							
Patient care revenue	2i	2,368,555	2,410,472	2,263,859	2,368,555	2,410,472	2,263,859
Interest revenue		5,446	4,159	5,867	5,446	3,681	5,303
Other revenue	2ii	77,486	82,005	71,745	78,432	81,559	70,968
Total revenue		**2,451,487**	**2,496,636**	**2,341,471**	**2,452,433**	**2,495,712**	**2,340,130**
Expenditure							
Personnel costs	3	1,123,294	1,211,109	1,268,450	1,123,294	1,210,527	1,267,898
Depreciation and amortisation expense	13,14	50,836	55,495	47,968	50,836	55,495	47,968
Outsourced services		141,927	155,094	141,366	141,927	155,094	141,366
Clinical supplies		284,758	290,998	281,287	284,758	290,998	281,287
Infrastructure and non-clinical expenses		88,121	87,115	82,738	89,461	87,060	82,675
Other district health boards		113,960	103,143	100,167	113,960	103,143	100,167
Non-health board provider expenses		603,266	599,022	546,962	603,266	599,022	546,962
Capital charge	4	54,320	45,993	54,278	54,320	45,993	54,278
Interest expense		1,295	0	0	1,295	0	0
Other expenses	5	46,677	52,284	50,621	46,677	52,588	50,552
Total expenditure		**2,508,454**	**2,600,253**	**2,573,837**	**2,509,794**	**2,599,920**	**2,573,153**
Share of surplus of associate and joint venture surplus/(deficit)	15	0	(150)	399	0	0	0
Surplus/(deficit)		**(56,968)**	**(103,767)**	**(231,967)**	**(57,362)**	**(104,208)**	**(233,023)**
Other comprehensive revenue and expense							
Item that will not be reclassified to surplus/(deficit)							
Gain/(Loss) on property revaluations	20	0	0	83,512	0	0	83,512
Total other comprehensive revenue and expense		**0**	**0**	**83,512**	**0**	**0**	**83,512**
Total comprehensive revenue and expense		**(56,968)**	**(103,767)**	**(148,455)**	**(57,362)**	**(104,208)**	**(149,511)**

Explanations of major variances against budget are provided in note 26.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2020

	Notes	Group Actual			Parent		
		Budget 2020 $000	Actual 2020 $000	Actual 2019 $000	Budget 2020 $000	Actual 2020 $000	Actual 2019 $000
Assets							
Current Assets							
Cash and cash equivalents	6	39,365	135,902	94,192	39,365	129,757	94,192
Investments	7	12,589	15,000	15,000	12,589	15,000	15,000
Trust/special funds	8	18,615	15,018	14,847	0	0	0
Restricted trust funds	9	0	1,376	1,308	0	1,376	1,308
Receivables	10	85,755	111,917	86,868	87,809	114,127	88,191
Prepayments		892	4,622	996	892	4,622	996
Inventories	11	14,446	15,396	14,356	14,446	15,396	14,356
Total Current Assets		**171,662**	**299,231**	**227,567**	**155,101**	**280,278**	**214,043**
Non-Current Assets							
Investments	7	16,890	0	15,000	16,890	0	15,000
Trust/special funds	8	15,308	15,970	17,200	0	0	0
Property, plant and equipment	13	1,146,240	1,131,133	1,117,387	1,145,274	1,130,141	1,116,448
Intangible assets	14	8,132	9,300	8,524	8,132	9,300	8,524
Investments in joint ventures & associates	15	70,626	75,057	71,003	70,270	74,539	70,066
Total Non-Current Assets		**1,257,196**	**1,231,460**	**1,229,114**	**1,240,565**	**1,213,980**	**1,210,038**
Total Assets		**1,428,858**	**1,530,691**	**1,456,681**	**1,395,667**	**1,494,258**	**1,424,081**
Liabilities							
Current Liabilities							
Payables & deferred revenue	16	171,338	195,411	164,519	166,473	188,429	160,872
Employee benefits	17	196,900	505,323	409,422	196,900	505,240	409,396
Provisions	18	0	1,742	1,820	0	1,742	1,820
Borrowings	19	3,976	1,925	1,176	3,976	1,925	1,176
Restricted trust funds	9	0	1,384	1,308	0	1,384	1,308
Total Current Liabilities		**372,214**	**705,785**	**578,245**	**367,349**	**698,720**	**574,572**
Non-Current Liabilities							
Employee benefits	17	62,932	88,932	69,895	62,932	88,932	69,895
Borrowings	19	20,087	10,136	8,983	20,087	10,136	8,983
Total Non-Current Liabilities		**83,019**	**99,068**	**78,878**	**83,019**	**99,068**	**78,878**
Total Liabilities		**455,233**	**804,853**	**657,123**	**450,369**	**797,788**	**653,450**
Net Assets		**973,626**	**725,838**	**799,558**	**945,298**	**696,470**	**770,631**
Equity							
Contributed Capital	20	984,828	919,427	889,380	984,828	919,427	889,380
Accumulated surplus/deficit	20	(554,619)	(821,488)	(717,130)	(555,169)	(822,108)	(717,900)
Property revaluation reserve	20	515,639	599,151	599,151	515,639	599,151	599,151
Trust/special funds	20	27,778	28,748	28,157	0	0	0
Total Equity		**973,626**	**725,838**	**799,558**	**945,298**	**696,470**	**770,631**

Explanations of major variances against budget are provided in note 26.
The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2020

GROUP	Notes	Budget 2020 $000	Actual 2020 $000	Actual 2019 $000
Balance as at 1 July		**935,146**	**799,558**	**939,931**
Total comprehensive income/(expense) for the period		**(56,968)**	**(103,767)**	**(148,455)**
Owner Transactions				
Capital contributions from the Crown		95,448	30,047	8,082
Repayment of capital to the Crown		0	0	0
Balance as at 30 June	**20**	**973,626**	**725,838**	**799,558**

PARENT	Notes	Budget 2020 $000	Actual 2020 $000	Actual 2019 $000
Balance as at 1 July		**907,212**	**770,631**	**912,060**
Total comprehensive income/(expense) for the period		**(57,362)**	**(104,208)**	**(149,511)**
Owner Transactions				
Capital contributions from the Crown		95,448	30,047	8,082
Repayment of capital to the Crown		0	0	0
Balance as at 30 June	**20**	**945,298**	**696,470**	**770,631**

Explanations of major variances against budget are provided in note 26.
The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2020

	Notes	Group Actual			Parent Actual		
		Budget 2020 $000	Actual 2020 $000	Actual 2019 $000	Budget 2020 $000	Actual 2020 $000	Actual 2019 $000
Cash flows from operating activities							
Cash receipts from Ministry of Health and patients		2,347,464	2,380,642	2,252,016	2,347,464	2,380,642	2,252,016
Other Receipts		98,575	101,487	72,041	96,075	94,994	71,684
Cash paid to employees		(1,123,294)	(1,095,334)	(1,034,016)	(1,123,294)	(1,094,808)	(1,034,016)
Cash paid to suppliers		(1,281,158)	(1,279,967)	(1,188,361)	(1,278,724)	(1,278,318)	(1,186,653)
GST (net)		0	3,842	(14)	0	3,731	166
Payments for Capital Charge		(54,320)	(45,993)	(54,278)	(54,320)	(45,993)	(54,278)
Net cash inflow from operating activities		**(12,732)**	**64,677**	**47,388**	**(12,798)**	**60,248**	**48,919**
Cash flows from investing activities							
Interest received		5,447	4,159	5,867	4,683	3,743	5,259
Proceeds from sale of property, plant and equipment		0	162	113	0	162	113
Decrease/(Increase) in investments and restricted trust funds		0	11,731	(1,488)	830	10,379	(2,411)
Purchase of property, plant and equipment		(160,024)	(68,091)	(62,451)	(160,024)	(68,039)	(62,451)
Purchase of intangible assets		0	(2,313)	(3,202)	0	(2,313)	(3,202)
Acquisition of investments		0	0	0	0	0	0
Net cash (outflow) from investing activities		**(154,578)**	**(54,352)**	**(61,161)**	**(154,512)**	**(56,068)**	**(62,692)**
Cash flows from financing activities							
Interest paid		(1,295)	(562)	(410)	(1,295)	(562)	(410)
Proceeds from borrowings/finance leases		13,903	3,444	4,983	13,903	3,444	4,983
Repayment of borrowings/ finance leases		0	(1,544)	(97)	0	(1,544)	(97)
Proceeds from capital contributed/(repaid)		95,448	30,047	8,082	95,448	30,047	8,082
Net cash inflow/(outflow) from financing activities		**108,057**	**31,385**	**12,558**	**108,057**	**31,385**	**12,558**
Net (decrease)/increase in cash and cash equivalents		**(59,253)**	**41,710**	**(1,215)**	**(59,253)**	**35,565**	**(1,215)**
Cash and cash equivalents at start of the year		**98,618**	**94,192**	**95,407**	**98,618**	**94,192**	**95,407**
Cash and cash equivalents at end of the year	**6**	**39,365**	**135,902**	**94,192**	**39,365**	**129,757**	**94,192**

Explanations of major variances against budget are provided in note 26.
The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2020 (continued)

Reconciliation of reported operating surplus/(deficit) with net cash inflow/(outflow)from operating activities

Reconciliation of reported operating surplus/(deficit) after taxation with net cash inflow (outflow) from operating activities

	Notes	Group Actual		Parent Actual	
		2020 $000	2019 $000	2020 $000	2019 $000
Reported net surplus/(deficit) for the year		**(103,767)**	**(231,967)**	**(104,208)**	**(233,023)**
Add non-cash items:					
Share of associate and joint venture surplus	15	150	(399)	0	0
Depreciation and amortisation expense		55,495	47,968	55,495	47,968
Unrealised loss/(gain) on cash flow hedging instrument		0	0	0	0
Add items classified as investing activities:					
Net loss/(gain) on disposal of fixed assets		68	398	68	398
Net loss/(gain) on disposal of financial assets		(288)	(870)	0	0
Net interest shown in investing and financing activities		(3,597)	(5,457)	(3,119)	(4,893)
Add movements in statement of financial position items:					
(Increase)/Decrease in debtors and other receivables		(25,048)	5,698	(24,932)	6,121
(Increase)/Decrease in prepayments		(3,626)	229	(3,626)	229
(Increase)/Decrease in inventories		(1,039)	(504)	(1,039)	(504)
Increase/(Decrease) in creditors and other payables		31,469	3,976	26,805	4,307
Increase in provision		(78)	(587)	(78)	(587)
Increase/(Decrease) in employee entitlements		114,938	228,904	114,882	228,904
Net cash inflow/(outflow) from operating activities		**64,677**	**47,388**	**60,248**	**48,919**

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

REPORTING ENTITY

The Auckland District Health Board (DHB) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. The relevant legislation governing the DHB's operations is the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000. The DHB's ultimate parent is the New Zealand Crown. Auckland DHB has designated itself and the group as a public benefit entity (PBE) for financial reporting purposes.

The consolidated financial statements of Auckland DHB for the year ended 30 June 2020 comprise Auckland DHB and its subsidiaries (together referred to as 'group') and Auckland DHB's interest in associates and jointly controlled entities. The Auckland DHB group consists of the parent, Auckland DHB, Auckland DHB Charitable Trust and Auckland Health Foundation. Joint ventures are healthAlliance N.Z. Limited (25%) and HealthSource NZ Limited (40%). Associates are Northern Regional Alliance Limited (33.3%). The DHB's subsidiary, associates and joint venture are incorporated and domiciled in New Zealand.

Auckland DHB's activities include delivering health and disability services through its internal provider arm, shared services including Funding and Planning administration, as well as funding services purchased from external providers (e.g. from non-governmental organisations and other community services). The group's primary objective is to deliver health, disability, and mental health services to the community within its district as well as to deliver regional and national services. The group does not operate to make a financial return. The group is designated as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice.

The financial statements for the DHB are for the year ended 30 June 2020, and were approved by the Board on 10 December 2020.

BASIS OF PREPARATION

Going concern

The financial statements have been prepared on a going concern basis. The Board, after making enquiries, has a reasonable expectation that the DHB has adequate resources to continue operations for the foreseeable future. The Board has reached this conclusion having regard to circumstances which it considers likely to affect the DHB during the period of one year from the date of signing the 2019/20 financial statements, and to circumstances which it knows will occur after that date which could affect the validity of the going concern assumption (as set out in its current Annual Plan). The key considerations are set out below.

Operating and cash flow forecasts

Operating and cash flow forecasts indicate that the DHB will have sufficient funds (including equity funding from the Crown approved capital projects) to meet the forecast operating and investing cash flow requirements of the DHB for the 2020/21 financial year. However, if the DHB was required to settle the holiday pay liability disclosed in note 17 within the period of one year from signing the 2019/20 financial statements, additional financial support would be needed from the Crown.

Letter of comfort

The Board has received a letter of comfort dated 29 September 2020 from the Ministers of Health and Finance. The letter of comfort states that the Government is committed to working with Auckland DHB over the medium term to maintain its financial viability and acknowledges that the Crown will provide equity support where necessary to maintain viability.

Statement of compliance

The financial statements of the group have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000, which include the requirement to comply with New Zealand generally, accepted accounting practice (GAAP). These financial statements comply with Public Sector PBE accounting standards.

Presentation currency and rounding

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), with the exception of some remuneration disclosures in note 3.

1 Significant accounting policies (continued)

Changes in accounting policies

Changes to accounting policy – new and amended standards

PBE IPSAS 34 – PBE IPSAS 38

The Auckland DHB Group has applied PBE IPSAS 34 Separate Financial Statements, PBE IPSAS 35 Consolidated Financial Statements, PBE IPSAS 36 Investments in Associates and Joint Ventures, PBE IPSAS 37 Joint Arrangements and PBE IPSAS 38 Disclosure of Interests in Other Entities for the first time in preparing the 2019/20 financial statements. There was no effect as a result of these changes. Refer to Note 28: Adoption of PBE IPSAS 34-38.

PBE IPSAS 39

The Auckland DHB adopted PBE IPSAS 39: Employee Benefits from 1 July 2019 (updating the existing standard PBE IPSAS 25: Employee Benefits). The key changes relevant to Auckland DHB are the introduction of the net interest approach, which is to be used when determining the defined benefit cost for benefit plans, and to structure the disclosures of defined benefit plans according to explicit disclosure objectives for defined benefit plans. Auckland DHB currently accounts for its Defined Benefit Plan Contributors Scheme as a defined contribution scheme due to insufficient information to determine defined benefit accounting. Refer to Note 3: Personnel Costs. There was no effect as a result of these changes.

Standards issued that are not yet effective and that have not been early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. Auckland DHB does not intend to early adopt the amendment.

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although Auckland DHB has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. Auckland DHB has not yet determined how application of PBE FRS 48 will affect its statement of performance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Basis of consolidation

Auckland DHB consolidates in the group financial statements all entities where the DHB has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the DHB controls the majority voting power on the governing body or where financing and operating policies have been irreversibly predetermined by the DHB or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Auckland DHB will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the DHB. If the consideration transferred is lower than the net fair value of the DHB's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in Auckland DHB's parent entity financial statements. The Auckland District Health Board Charitable Trust and Auckland Health Foundation are controlled by the DHB.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

1 Significant accounting policies (continued)

Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The DHB is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Cost allocation

The cost of outputs has been determined using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner, with a specific output. Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity/usage information. Depreciation is charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output. There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

Critical accounting estimates and assumptions

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

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

- Estimating the fair value of land and buildings – refer to Note 13.
- Estimated useful life of property, plant and equipment – refer to Note 13.
- Estimated useful life of intangible assets – refer to Note 14.
- Measuring long service leave and retirement gratuities – refer to Note 17.
- Estimated liability to comply with the Holidays Act – refer to Note 17.

Critical judgements in applying accounting policies

- Classification of leases – refer to Note 19.
- Identifying agency relationships – refer to discussion below.

Agency relationship

Determining whether an agency relationship exists requires judgement as to which party bears the significant risks and rewards associated with the sales of goods or the rendering of services. The judgement is based on the facts and circumstances that are evident for each contract and considering the substance of the relationship.

Some individual DHBs have entered into contracts for services with providers on behalf of themselves (contracting DHB) and other DHBs (recipient DHB). The contracting DHB makes payment to the provider on behalf of all the DHBs receiving the services, and the recipient DHB will then reimburse the contracting DHB for the cost of the services provided in its district. There is a Memorandum of Understanding that sets out the relationships and obligations between each of the DHBs. Based on the nature of the relationship between the contracting DHB and the recipient DHBs, the contracting DHB has assumed it has acted as agent on behalf of the recipient DHBs. Therefore the payments and receipts in relation to the other DHBs are not recognised in the contracting DHB's financial statements.

2 Revenue

Comparative Figures

Comparative information has been reclassified as appropriate to achieve consistency in disclosure with the current year.

Accounting Policy

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

MoH population-based revenue

The DHB receives annual funding from the Ministry of Health (MoH), which is based on population demographics within Auckland DHB district. MoH population-based revenue for the financial year is recognised based on the funding entitlement for that year.

MoH contract revenue

The revenue recognition approach for MoH contract revenue depends on the contract terms. Those contracts where the amount of revenue is substantively linked to the provision of quantifiable units of service are treated as exchange contracts and revenue is recognised as the DHB provides the services. For example, where funding varies based on the quantity of services delivered, such as number of screening tests or heart checks.

Other contracts are treated as non-exchange and the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to provide services to the satisfaction of the funder to receive or retain funding. Revenue for future years is not recognised where the contract contains substantive termination provisions for failure to comply with the service requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as the past practice of the funder. Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year funding arrangements.

Inter-district flows

Inter district patient inflow revenue occurs when a patient treated within the Auckland DHB region is domiciled outside of Auckland. The MoH credits Auckland DHB with a monthly amount based on estimated patient treatment for non-Auckland residents within Auckland. An annual wash up occurs (in agreed areas) at year end to reflect the actual non Auckland patients treated at Auckland DHB.

ACC contracted revenue

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

Donated services

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

Grants revenue

Revenue from grants includes grants given by other charitable organisations, government organisations or their affiliates. Income from grants is recognised when the funds transferred meet the definition of an asset as well as the recognition criteria of an asset. Grants are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as income received in advance and recognised as revenue when conditions of the grant are satisfied.

Research revenue

For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to complete research to the satisfaction of the funder to retain funding or return unspent funds. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and the past practice of the funder.

Interest revenue

Interest revenue is recognised using the effective interest method.

Rental revenue

Rental revenue under an operating lease is recognised as revenue on a straight-line basis over the lease term.

2 Revenue (continued)

Provision of other services

Revenue derived through the provision of other services to third parties is recognised in proportion to the stage of completion at the balance date, based on the actual service provided as a percentage of the total services to be provided.

Donations and bequests

Donated and bequeathed financial assets are recognised as revenue, unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met. For example, as the funds are spent for the nominated purpose.

Breakdown of patient care and other revenue

i Patient care revenue	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Health and disability services (Crown appropriation revenue)	1,425,479	1,330,189	1,425,479	1,330,189
Other MoH and Government revenue	238,966	227,313	238,966	227,313
ACC contract revenue	24,078	24,472	24,078	24,472
Inter-district patient inflows	686,267	643,399	686,267	643,399
Revenue from other district health boards	14,912	16,969	14,912	16,969
Other patient care related revenue	20,770	21,517	20,770	21,517
Total patient care revenue	**2,410,472**	**2,263,859**	**2,410,472**	**2,263,859**

ii Other revenue	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Donations and bequests	14,120	9,910	14,193	10,680
Gain on sale of property, plant and equipment	0	0	0	0
Gain on financial assets	288	870	0	0
Rental revenue	9,766	10,253	9,766	10,253
Accommodation revenue	907	857	907	857
Direct charges revenue	26,701	22,561	26,701	22,561
Drug trial revenue	874	524	874	524
Research grants	15,508	13,691	15,277	13,013
Other revenue	13,841	13,079	13,841	13,080
Total other revenue	**82,005**	**71,745**	**81,559**	**70,968**

Non-cancellable leases as a lessor

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

GROUP and PARENT	2020 $000	2019 $000
Not later than one year	6,085	6,327
Later than one year and not later than five years	14,403	16,680
Later than five years	0	22
Total non-cancellable operating lease commitments as lessor	**20,488**	**23,029**

The DHB and group leases out a number of buildings under operating leases. The details of the main leases as a lessor are as follows:

- The hospital car park with an expiry date of 30 June 2024
- University of Auckland with an expiry date of 8 December 2022
- Procare House, 50 Grafton Road, with 2 leases, expiry dates 31 December 2020 and 30 June 2023
- 2 Kari Street, 2 leases, one expiring in 2022 and another expiring in 2020 (both with rights of renewal).

3 Personnel costs

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Superannuation schemes

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The DHB and group makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis of allocation. The scheme is therefore accounted for as a defined contribution scheme.

Breakdown of personnel costs and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Salaries and wages	1,060,638	1,006,521	1,060,098	1,005,969
Defined contribution plan employer contributions	35,533	33,281	35,533	33,281
Increase/(decrease) in liability for employee benefit	114,938	228,904	114,896	228,904
Restructuring expense for employee exit costs	0	(256)	0	(256)
Total personnel costs	**1,211,109**	**1,268,450**	**1,210,527**	**1,267,898**

3 Personnel costs (continued)

Employee remuneration

During the year, the following numbers of employees of Auckland DHB received remuneration over $100,000.

Remuneration range	Actual 2020	Actual 2019	Remuneration range	Actual 2020	Actual 2019
$100,000-$109,999	709	673	$480,000-$489,999	1	2
$110,000-$119,999	409	339	$490,000-$499,999	2	2
$120,000-$129,999	208	235	$500,000-$509,999	1	3
$130,000-$139,999	176	155	$510,000-$519,999	6	2
$140,000-$149,999	138	135	$520,000-$529,999	4	1
$150,000-$159,999	115	96	$530,000-$539,999	3	2
$160,000-$169,999	94	103	$540,000-$549,999	3	2
$170,000-$179,999	85	74	$550,000-$559,999	1	
$180,000-$189,999	61	67	$560,000-$569,999	3	2
$190,000-$199,999	48	35	$570,000-$579,999		3
$200,000-$209,999	60	52	$580,000-$589,999	3	3
$210,000-$219,999	60	41	$590,000-$599,999	2	
$220,000-$229,999	39	40	$600,000-$609,999	1	1
$230,000-$239,999	39	39	$610,000-$619,999	2	
$240,000-$249,999	42	42	$620,000-$629,999		2
$250,000-$259,999	50	46	$630,000-$639,999	1	
$260,000-$269,999	40	43	$640,000-$649,999	2	1
$270,000-$279,999	33	38	$650,000-$659,999	2	3
$280,000-$289,999	31	28	$660,000-$669,999		2
$290,000-$299,999	28	32	$680,000-$689,999	1	
$300,000-$309,999	28	20	$690,000-$699,999	1	1
$310,000-$319,999	38	19	$700,000-$709,999	1	
$320,000-$329,999	17	20	$710,000-$719,999		1
$330,000-$339,999	19	32	$730,000-$739,999	1	
$340,000-$349,999	29	24	$750,000-$759,999	2	
$350,000-$359,999	26	20	$830,000-$839,999	1	1
$360,000-$369,999	12	11	$840,000-$849,999	1	
$370,000-$379,999	16	10	$860,000-$869,999	2	2
$380,000-$389,999	11	16	$870,000-$879,999	1	
$390,000-$399,999	21	18	$910,000-$919,999	1	1
$400,000-$409,999	15	13	$990,000-$999,999		1
$410,000-$419,999	10	14	$1,010,000-$1,019,999	1	1
$420,000-$429,999	12	9	$1,070,000-$1,079,999		1
$430,000-$439,999	2	7	$1,200,000-$1,209,999	1	
$440,000-$449,999	8	6	$1,250,000-$1,259,999	1	
$450,000-$459,999	8	5	$1,290,000-$1,299,999		1
$460,000-$469,999	6	4	$1,340,000-$1,349,999		1
$470,000-$479,999	6	6			
			Grand Total	2,802	2,610

During the year ended 30 June 2020, 126 (2019:113) employees received compensation and other benefits in relation to cessation totalling $3,034,197 (2019: $2,566,318).

Note:

The highest earners in this chart are all surgeons who work in a particular model of care for the DHB. This is one where the surgeons operate, then remain on call, to be called back to care for their patients as, or if, required. As a consequence of high volumes of complex and acute operations and higher numbers of elective operations and procedures, there were a number of surgeons on call who were called-back frequently. In addition, the requirement to meet elective throughput targets has required additional Saturday operating lists, for which a premium was paid.

3 Personnel costs (continued)

Board member remuneration

The total value of remuneration paid or payable to each Board member during the year was:

	Actual 2020 $000	Actual 2019 $000
Pat Snedden	59	56
Gwen Tepania-Palmer *	13	31
Dr Lee Mathias *	13	31
Jo Agnew	33	31
Doug Armstrong	33	30
Michelle Atkinson	32	29
Judith Bassett*	12	29
Zoe Brownlie	30	27
Lope Ginnen	0	24
Robyn Northey*	12	28
Sharon Shea*	12	30
Peter Davis*	19	0
Tama Davis*	24	0
Fiona Lai*	19	0
Bernie O'Donnell*	19	0
Michael Quirke*	19	0
Ian Ward*	19	0
Total board member remuneration	368	346

*Local Body election effected change in membership in December 2019.

Co-opted committee members

	Actual 2020 $
Norman Wong (Finance, Risk and Assurance Committee)	4,063
Dame Paula Rebstock (Finance, Risk and Assurance Committee)	4,838
Total co-opted committee members	8,900

Payments made to committee members appointed by the Board who are not Board members during the financial year amounted to $8,900.

The DHB has provided a deed of indemnity to Directors and Board Members for certain activities undertaken in the performance of the DHB's functions**.**

The DHB has effected Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation (2019: $nil).

4 Capital charge

Accounting policy

The capital charge is recognised as an expense in the financial year to which the charge relates.

Further information

The DHB and group pay a capital charge every six months to the Crown. The charge is based on the previous six month actual closing equity balance at 31 December and 30 June. The capital charge rate for the year ended 30 June 2020 was 6% (2019:6%).

5 Other expenses

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Breakdown of other expenses and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Fees to auditor				
- fees to Audit New Zealand for audit of financial statements	330	300	330	300
- prior period under/(over) provision	(32)	5	(32)	5
- fees to Audit New Zealand for audit of financial statements (Auckland DHB Charitable Trust and Auckland Health Foundation)	36	36	36	36
Fees for other Audit services	(3)	50	(3)	50
Operating leases	9,558	7,754	9,558	7,754
Impairment of debtors/(provision released)*	(10)	611	(10)	611
Bad debts	3,528	3,843	3,528	3,843
Board members' fees	368	346	368	346
Gains/(Loss) on disposal of property, plant and equipment	68	398	68	398
Foreign currency loss gains/(losses)	(35)	(9)	(34)	(9)
Other financial assets gains/(losses}	(50)	(55)	(50)	(55)
Impairment of FPIM (previously NOS) rights	(30)	4,339	(30)	4,339
Other expenses	38,556	33,003	38,859	32,934
Total other expenses	**52,284**	**50,621**	**52,588**	**50,552**

* Please refer to note 10.

Non-cancellable operating lease commitments as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

GROUP and PARENT	2020 $000	2019 $000
Not later than one year	3,495	3,362
Later than one year and not later than five years	6,073	6,233
Later than five years	622	966
Total non-cancellable operating lease commitments as lessee	**10,190**	**10,561**

The DHB and group lease a number of buildings, vehicles and office equipment under operating leases.

The details of the main property leases are as follows:

- 160 Grafton Road (First floor) is leased with an expiry date of 31 July 2023.
- Carbine Road is leased with an expiry date of 30 Sep 2020
- Community Mental Health Clinic is leased with an expiry date of 31 Jan 2027
- 161 Grafton Road (Ground floor) is leased with an expiry date of 31 May 2024
- Taylor Centre is leased with an expiry date of 31 Oct 2021
- St Luke's Community Health Centre is leased with an expiry date of 15 Oct 2020.

6 Cash and cash equivalents

Accounting policy

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

Breakdown of cash and cash equivalents and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Current assets				
Bank balance & cash on hand	96	89	96	89
Bank balance & cash on hand (Trust/Special)	6,145	0	0	0
Bank balance & cash on hand (Restricted Trust)	8	0	8	0
NZ Health Partnerships Limited	129,653	94,103	129,653	94,103
Cash & cash equivalents in the statement of cash flows	**135,902**	**94,192**	**129,757**	**94,192**

The DHB is party to a DHB Treasury Services Agreement between NZ Health Partnerships Limited (NZHPL) and participating DHBs. This Agreement enables NZHPL to "sweep" DHB bank accounts and invest surplus funds on their behalf. The DHB Treasury Services Agreement provides for individual DHBs to have a debit balance with NZHPL, which will incur interest at the credit interest rate received by NZHPL plus an administrative margin. The maximum borrowing facility available to any DHB is the value of one month's Provider Arm funding inclusive of GST. As at 30 June 2020, this limit was $140.681m (2019: $131.66m).

Financial assets recognised subject to restrictions.
Included in cash and cash equivalents and investments (refer to Note 7) are unspent funds with restrictions that relate to the delivery of health services by the DHB. Other than for trust funds, it is not practicable for the DHB to provide further detailed information about the restrictions. Further information about trust funds is provided in Note 20.

7 Investments

Accounting policy

Bank term deposits

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Breakdown of investments and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Current assets				
Term deposits	15,000	15,000	15,000	15,000
Non-Current assets				
Term deposits	0	15,000	0	15,000
Total Investments	**15,000**	**30,000**	**15,000**	**30,000**

The carrying value of term deposits with maturities less than 12 months approximate their face value. The fair value of term deposits with a remaining duration greater than 12 months is Nil (2019: $15m). The fair value has been calculated based on discounted cash flows, using market quoted interest rates for term deposits with terms to maturity similar to the relevant investments. There is no loss allowance for investments.

8 Trust/special fund assets

Accounting policy

Trust/special fund assets

The assets are funds held by the Auckland DHB Charitable Trust, and comprise donated and research funds. The use of the funds must comply with the specific terms of the sources from which the funds were derived. The revenue and expenditure in respect of these funds are recognised in the surplus or deficit, and is transferred from/to trust funds in equity.

8 Trust/special fund assets (continued)

Breakdown of trust/special fund assets and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Current assets				
Cash and cash equivalent				
Cash at bank and on hand (restricted)	0	2,512	0	0
Tern deposits with maturities less than 3 months (restricted)	0	355	0	0
Cash and cash equivalent total (restricted)	0	2,847	0	0
Term deposits (restricted)	14,500	12,000	0	0
Investment Bonds (at market)/(restricted)	518	0	0	0
	15,018	**14,847**	**0**	**0**
Non-current assets				
Term deposits (restricted)	0	1,000	0	0
Investment Bonds (at market)/(restricted)	1,354	1,863	0	0
Portfolio Investments (restricted)	14,616	14,337	0	0
	15,970	**17,200**	**0**	**0**
Total trust/special fund	**30,988**	**32,047**	**0**	**0**

Equity investments are measured at fair value with fair value determined by reference to published bid price quotations in an active market. The carrying amounts of term deposits and investment bonds with maturities less than 12 months approximate their fair value. The fair value of term deposits, investment bonds and portfolio investments with remaining maturities in excess of 12 months is $15,970k (2019: $17,200k). The fair values are based on discounted cash flows using market quoted interest rates for term deposits with terms to maturity similar to the relevant investments. There is no loss allowance for investments.

9 Restricted trust funds

Accounting policy

This interest earning fund was from sale proceeds on an endowment property, to be used in conjunction with Auckland DHB Treaty partner, Ngāti Whātua

Breakdown of Restricted fund assets and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
RESTRICTED TRUST FUNDS				
Current assets				
Restricted fund deposit	1,376	1,308	1,376	1,308
	1,376	**1,308**	**1,376**	**1,308**
Current liabilities				
Restricted fund deposit	1,384	1,308	1,384	1,308
	1,384	**1,308**	**1,384**	**1,308**

10 Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses.

The DHB and group apply the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

10 Receivables (continued)

Breakdown of receivables and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Receivables from MoH	67,203	37,519	67,200	37,519
Other receivables	24,217	24,607	22,749	22,298
Other accrued income	23,828	28,083	27,509	31,715
Less: Allowance for credit losses	(3,331)	(3,341)	(3,331)	(3,341)
Total receivables	**111,917**	**86,868**	**114,127**	**88,191**

The expected credit loss rates for receivables at 30 June 2020 and 1 July 2019 are based on the payment profile of revenue on credit over the prior 2 years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting in the estimation techniques or significant assumptions used in measuring the loss allowance.

The ageing profile of trade receivables at year end is detailed below:

GROUP receivables

Receivable days past due	Gross 2020 $000	Credit loss allowance 2020 $000	Gross 2019 $000	Credit loss allowance 2019 $000
Not past due	99,048	(274)	74,140	(69)
Past due 0-30 days	3,685	(1,059)	3,622	(516)
Past due 31-90 days	5,533	(430)	7,269	(1,093)
Past due 91-360 days	5,044	(775)	3,411	(905)
Past due more than 1 year	1,938	(793)	1,767	(758)
Total	**115,248**	**(3,331)**	**90,209**	**(3,341)**

PARENT receivables

Receivable days past due	Gross 2020 $000	Credit loss allowance 2020 $000	Gross 2019 $000	Credit loss allowance 2019 $000
Not past due	102,075	(274)	76,981	(69)
Past due 0-30 days	3,431	(1,059)	2,615	(516)
Past due 31-90 days	5,220	(430)	7,075	(1,093)
Past due 91-360 days	4,801	(775)	2,831	(905)
Past due more than 1 year	1,931	(793)	1,750	(758)
Total	**117,458**	**(3,331)**	**91,252**	**(3,341)**

Movement in the allowance for credit losses is as follows:

	Group		Parent	
	2020 Actual $000	2019 Actual $000	2020 Actual $000	2018 Actual $000
Balance 1 July	3,341	2,730	3,341	2,730
Additional allowances made/(released) in the year	(10)	611	(10)	611
Balance at 30 June	**3,331**	**3,341**	**3,331**	**3,341**

11 Inventories

Accounting policy

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential. Inventories acquired through non –exchange transactions are measured at fair value at the date of acquisition**.** The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in surplus or deficit in the period of the write-down.

Breakdown of inventories and further information

GROUP AND PARENT	Actual 2020 $000	Actual 2019 $000
Pharmaceuticals	2,196	1,881
Surgical and medical supplies	13,200	12,475
Total Inventories	**15,396**	**14,356**

The amount of inventories recognised as an expense during the year was $268.756m (2019: $260.592m), which is included in the clinical supplies line item of the statement of comprehensive revenue and expense. The write-down of inventories amounted to $754k (2019: $721k). There have been no reversals of write-downs. No inventories are pledged as security for liabilities (2019: $nil). However, some inventories are subject to retention of title clauses.

12 Non-current assets held for sale

Accounting policy

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale. There are no non-current assets held for sale (2019: nil).

13 Property, plant and equipment

Accounting policy

Property, plant, and equipment consists of the following asset classes:

- Land;
- Buildings (including fit out and underground infrastructure);
- Leasehold Improvements; and
- Plant, equipment and vehicles.

Owned Assets

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost, less accumulated depreciation and impairment losses. The cost of property, plant and equipment acquired in a business combination is their fair value at the date of acquisition.

Revaluations

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value, and at least every three years. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes will be revalued. Land and building revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to a property revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

13 Property, plant and equipment (continued)

Work in progress is recognised at cost less impairment, and is not depreciated.

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to accumulated surpluses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the DHB and the cost of the item can be measured reliably.

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

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

- Buildings (including components) 4-137 years 0.73%-25%
- Plant, equipment and vehicles 5-20 years 5.00%-20%
- Leasehold improvements 5 years 20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at each financial year end.

Impairment of property, plant, and equipment and intangible assets

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

Non-cash generating assets

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of the information.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount.

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

Critical accounting estimates and assumptions

Estimating the fair value of land and buildings

Valuation

The most recent valuation of land was performed by an independent registered valuer, Evan Gamby (M PROP STUD Distn, DIP UV, FNZIV (Life), LPINZ, FRICS) and Logan Holyoake (B Prop; MPINZ) of Telfer Young (Auckland) Limited. The valuation is effective as at 30 June 2019.

Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. All titles other than those relating to 50 Grafton Road and 2 Kari Street, Grafton; are noted by certificate 9918215.1 as being subject to Section 148 of Nga Mana Whenua o Tamaki Makaurau Collective Redress Act 2014 ("The Act") that the land is RFR land as defined in section 118 and is subject to Subpart 1 of Part 4 of The Act (which restricts disposal, including leasing of the land).

13 Property, plant and equipment (continued)

Values have been adjusted to reflect the imposition of Section 148 of The Act. Restrictions on the DHB and group's ability to sell land would normally not impair the value of the land because the DHB and group has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Buildings

Buildings, fit out and infrastructure were revalued at 30 June 2019 by Telfer Young (Auckland) Ltd. Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for optimisation due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For Auckland DHB's earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost in estimating fair value.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, DHB's future maintenance and replacement plans, and experience with similar buildings
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.
- The estimated cost of asbestos remediation in Auckland DHB's buildings has been deducted off the depreciated replacement cost in estimating fair value.

Non-specialised buildings are valued at fair value using market-based evidence. The following market values, market rents and capitalisation rates were used in the 30 June 2019 valuation:

- Land market values range from $3,000 to $4,000 per square metre depending on location
- Office market rents range from $245 to $260 per square metre
- Capitalisation rates are market-based rates of return and range from 3.00% to 7.50%.

COVID-19 Impact on Fair Valuations

The economic climate from March 2020 has been changing rapidly due to uncertainty presented by COVID-19. There has been reduced sales data since the COVID-19 pandemic took effect due to the hesitation in purchase decisions. The on-going impact from COVID-19 will likely prolong market uncertainty resulting in the increased uncertainty around the fair value of land and building.

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

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the DHB, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and the carrying amount of the asset in the Statement of Financial Position. The DHB and group minimise the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

The DHB and group have not made significant changes to past assumptions concerning useful lives and residual values.

13 Property, plant and equipment (continued)

Breakdown of property, plant and equipment and further information

Movements for each class of property, plant and equipment are as follows.

GROUP	Land	Buildings	Plant, equipment and vehicles	Leased improvements	Work in progress	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance at 1 July 2018	321,582	623,474	334,855	2,043	22,506	1,304,460
Additions/(Transfers)	0	0	0	0	59,806	59,806
Additions from Work in Progress	1,000	12,895	15,130	1,064	(30,089)	0
Disposals	0	(312)	(11,285)	(90)	0	(11,687)
Transfers	0	(1,173)	1,173	0	0	0
Revaluations	24,539	(13,135)	0	0	0	11,404
Balance at 30 June 2019	**347,121**	**621,749**	**339,873**	**3,017**	**52,223**	**1,363,983**
Cost						
Balance at 1 July 2019	347,121	621,749	339,873	3,017	52,223	1,363,983
Additions/(Transfers)	0	0	0	0	67,584	67,584
Additions from Work in Progress	0	25,361	21,217	35	(46,613)	0
Disposals	0	0	(10,333)	0	0	(10,333)
Transfers	0	(370)	370	0	0	0
Balance at 30 June 2020	**347,121**	**646,740**	**351,127**	**3,052**	**73,194**	**1,421,234**
Depreciation and impairment losses						
Balance at 1 July 2018	0	(47,192)	(234,108)	(1,503)	0	(282,803)
Depreciation charge for the year	0	(25,172)	(21,332)	(227)	0	(46,731)
Disposals	0	256	10,486	88	0	10,830
Transfers	0	72,108	0	0	0	72,108
Balance at 30 June 2019	0	0	**(244,954)**	**(1,642)**	**0**	**(246,596)**
Depreciation and impairment losses						
Balance at 1 July 2019	0	0	(244,954)	(1,642)	0	(246,596)
Depreciation charge for the year	0	(31,671)	(21,715)	(227)	0	(53,613)
Disposals	0	0	10,112	0	0	10,112
Reclassifications	0	0	(4)	0	0	(4)
Balance at 30 June 2020	0	**(31,671)**	**(256,561)**	**(1,869)**	**0**	**(290,101)**

GROUP						
Carrying Amounts						
At 1 July 2018	321,582	576,282	100,747	540	22,506	1,021,657
At 30 June 2019	**347,121**	**621,749**	**94,919**	**1,375**	**52,223**	**1,117,387**
Carrying Amounts						
At 1 July 2019	347,121	621,749	94,919	1,375	52,223	1,117,387
At 30 June 2020	**347,121**	**615,069**	**94,566**	**1,183**	**73,194**	**1,131,133**

13 Property, plant and equipment (continued)

Breakdown of property, plant and equipment and further information

Movements for each class of property, plant and equipment are as follows.

PARENT	Land	Buildings	Plant, equipment and vehicles	Leased Improvements	Work in progress	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance at 1 July 2018	321,582	623,474	333,916	2,043	22,506	1,303,521
Additions	0	0	0	0	59,806	59,806
Additions from Work in Progress	1,000	12,895	15,130	1,064	(30,089)	0
Disposals	0	(312)	(11,285)	(90)	0	(11,687)
Transfers	0	(1,173)	1,173	0	0	0
Revaluations	24,539	(13,135)	0	0	0	11,404
Balance at 30 June 2019	**347,121**	**621,749**	**338,934**	**3,017**	**52,223**	**1,363,044**
Cost						
Balance at 1 July 2019	347,121	621,749	338,934	3,017	52,223	1,363,044
Additions	0	0	0	0	67,531	67,531
Additions from Work in Progress	0	25,361	21,164	35	(46,560)	0
Disposals	0	0	(10,333)	0	0	(10,333)
Transfers	0	(370)	370	0	0	0
Balance at 30 June 2020	**347,121**	**646,740**	**350,135**	**3,052**	**73,194**	**1,420,242**
Depreciation and impairment losses						
Balance at 1 July 2018	0	(47,192)	(234,108)	(1,503)	0	(282,803)
Depreciation charge for the year	0	(25,172)	(21,332)	(227)	0	(46,731)
Disposals	0	256	10,486	88	0	10,830
Revaluations	0	72,108	0	0	0	72,108
Balance at 30 June 2019	0	0	**(244,954)**	**(1,642)**	**0**	**(246,596)**
Depreciation and impairment losses						
Balance at 1 July 2019	0	0	(244,954)	(1,642)	0	(246,596)
Depreciation charge for the year	0	(31,671)	(21,715)	(227)	0	(53,613)
Disposals	0	0	10,112	0	0	10,112
Reclassifications	0	0	(4)	0	0	(4)
Balance at 30 June 2020	**0**	**(31,671)**	**(256,561)**	**(1,869)**	**0**	**(290,101)**

PARENT						
Carrying Amounts						
At 1 July 2018	321,582	576,282	99,808	540	22,506	1,020,718
At 30 June 2019	**347,121**	**621,749**	**93,980**	**1,375**	**52,223**	**1,116,448**
Carrying Amounts						
At 1 July 2019	347,121	621,749	93,980	1,375	52,223	1,116,448
At 30 June 2020	**347,121**	**615,069**	**93,574**	**1,183**	**73,194**	**1,130,141**

Leased assets

The DHB and group has entered into finance leases for the lease of equipment. The net carrying amount of the leased items within each class of property, plant and equipment is included above. Refer finance leasing arrangements in Note 19.

Capital commitments

GROUP and PARENT	2020	2019
	$000	$000
Capital commitments		
Buildings, fit-out and infrastructure	29,347	28,968
Plant and Equipment	864	11,853
Total capital commitments	**30,211**	**40,821**

13 Property, plant and equipment (continued)

Work in progress

Property, plant and equipment in the course of construction by class of asset are detailed below:

GROUP AND PARENT	2020 $000	2019 $000
Buildings, fit-out and infrastructure	54,161	34,969
Plant, equipment and vehicles	19,033	17,254
Non-Current Assets	**73,194**	**52,223**

14 Intangible assets

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the asset. Costs associated with the development and maintenance of the DHB's website are recognised as an expense when incurred.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. This method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment.

Information technology shared services rights

The DHB and group has provided funding for the development of information technology (IT) shared services across the DHB sector and the rights to the shared services is recognised as an intangible asset at the cost of the group's capital investment.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Acquired software 3 to 5 years (20% - 33%)
- Internally developed software 3 to 5 years (20% - 33%)
- Goodwill 29 months (42%)
- FPIM rights 15 years (6.67%).

Indefinite life intangible assets are not amortised, and are tested annually for impairment.

Impairment of intangible assets

Refer to the policy for impairment of property, plant, and equipment in Note 13. The same approach applies to the impairment of intangible assets, except for intangible assets that are still under development. Intangible assets that are under development and not yet ready for use are tested for impairment annually, irrespective of any indication of impairment.

14 Intangible assets (continued)

Breakdown of intangible assets and further information

Movements for each class of intangibles are as follows:

GROUP AND PARENT	FPIM rights Cost $000	Software and development Cost $000	NCSP contract Cost $000	WIP-FPIM rights Cost $000	Total $000
Cost					
Balance at 1 July 2018	9,646	6,219	970	0	16,835
Additions	1,407	1,818	(1)	0	3,224
Impairment	(4,339)	0	0	0	(4,339)
Reclassifications	0	(205)	0	0	(205)
Balance at 30 June 2019	**6,714**	**7,832**	**969**	**0**	**15,515**
Balance at 1 July 2019	6,714	7,832	969	0	15,515
Additions	29	1,526	0	1,107	2,662
Disposals	0	(69)	0	0	(69)
Reclassifications	0	(5)	0	0	(5)
Balance at 30 June 2020	**6,743**	**9,284**	**969**	**1,107**	**18,103**
Amortisation and Impairment Losses					
Balance at 1 July 2018	0	(4,801)	(953)	0	(5,754)
Amortisation charge for the year	0	(1,220)	(16)	0	(1,236)
Reclassifications	0	(1)	0	0	(1)
Balance at 30 June 2019	**0**	**(6,022)**	**(969)**	**0**	**(6,991)**
Amortisation and Impairment Losses					
Balance at 1 July 2019	**0**	**(6,022)**	**(969)**	**0**	**(6,991)**
Amortisation charge for the year	(766)	(1,112)	0	0	(1,878)
Disposals	0	62	0	0	62
Reclassifications	0	4	0	0	4
Balance at 30 June 2020	**(766)**	**(7,068)**	**(969)**	**0**	**(8,803)**
Carrying Amounts					
At 1 July 2018	9,646	1,418	17	0	11,081
At 30 June 2019	**6,714**	**1,809**	**0**	**0**	**8,524**
At 1 July 2019	6,714	1,809	0	0	8,524
At 30 June 2020	**5,977**	**2,216**	**0**	**1,107**	**9,300**

FPIM rights - NZ Health Partnership Limited investment

The FPIM rights were previously tested annually for impairment as this was considered to be an intangible asset with an indefinite life. The DHB has changed the accounting treatment for the recognition and subsequent measurement of the FPIM investment. Further to a recent accounting opinion obtained by NZHPL, Auckland DHB elected to amortise its investment in the FPIM Application asset under the Class B Share funding model, over its estimated useful life of 15 years. The amortisation amounts per year will mirror the NZHPL amortisation schedule of the FPIM assets.

The amortisation for the year ended 30 June 2020 was $765,664. The effect of a change in estimating the useful life of the intangible asset has resulted in an increase in the amortisation expense this year by $765,664. The change gives rise to a reduction in the carrying value of the intangible asset for the year ended 30 June 2020 by the same amount.

NCSP contract

During the 2014/15 year, Auckland DHB purchased the Diagnostic Medlab (DML) Cervical Screening business. Goodwill was recognised to the extent that the purchase price exceeded the identifiable assets and liabilities. The fair value of the purchase was assessed as the Net Present Value of the future cash flows over the next 3 years. The goodwill was recognised based on the expected cash flows resulting from the National Cervical Screening Programme (NCSP) contract underlying the business acquisition. This is a 3 year contract that was effective 1 July 2014. During the year 2016/17, a further $100k goodwill was recognised regarding the DML business acquisition. The NCSP revenue contract has been renewed for a further 2 years.

14 Intangible assets (continued)

	Fair value at acquisition $000
Property, plant and equipment	130
Goodwill arising on acquisition	970
Purchase consideration transferred	**1,100**

The goodwill is amortised over the remaining period of the contract from acquisition date.

15 Investments in joint ventures and associates

Accounting policy

Joint Arrangements
Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor.

Joint Venture
A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity. The consolidated financial statements include Auckland DHB's joint interest in jointly controlled entities, using the equity method, from the date that joint control commences until the date that joint control ceases. Investments in jointly controlled entities are carried at cost in the DHB's parent entity financial statements.

Joint Operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement recognise their direct right to the assets, liabilities, revenues and expenses of joint operations and their share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Associates
An associate is an entity over which the DHB has significant influence and that is neither a subsidiary nor an interest in a joint venture. Associates are accounted for at the original cost of the investment plus Auckland DHB's share of the change in the net assets of associates on an equity accounted basis, from the date that the power to exert significant influence commences until the date that the power to exert significant influence ceases. When Auckland DHB's share of losses exceeds its interest in an associate, Auckland DHB's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Auckland DHB has incurred legal or constructive obligations or made payments on behalf of an associate.

General Information		Interest held	
		2020	2019
Name of joint ventures	***Principal Activity***		
healthAlliance N.Z. Limited	Provider of shared services	25%	25%
NZ Health Innovation Hub Management Limited	Provision of services to grow New Zealand's health innovation sector	0%	32%
HealthSource New Zealand Limited	Provider of shared services	25%	0%
Name of associate	***Principal Activity***		
Northern Regional Alliance Limited	Provision of health support services	33%	33%

NZ Health Partnerships Limited
Auckland DHB has a 5% interest in New Zealand Health Partnerships Limited. This interest is not regarded as having a joint arrangement status due to the low level of interest and lack of joint control. The investment in the Finance, Procurement and Information Management System (FPIM) asset is recorded as an Intangible asset (refer to Note 14).

NZ Health Innovation Hub Management Limited
In July 2019 Auckland DHB transferred all its shares in the NZ Health Innovation Hub Limited to Canterbury DHB for a nominal value of $1.00.

All the above related parties have balance dates of 30 June. Auckland DHB does not have a share in any contingent liabilities or capital commitments of these related parties.

15 Investments in joint ventures and associates (continued)

Summary-financial information on a gross basis (unaudited) of joint ventures and associate

Year end 30 June 2020 (unaudited)	Assets $000	Liabilities $000	Equity $000	Revenues $000	Surplus/(Deficit) $000
healthAlliance N.Z. Limited	224,840	34,321	190,519	137,813	(1,575)
HealthSource New Zealand Limited	8,194	7,558	636	34,131	(41)
Northern Regional Alliance Limited	23,770	20,211	3,559	18,223	1,101
Total Investments	**256,804**	**62,090**	**194,714**	**190,167**	**(515)**
Year end 30 June 2019	**Assets $000**	**Liabilities $000**	**Equity $000**	**Revenues $000**	**Surplus/(Deficit) $000**
healthAlliance N.Z. Limited	212,882	31,312	181,570	155,604	291
NZ Health Innovation Hub Management Limited	289	289	88	201	80
Northern Regional Alliance Limited	22,347	19,889	2,458	14,906	915
Total Investments	**235,518**	**51,289**	**184,229**	**170,590**	**879**

The 2020 financial information is unaudited. The 2019 financial information has been restated to reflect the final result.

healthAlliance N.Z. Limited
Auckland DHB's ownership interest in healthAlliance N.Z. Limited is determined by its 25% A Class shareholding and its rights to the distributions of capital or income and dividends is determined by its C Class shareholding interest. healthAlliance N.Z. Limited is a joint venture company that exists to provide a shared services agency to the four northern region DHBs in respect to information technology, procurement and financial processing.

HealthSource New Zealand Limited
In June 2020, Auckland DHB purchased a 40% shareholding in HealthSource New Zealand Limited from healthAlliance N.Z. Limited (40% shareholding represents 25% voting rights in HealthSource New Zealand Limited). Healthsource New Zealand Limited is a joint venture company that exists to provide a shared services agency to the four northern region DHBs in respect to information technology, procurement and financial processing.

NZ Health Innovation Hub Management Limited
In July 2019 Auckland DHB transferred all its shares in the NZ Health Innovation Hub Limited to Canterbury DHB for a nominal value of $1.00.

Northern Regional Alliance Limited
NRA is an associate with Auckland, Counties Manukau and Waitematā DHBs. It exists to support and facilitate employment and training for Resident Medical Officers across the three Auckland regional DHBs and to provide a shared services agency to the Northern Region DHBs in their roles as health and disability service funders, in those areas of service provision identified as benefiting from a regional solution.

Breakdown of investment in joint ventures and associates and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Share of surplus of joint ventures and associates				
Share of post-acquisition surplus/(deficit)	(150)	399	0	0
Non -Current Assets				
Investments in Joint Ventures and Associates				
Class A Shares in healthAlliance N.Z. Ltd (joint venture)	200	200	200	200
Class A Shares in HealthSource New Zealand Limited (joint venture)	271	0	271	0
Class C Shares in healthAlliance N.Z. Ltd (joint venture)	74,067	69,865	74,067	69,865
Other shares in joint ventures and associates	1	1	1	1
Share of post-acquisition retained surpluses	518	937	0	0
Total investments in joint ventures and associates	**75,057**	**71,003**	**74,539**	**70,066**

A Memorandum of Understanding was signed between healthAlliance N.Z. Ltd and Auckland DHB, Counties Manukau DHB and Northland DHB that C Class shares are to be issued by healthAlliance N.Z. Ltd in exchange for the transfer of ownership of DHBs' IT assets (and other ancillary assets). Total value issued at 30 June 2020 is $74,067k (2019: $69,865k), which represents the baseline value of funding for IT projects implemented by healthAlliance and for IT projects implemented by Auckland DHB, with the resulting assets being transferred to healthAlliance on completion of the project.

16 Payables and deferred revenue

Accounting policy

Payables

Short-term payables are recorded at their face value.

Breakdown of payables and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Current				
Payables under exchange transactions				
Creditors	144,530	124,915	143,703	124,740
Income in Advance	10,109	7,562	3,851	3,962
Total payables under exchange transactions	**154,639**	**132,477**	**147,554**	**128,702**
Payables under non-exchange transactions				
GST,PAYE and FBT payable	34,203	29,570	34,306	29,698
Capital charge due to Crown	0	0	0	0
Income in advance	6,569	2,472	6,569	2,472
Total payables under non exchange transactions	**40,772**	**32,042**	**40,875**	**32,170**
Total payables and deferred revenue	**195,411**	**164,519**	**188,429**	**160,872**

Creditors and other payables are non-interest bearing and are normally settled on 30-day term. Therefore, the carrying value of creditors and other payables approximates their fair value.

17 Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, continuing medical education leave, sick leave, sabbatical leave, long service leave and retirement gratuities. A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences. A liability and an expense are recognised for bonuses where there is a contractual obligation, or where there is a past practice that created a contractual obligation and a reliable estimate of the obligation can be made.

Long-term entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on the:

- likely future entitlements accruing to staff based on years of service; years to entitlement; and
- the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick Leave, continuing medical education leave, annual leave and vested long service and sabbatical leave are classified as a current liability. Non-vested long service leave, sabbatical leave, retirement gratuities, sick leave and continuing medical education leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Critical accounting estimates and assumptions

Long service leave and retirement gratuities

The present value of long service leave and retirement gratuities obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating these liabilities are the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor was determined after considering historical salary inflation patterns and obtaining advice from an independent actuary.

17 Employee entitlements (continued)

A discount rate of 0.22% in year one, 0.25% in year two and an average discount rate of 1.63% p.a. (2019: 2.23%) in years three and above, and an inflation factor of 2.5% p.a. in year one and beyond (2019: 3.0%) were used. The discount rates used are those advised by the Treasury. The salary inflation factor is the group's best estimate forecast of salary increments.

The retirement age has changed from 65 to 68 with 20% probability of early retirement at each age from 65 to 67. If the discount rate were to differ by 1% from that used, with all other factors held constant, the carrying amount of the long service leave and retirement gratuities obligations would be an estimated $16.1m higher/$12.8m lower. If the salary inflation factor were to differ by 1% from that used, with all other factors held constant, the carrying amount of the long service leave and retirement gratuities obligations would be an estimated $15.7m higher/$12.8m lower.

Continuing medical education leave

The continuing medical education leave liability assumes that the utilisation of the annual entitlement, which can be accumulated up to 3 years, will on average be 90% (2019: 90%) of the full entitlement. This utilisation assumption is based on recent experience.

Breakdown of employee entitlements

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Current portion				
Liability for long service leave	3,277	3,049	3,273	3,048
Liability for sabbatical leave	750	500	750	500
Liability for retirement gratuities	6,496	5,970	6,496	5,970
Liability for annual leave	429,619	347,361	429,592	347,339
Liability for sick leave	641	671	604	668
Liability for continuing medical leave and expenses	29,283	24,700	29,283	24,700
Salaries and wage accrual	35,257	27,170	35,242	27,170
Total current	**505,323**	**409,422**	**505,240**	**409,396**
Non-Current				
Liability for long service leave	4,142	3,215	4,142	3,215
Liability for retirement gratuities	84,790	66,681	84,790	66,681
Liability for continuing medical leave and expenses	0	0	0	0
Total non-current	**88,932**	**69,895**	**88,932**	**69,895**
Total employee entitlements	**594,255**	**479,317**	**594,172**	**479,291**

Salaries and wages accrual

Salaries and wages accrual is calculated as the expected cost to be paid within the next 12 months relating to the financial year being reported, including allowance for known salary and wage movements. The $35.2m (2019: $27.1m) salaries and wages accrual includes $31.3m (2019: $21.7m) which is made up of two major elements: Unpaid days of $20.2m (2019: $12.2m) and Salaries and wages for June paid in July of $10.1m (2019: 9.5m).

Compliance with the Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003 ("the Act").

Work has been ongoing since 2016 on behalf of 20 District Health Boards (DHBs) and the New Zealand Blood Service (NZBS), with the Council of Trade Unions (CTU), health sector unions and Ministry of Business Innovation and Employment (MBIE) Labour Inspectorate, for an agreed and national approach to identify, rectify and remediate any Holidays Act non-compliance by DHBs. DHBs have agreed to a Memorandum of Understanding (MOU), which contains a method for determination of individual employee earnings, for calculation of liability for any historical non-compliance.

For employers such as the DHBs that have workforces that include differential occupational groups with complex entitlements, non-standard hours, allowances and/or overtime, the process of assessing non-compliance with the Act and determining the additional payment is time consuming and complicated.

The remediation project associated with the MOU is a significant undertaking and work to assess all non-compliance will continue through the 2020/21 financial year. The final outcome of the remediation project and timeline addressing any non-compliance will not be determined until this work is completed.

17 Employee entitlements (continued)

However, during the 2019/20 financial year the review process agreed as part of the MOU has rolled out in tranches to the DHBs and NZBS. DHB readiness and availability of resources (internal and external to the DHB) has determined when a DHB can commence the process. Auckland DHB has made progress in its review and it now believes it can determine a reliable estimate of its obligation to address historic non-compliance under the MOU.

As a result, as at 30 June 2020, in preparing these financial statements, Auckland DHB recognises it has an obligation to address any historical non-compliance under the MOU. The DHB has made estimates and assumptions to determine a potential liability based on its review of payroll processes for instances of non-compliance with the Act and against the requirements of the MOU.

The liability has been estimated by:

- selecting a sample of current and former employees;
- calculating the underpayment for these employees over the full period of liability; and
- extrapolating the result across all current and former employees.

This liability amount is the DHB's best estimate at this stage of the outcome from this project. However, until the project has progressed further, there remain significant uncertainties as to the actual amount the DHB will be required to pay to current and former employees.

The liability for Auckland DHB has been estimated at between $222.8m and $253.3m (excluding RMO leave transfers that were estimated at an additional $25.9 million). A provision for non-compliance with the Holidays Act has been made as at 30 June 2020 of $279m, which is the higher level of the range including the additional estimated RMO leave transfers ($25.9m).

The estimates and assumptions may differ to the subsequent actual results as further work is completed. This may result in further adjustment to the carrying amount of the provision within the next financial year or payments to employees that differ significantly from the estimation of liability.

18 Provisions

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Restructuring

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

Legal and onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract. Legal provisions are recognised for contractual disputes, internal investigation and tax audit advice.

ACC Accredited Employers Programme

The group belongs to the ACC Accredited Employers Programme (the "Full Self Cover Plan") whereby the group accepts the management and financial responsibility for employee work-related illnesses and accidents.

Under the programme, the group is liable for all claims costs for a period of two years after the end of the cover period in which the injury occurred. At the end of the two-year period, the group pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

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

18 Provisions (continued)

Breakdown of provisions and further information

		Group Actual		Parent Actual	
		2020 $000	2019 $000	2020 $000	2019 $000
Current Portion					
ACC Partnership Programme		1,630	1,592	1,630	1,592
Litigation		112	228	112	228
Restructuring		0	0	0	0
Total Provisions		**1,742**	**1,820**	**1,742**	**1,820**
Movement for each class of provisions are as follows					
ACC Partnership Programme					
Opening balance		1,592	1,671	1,592	1,671
Additional provisions made during year		896	773	896	773
Charged against provision for the year		(858)	(852)	(858)	(852)
Unused amounts reversed during year		0	0	0	0
Closing balance	(i)	**1,630**	**1,592**	**1,630**	**1,592**
Litigation and Onerous Contracts Provision					
Opening balance		228	480	228	480
Additional provisions made during year		112	0	112	0
Charged against provision for the year		(228)	(252)	(228)	(252)
Unused amounts reversed during year		0	0	0	0
Closing balance	(ii)	**112**	**228**	**112**	**228**
Restructuring Provision					
Opening balance		0	256	0	256
Additional provisions made during year		0	0	0	0
Charged against provision for the year		0	(88)	0	(88)
Unused amounts reversed during year		0	(168)	0	(168)
Closing balance		**0**	**0**	**0**	**0**

Notes

(i) ACC Partnership Programme

Liability valuation

An external independent Actuary, Simon Ferry, has calculated the liability as at 30 June 2020. The Actuary has attested he is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the Actuary's report.

Risk margin

A prudential margin of 11.6% (2019:11.6%) has been assessed to allow for the inherent uncertainty in the central estimate of the claims liability. A 'prudential margin' is required in terms of NZ IFRS 4 (PBE) and 11.6% is the rate used by ACC. The key assumptions used in determining the outstanding claims liability are:

- an average assumed rate of inflation of 1.29% p.a. for 30 June 2020 and for the next five years;
- an average discount rate of 0.47% p.a. for 30 June 2020 and the same has been applied to future payment streams over the next 5 years. The discount rates used are Treasury-issued risk-free future rates as at 30 June 2020; and
- the expected future Average Claim Payment per accident is $2,917.

Insurance risk

The DHB operates the Full Self Cover Plan. Under this plan, it assumes full financial and injury management responsibility for work-related injuries and illnesses for a selected management period and continuing financial liability for the life of the claim to a pre-selected limit. The DHB is responsible for managing claims for a period of up to 48 months following the end of the 12 months period of cover in which the claim has occurred. At that time the end of 48 months, if an injured employee is still receiving entitlements, the financial and management responsibility of the claim will be transferred to ACC for a price calculated on an actuarial valuation basis.

A stop loss limit of 220% of the DHB Standard Levy is used (i.e. 250% of the risk). The stop loss limit means the DHB will carry the total cost of all claims up to a total of $8,200,749 incurred in the cover period from 1 April 2020 to 31 March 2021 (2019/2020 ACC Claim Year). Auckland DHB has also contracted a High Cost Claims Cover with an excess of $1,500,000 per event.

18 Provisions (continued)

(ii) Litigation and onerous contracts

The DHB has a non-cancellable lease for clinic space that is no longer used by the DHB due to restructuring. The lease does not expire until 30 September 2020. A provision has been recognised for the obligation of the future discounted rental payments.

19 Borrowings

Accounting policy

Borrowings

Borrowings on commercial terms are initially recognised at the amount borrowed plus transactions costs. Interest due on the borrowings is subsequently accrued and added to the borrowing balance. Borrowings are classified as current liabilities unless the DHB and group have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Overdraft facility

Amounts drawn under the NZHPL banking facility are recorded at the amount payable plus accrued interest.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases where the DHB is the lessee are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the DHB will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Leases classification

Determining whether a lease agreement is finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the DHB. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant, and equipment, whereas for an operating lease no such asset is recognised. The DHB has exercised its judgement on the appropriate classification of leases, and has determined a number of lease arrangements are finance leases.

Breakdown of borrowings and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Current portion				
Secured loans				
Loan - Energy Efficiency and Conservation Authority	97	97	97	97
Finance Leases	1,828	1,079	1,828	1,079
Total current portion	**1,925**	**1,176**	**1,925**	**1,176**
Non-current				
Secured loans				
Loan - Energy Efficiency and Conservation Authority	195	292	195	292
Finance Leases	9,941	8,691	9,941	8,691
Total non-current portion	**10,136**	**8,983**	**10,136**	**8,983**
Total Borrowings	**12,061**	**10,159**	**12,061**	**10,159**

Security and terms

The Energy Efficiency and Conservation Authority loan is interest free.

19 Borrowings (continued)

Fair Value

The fair value of finance leases is $11,769k (2019: $9,771k). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 3% to 5%.

Analysis of finance leases

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Minimum lease payments payable				
No later than one year	2,319	1,550	2,319	1,550
Later than one year and not later than five years	7,828	6,003	7,828	6,003
Later than five years	3,817	4,528	3,817	4,528
Total minimum lease payments	**13,964**	**12,081**	**13,964**	**12,081**
Future finance charges	(2,195)	(2,310)	(2,195)	(2,310)
Present value of minimum lease payments	**11,769**	**9,771**	**11,769**	**9,771**
Present value of minimum lease payments payable				
No later than one year	1,797	1,079	1,797	1,079
Later than one year and not later than five years	6,466	4,644	6,466	4,644
Later than five years	3,506	4,048	3,506	4,048
Total present value of minimum lease payments	**11,769**	**9,771**	**11,769**	**9,771**

Description of finance leasing arrangements

The group has entered into finance leases for the lease of:

- CT scanner. The lease is for an initial period of five years ending March 2022.
- Ultrasounds. The lease is for a period of 6 years ending May 2024.
- Elekta Linear Accelerator. The lease is for a period of 10 years ending March 2028.
- Catalyst. The lease is for a period of 10 years ending March 2028.
- Digital X-ray equip. The lease is for a period of 10 years ending June 2028.
- Gamma Camera. The lease is for a period of 10 years ending September 2028.
- Elekta Linear Accelerator. The lease is for a period of 10 years ending Oct 2024.
- 4x Ultrasounds. The lease is for a period of 6 years ending October 2024.
- 3x Ultrasounds. The lease is for a period of 6 years ending October 2024.
- Laboratory ddPCR Machine. The lease is for a period of 8 years ending December 2026.
- 2x Image Intensifiers. The lease is for a period of 8 years ending March 2027.
- Gamma Camera. The lease is for a period of 10 years ending April 2029.
- ddPCR Machine. The lease is for a period of 8 years ending June 2027.
- Gastro Olympus Scopes. The lease is for a period of 5 years ending July 2024.
- Catalyst and Perfraction. The lease is for a period of 10 years ending July 2028.
- 6x Ultrasounds The lease is for a period of 6 years ending October 2025.
- FISH Equipment. The lease is for a period of 10 years ending October 2029.
- Mobile x-ray. The lease is for a period of 8 years ending November 2027.
- Stryker Power Tools. The lease is for a period of 7 years ending 31 Dec 2026.

The net carrying amount of the leased items within each class of property, plant, and equipment is shown in Note 13. There are no restrictions placed on the group by any of the finance leasing arrangements. Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

20 Equity

Accounting policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Contributed capital;
- Accumulated surplus/(deficit);
- Reserves - property revaluation; and
- Trust funds.

Property Revaluation Reserves

These reserves relate to the revaluation of property, plant, and equipment to fair value.

20 Equity (continued)

Trust funds

This reserve records the unspent amount of restricted donations and bequests provided to the group. The restrictions generally specify how the donations and bequests are required to be spent in providing specified deliverables of the bequest.

The receipt of, and investment revenue earned on, trust funds is recognised as revenue and then transferred to the trust funds' reserve from accumulated surpluses/ (deficits). Application of trust funds on the specified purpose is recognised as an expense, with an equivalent amount transferred to accumulated surpluses/ (deficits) from the trust funds' reserve.

Breakdown of equity and further information

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
A Contributed Capital				
Opening balance 1 July	889,380	881,298	889,380	881,298
Contributions from/(repayment to) the Crown	30,047	8,082	30,047	8,082
Balance at 30 June	**919,427**	**889,380**	**919,427**	**889,380**
B Accumulated surplus/(deficit)				
Opening balance 1 July	(717,130)	(484,349)	(717,900)	(484,877)
Operating surplus/(deficit)	(103,767)	(231,967)	(104,208)	(233,023)
Transfer to trust/special funds	(591)	(814)	0	0
Balance at 30 June	**(821,488)**	**(717,130)**	**(822,108)**	**(717,900)**
C Property revaluation reserves				
Opening balance 1 July	599,151	515,639	599,151	515,639
Net Movement	0	83,512	0	83,512
Balance at 30 June	**599,151**	**599,151**	**599,151**	**599,151**
D Trust/special funds				
Opening balance 1 July	28,157	27,343	0	0
Transfer from accumulated deficits (Note 6b)	591	814	0	0
Balance at 30 June	**28,748**	**28,157**	**0**	**0**
Total Equity	**725,838**	**799,558**	**696,470**	**770,631**
Property revaluation reserves consist of				
Land	336,815	336,815	336,815	336,815
Buildings	262,336	262,336	262,336	262,336
Total property revaluation reserves	**599,151**	**599,151**	**599,151**	**599,151**

Capital management

The group's capital is its equity, which consists of Crown equity, accumulated surpluses/ (deficits), property revaluation reserves, and trust funds. Equity is represented by net assets. The group is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. The group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure that it effectively achieves its objectives and purposes while remaining a going concern.

Contributions from/ (repayment to) the Crown

This relates to funding from the Crown for Crown approved capital projects.

Property revaluation reserves

The revaluation reserve movement relates to the independent valuation of land and buildings as at 30 June 2019 carried out by Telfer Young (Auckland) Ltd - see Note 13.

Trust/special funds

Trust/special funds are funds donated or bequeathed for a specific purpose. The use of these assets must comply with the specific terms of the sources from which the funds were derived. The revenue and expenditure in respect of these funds is included in the surplus or deficit. An amount equal to the expenditure is transferred from the Trust fund component of equity to retained earnings. An amount equal to the revenue is transferred from retained earnings to trust funds.

All trust funds are held in bank accounts that are separate from Auckland DHB's normal banking facilities.

21 Contingencies

Contingent Liabilities

Lawsuits against the DHB

Auckland DHB is at any time confronted by a variety of claims, often from patients. As at year-end the quantum of all outstanding claims, including legal costs (if any), are minimal, and are also covered by insurance.

Superannuation Scheme

The group is a participating employer in the DBP Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the group could be responsible for any deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the group could be responsible for an increased share of any deficit.

As at 31 March 2020, the Scheme had a past service deficit of $2.8 million (4.1% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This deficit was calculated using a discount rate equal to the expected return on the assets but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

The actuary of the Scheme has recommended that the employer contributions be suspended with effect from 1 April 2017. Employer contributions were stopped from 1 April 2017.

Contingent Assets

There are no contingent assets at 30 June 2020 (2019: nil).

22 Related party transactions

The DHB is controlled by the Crown.

Related party disclosures have not been made for transactions with related parties, including associates, that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect that the group would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies.

Related party transactions required to be disclosed

$nil (2019: $nil)

Key management personnel compensation

GROUP AND PARENT	2020 Actual	2019 Actual
Board Members		
Remuneration	$368k	$346k
Full-time equivalent members	1.5	1.6
Leadership Team		
Remuneration	$9,773k	$7,946k
Full-time equivalent members	21.7	20
Total key management personnel remuneration	**$10,141k**	**$8,292k**
Total full time equivalent personnel	**23.2**	**21.6**

The Leadership team comprises of the Executive Leadership Team and the Directors of Service Directorates. This year the leadership team remuneration included an additional team member, general increases in hours worked and leave entitlements accrued and final settlement payments. The full-time equivalent for Board members has been determined on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

An analysis of Board member remuneration is provided in Note 3.

23 Events after the balance date

There were no significant events after the balance date.

24 Financial Instruments

24a Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Group Actual		Parent Actual	
	2020 $000	2019 $000	2020 $000	2019 $000
Financial assets measured at amortised cost				
Cash and cash equivalents	135,902	94,192	129,757	94,192
Investments-term deposits	15,000	30,000	15,000	30,000
Trust/special funds - bank balances, term deposits	14,500	15,847	0	0
Receivables	111,917	86,868	114,127	88,191
Patient and restricted trust funds	1,376	1,308	1,376	1,308
Total financial assets measured at amortised cost	**278,695**	**228,215**	**260,252**	**213,691**
Financial assets measured at fair value through surplus or deficit				
Investment bonds and portfolio	16,488	16,200	0	0
Total financial assets measured at fair value through surplus or deficit	**16,488**	**16,200**	**0**	**0**
Financial liabilities measured at amortised cost				
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	144,530	124,915	143,703	124,740
Borrowing	12,061	10,159	12,061	10,159
Patient and restricted trust funds	1,384	1,308	1,384	1,308
Total financial liabilities measured at amortised cost	**157,975**	**136,382**	**157,148**	**136,207**

24b Fair value hierarchy disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments assets valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position:

	Notes	Total	Valuation technique		
			Quoted market price	Observable inputs	Significant non-observable inputs
		$000	$000	$000	$000
GROUP 30 June 2020					
Financial Assets					
Portfolio Investments	8	14,616	14,616	0	0
Investment bonds	8	1,872	1,872	0	0
GROUP 30 June 2019					
Financial Assets					
Portfolio Investments	8	14,337	14,337	0	0
Investment bonds	8	1,863	1,863	0	0

24c Financial Instrument risks

The DHB and group's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The DHB and group have a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The DHB and group have no financial instruments that give rise to price risk.

24 Financial Instruments (continued)

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The DHB and group's exposure to fair value interest rate risk arises from bank deposits that are at fixed rates of interest. The exposure to fair value interest rate risk is not actively managed by the group, as bank deposits are generally held to maturity.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The DHB and group's exposure to cash flow interest rate risk is limited to on-call deposits. This exposure is not considered significant and is not actively managed.

Sensitivity analysis

As at 30 June 2020, if floating interest rates had been 100 basis points higher/lower, with all other variables held constant, there would have been an insignificant impact on the deficit for the year

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As at year end the DHB and group had no direct exposure to foreign currency risk (2019: nil).

Sensitivity analysis

As at 30 June 2020, if the New Zealand dollar had weakened/strengthened against any foreign currency, there would have been an insignificant impact on the deficit for the year. The DHB and group have no outstanding foreign denominated payables at balance date (2019: $nil).

Credit risk

Credit risk is the risk that a third party will default on its obligation to the DHB, causing it to incur a loss. Due to the timing of the DHB's cash inflows and outflows, surplus cash is invested with registered banks or NZHPL. In the normal course of business, exposure to credit risk arises from cash and term deposits with banks and NZHPL, receivables, and forward foreign exchange contracts in an asset position. For each of these, the maximum credit risk exposure is best represented by the carrying amount in the statement of financial position. The amount of credit exposure to any one financial institution for term deposits is limited to no more than 25% of total investments held. Investments and forward foreign exchange contracts are entered into only with registered banks that have a Standard and Poor's credit rating of at least A2 for short-term investments and A- for long-term investments. The group has experienced no defaults of interest or principal payments for term deposits and forward foreign exchange contracts.

Concentrations of credit risk for receivables are limited due to the large number and variety of customers. The MoH is the largest debtor (52.0%: 2019 34.0%). It is assessed as a low-risk and high-quality entity due to being a government-funded purchaser of health and disability services. No collateral or other credit enhancements are held for financial instruments that give rise to credit risk.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	Group actual		Parent actual	
	2020 $000	2019 $000	2020 $000	2019 $000
COUNTERPARTIES WITH CREDIT RATINGS				
Cash, cash equivalent, term deposits and investment bonds				
A+	0	1,500	0	0
AA-	38,997	47,607	16,480	31,397
Total counterparties with credit ratings	**38,997**	**49,107**	**16,480**	**31,397**
COUNTERPARTIES WITHOUT CREDIT RATINGS				
NZHPL - no defaults in the past	129,653	94,103	129,653	94,103
Portfolio Investments - no defaults in the past	14,616	14,337	0	0
Receivables				
Exiting counterparty with no defaults in the past	111,997	86,868	114,118	88,191
Exiting counterparty with defaults in the past	0	0	0	0
Total counterparties without credit ratings	**256,266**	**195,308**	**243,771**	**182,294**

24 Financial Instruments (continued)

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

The group mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and maintaining an overdraft facility.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest cash outflows.

GROUP

2020	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	12,061	14,255	1,209	1,208	2,394	5,628	3,816
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	144,530	144,530	144,530	0	0	0	0
Total	**156,591**	**158,785**	**145,739**	**1,208**	**2,394**	**5,628**	**3,816**

2019	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	10,159	12,451	824	824	1,647	4,637	4,519
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	124,915	124,915	124,915	0	0	0	0
Total	**135,074**	**137,366**	**125,739**	**824**	**1,647**	**4,637**	**4,519**

PARENT

2020	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	12,061	14,255	1,209	1,208	2,394	5,628	3,816
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	143,703	143,703	143,703	0	0	0	0
Total	**155,764**	**157,958**	**144,912**	**1,208**	**2,394**	**5,628**	**3,816**

2019	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	10,159	12,451	824	824	1,647	4,637	4,519
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	124,740	124,740	124,740	0	0	0	0
Total	**134,899**	**137,191**	**125,564**	**824**	**1,647**	**4,637**	**4,519**

25 Patient trust

Auckland DHB does not administer funds on behalf of patients.

26 Major variances from budget

Statement of Comprehensive Revenue and Expense

Auckland DHB recorded a deficit of $103.8m which was unfavourable to the budgeted deficit of $57m. The key drivers for the deficit are an increase in Auckland DHB's provision for non-compliance with the Holidays Act (refer variance explanation for Personnel costs), increase in staff liabilities and additional costs due to COVID-19 pandemic (described below).

26 Major variances from budget (continued)

COVID-19 Impacts

Healthcare services were (and continue to be) the front line in the response to the COVID-19 pandemic.

The COVID-19 pandemic response impact was most acute during the period February to the end of May 2020, particularly during the Level 3 and 4 lockdown periods. The impact was felt across the continuum of health care from primary care and community NGOs to acute and planned care services on all hospital and health care sites as well as by private healthcare facilities that provide some services to Auckland DHB.

Members of the public generally stayed away from health care facilities with many general practices, urgent care centres and Auckland City Hospital and Starship Children's Hospital emergency departments reporting very low attendance. As a consequence, in-patient admissions were very low in comparison to the same period in previous years.

Auckland DHB responded in many ways including:

- Implementing an incident management team to coordinate COVID-19 response activities locally and in collaboration with the regional emergency management response
- Implementing swabbing stations within general practice and in many locations across the Auckland region
- Postponing non-acute planned care to reduce the risk of COVID-19 spreading and to create capacity that may have been required for patients suffering from COVID-19 related illness as well as to redeploy staff to support our regional response
- Implementing telehealth and virtual appointments to ensure continuity of planned care where possible and appropriate
- Re-purposing facilities to be able to manage a potential surge of patients with COVID-19 infection
- Supporting COVID-19 laboratory testing
- Release of non-clinical staff and non-acute clinical staff to work in other areas supporting the community effort and regional co-ordination
- Conducting preparedness assessments of age care, mental health and disability residential care facilities and responding to outbreaks in facilities, including deploying staff to support
- Establishing additional on-call rosters to enable teams to 'split', as well as having dedicated teams for COVID-19 suspect and positive patients
- Implemented additional triage and screening of all patients and visitors, including visitor screening stations and triage tents.
- Implementing work from home policies where possible and implementing other wellbeing and welfare initiatives for our employees

Given many staff were deployed in the COVID-19 pandemic response preparation, normal reporting of performance measures to the Ministry of Health largely ceased for the Q3 period. Reporting for Q3 and Q4 periods will be provided many months retrospectively.

COVID-19 is likely to have an on-going impact on the health system and Auckland DHB.

Major revenue variances

Patient care revenue is higher than budget, mainly funding from the Ministry of Health for funded initiatives which include funding for COVID-19 pandemic, new Mental Health initiatives, additional capital charge and planned electives funding adjustment.

Major expenditure variances

- **Personnel costs $88m over budget:** mainly driven by a $60.8m increase in the liability for non-compliance with the Holidays Act, staff related liabilities that are actuarially valued at the end of each year and additional COVID-19 related costs for reduction in annual leave taken, paid isolation leave and costs of additional FTEs.
- **Outsourced services $13m over budget:** mainly driven by higher than budget outsourced FTEs and outsourced clinical services.
- **Other district health boards $11m below budget and Payments to other district health boards and non-health board providers $4m below budget:** reflects demand driven nature of expenditure, uncommitted initiatives, once off prior year adjustments, favourable National IDF outflow wash-ups, post budget service changes and PHO wash-ups. These were partially offset by new COVID-19 expenditure, new Mental Health initiatives expenditure and an increase in contribution to the National Haemophilia Management Group increased costs.
- **Other expenses $6m over budget:** mainly due to increase in cost of goods sold for Retail Pharmacy and IT software charges.

Cash and Cash Equivalents over budget

Cash and Cash Equivalents over budget mainly reflect the impact of the delay in the capital programme on cash, lower than budgeted payments to providers/suppliers and timing of MoH budgeted revenue received.

26 Major variances from budget (continued)

Current and Non-current Investments over budget

$15m term deposit matured in the financial year and has not yet been reinvested.

Receivables over budget

Receivables are impacted by the timing of billings to and receipts from MOH and includes MOH receivables for Personal Protective Equipment procured by Auckland DHB on behalf of the MOH.

Prepayments over budget

Prepayments includes prepaid costs made towards the FPIM Programme during the financial year.

Property, Plant and Equipment variance below budget

Property, plant and equipment variance reflects capital expenditure tracking below budget for the year. Budgeted capital spend is based on timing of implementation of capital projects which may vary due to timing of capital approval, procurement and implementation timeframes.

Payables & deferred revenue over budget

Payables & deferred revenue being over budget is due to higher costs accrued at end of the year, mainly driven by timing and expected increases in costs.

Employee benefits over budget

Employee benefits over budget is driven by increase in the Holiday Pay Act non-compliance provision and staff related year end provisions including retirement gratuity and long service leave liabilities.

Borrowings under budget

Borrowings under budget: this is due to the number of leasing finance arrangements entered into during the year being lower than anticipated.

27 Compliance with the Crown Entities Act 2004

Under the Crown Entities Act 2004, Auckland DHB is required to complete its 2020/21 Statement of Performance Expectations before the start of the new financial year which is 1 July 2020. Due to the impact of the COVID-19 pandemic, legislation was passed on 30 April 2020 which allows a Minister to extend this deadline by up to 3 months. Auckland DHB received notice that the Minister of Health agreed to extend the requirement to finalise the 2020/21 Statement of Performance Expectation to 15 August 2020. The DHB's 2020/21 Statement of Performance Expectation was published on 15 August 2020.

28 Adoption of PBE IPSAS 34 – PBE IPSAS 38

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 to 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 to 8). The new standards were effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. Auckland DHB has adopted the new financial standards in preparing the 30 June 2020 financial statements. There was no effect from the adoption of the new standards as the DHB had elected to account for its investments using the equity method of accounting and consolidation method. As such there was no change to the comparative year information as required by the transitional provisions.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Auckland District Health Board and Group's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Auckland District Health Board (the Health Board) and Group. The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the Health Board and Group on his behalf.

We have audited:

- the financial statements of the Health Board and Group on pages 28 to 66, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Health Board and Group on pages 4 to 18 and 22.

In our opinion:

- the financial statements of the Health Board and Group on pages 28 to 66:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2020; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Health Board and Group on pages 4 to 18 and 22:
    - presents fairly, in all material respects, the Health Board and Group's performance for the year ended 30 June 2020, including:
        - for each class of reportable outputs:
            - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
            - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
        - what has been achieved with the appropriation; and
        - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
    - complies with generally accepted accounting practice in New Zealand.

Our audit of the financial statements and the performance information was completed on 10 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to other matters. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures in the financial statements.

Uncertainties in estimating the holiday pay provision under the Holidays Act 2003

Note 17 on pages 54 to 56 outlines that the Health Board and Group has been investigating issues with the way it calculates holiday pay entitlements under the Holidays Act 2003, as part of a national approach to remediate these issues. The Health Board and Group has made progress during the 30 June 2020 year, and has estimated a provision of $279 million as at 30 June 2020 to remediate these issues. However, until the process is completed, there are uncertainties surrounding the amount of this provision.

The Health Board and Group is reliant on financial support from the Crown

Note 1 on page 33 outlines that Crown support would be required if the Health Board and Group was required to settle the estimated historical Holidays Act 2003 liability within the period of one year from approving the financial statements. The Health Board and Group therefore obtained a letter of comfort from the Ministers of Health and Finance, which confirms that the Crown will provide the Health Board and Group with financial support, where necessary, to maintain viability.

Impact of COVID-19

Note 26 on pages 64 to 66 of the financial statements, and page 10 of the performance information outline the impact of COVID-19 on the Health Board and Group.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Health Board and Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Health Board and Group for assessing the Health Board and Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Health Board and Group or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004, the New Zealand Public Health and Disability Act 2000 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Health Board and Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Board and Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Health Board and Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Health Board and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Health Board and Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Health Board and Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 3, and 19 to 27, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of

Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

Karen MacKenzie Audit New Zealand
On behalf of the Auditor-General Auckland, New Zealand