

WAITAKI DISTRICT HEALTH SERVICES LTD

Annual Report Year End June 2018



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The Year in Review

The 2017-18 year was significant, due to it being a period where significant change for Waitaki District Health Services Limited were seeded. During the earlier part of this year we continued to work to implement the model of care that had been approved previously and entered discussions about how we align with the Southern DHB Primary and Community Strategy.

The changes driven by the model of care development have a strong focus on how we deliver our services, especially those within the community. This has provided opportunity and challenge to how we need to realign our services to work within this paradigm. An example of the outputs of this work include the development of the Waitaki District Health Services Directory which is now proudly available through the Safer Waitaki webpage.

A review of our strategic plan was undertaken and is now complete. It highlights five strategic goals which include; our people, advocacy, effective communication, provision of necessary infrastructure and sustainability. This will be the focus of our annual work plan to ensure we can deliver on this strategic plan. In delivering to this strategic plan, we will work to ensure that the right services are delivered by the right people in the right place and at right time. This will mean that we are working in a proactive manner to ensure our community has access to the services they require as close to home as possible. To achieve this we will be holding regular staff and community forums, enhancing our human resource management capabilities and ensuring our workforce is able to meet the current and future demand for services.

The company is forecasting a deficit for the 2018-19 year, which is a threat to our long term viability and sustainability. There is a plan to address this which involves opportunities to increase revenue through initiatives such as the establishment of a primary care facility on site, some efficiency initiatives and a material component being to ensure that the funding we receive from Southern DHB is adequate.

Health and Safety remains a strong focus for the organisation, with ongoing collaboration with the Council seeking to achieve a joint appointment across Council and the company of a Health and Safety Advisor. During the year there have been challenges with staff working long hours due to shortages, in particular medical. The appointment of a Clinical Leader has assisted to ensure we have appropriate coverage across the facility.

In addition, during this period, the longstanding CEO Robert Gonzales resigned after 17 years' service within the organisation. Janice Clayton - Nurse Manager was seconded into the Interim CEO role.

Quality and compliance remains a strong focus with achievement this year of three year certification under the Health and Disabilities services (Safety) Act 2001 and our annual IANZ Surveillance Audit

within Radiology Services. This work is being overseen by an active quality improvement committee.

This annual report covers the operations of the Company during the financial year and is accompanied by audited and consolidated financial statements for the financial year, the auditor's report on the financial statements, and commentary on performance targets and other measures by which the performance of the Company has been judged in relation to its objectives, Statement of Intent and performance in line with our service provision contracts.

The company has been governed by a board of directors consisting of; Chris Swann (Chairperson), Helen Algar (Deputy Chairperson), Ian Hurst, Dr. Andrew Wilson and Paul Allison. I would like to thank my fellow directors for their skill, drive and commitment to the Company. I would also like to thank all the staff for their skill and commitment in what has been and will continue to be a time of change. We cannot achieve what we need to without them.

C J Swann
Chairman

Company Ownership

All shares in Waitaki District Health Services Limited continue to be owned by the Waitaki District Council as the community agency which facilitated the local takeover of health services, when Health Care Otago withdrew from providing rural health services in 1998. The health service company took over operations at the Oamaru Hospital on 1st July 1999 operating from there until the new hospital was commissioned in 2000.

The Council represents and oversees the community interest in health services through the Company, Reporting to the Council as a shareholder, the Company is regarded as a Council controlled organization in terms of the Local Government Act 2002.

In terms of its constitution the Company has non-profit making and charitable objectives. The Company operates within a policy as approved by Council of returning any financial surplus that can be achieved to the Waitaki District Community in the form of additional or enhanced health services.

Company Purpose & Vision

Purpose
To champion and provide trusted, high quality health services within our community

Vision
To be a progressive, positive, and caring organisation delivering a responsive, accessible and modern health service.

Services

Waitaki District Health Services Limited is contracted to provide the following services to the community

Community Rehabilitation and Older Persons Services:

Dietetics

Occupational Therapy

Physiotherapy

Social Work

Speech Language Therapy

Community Nursing (District)

Meals on Wheels

Assessment, Treatment and Rehabilitation - Inpatient

Assessment, Treatment and Rehabilitation - Outpatient

Assessment, Treatment and Rehabilitation - Day Hospital and Day Programmes

Needs Assessment

Diabetes Education and Care

Diabetes Fundus (Eye) Screening

Respiratory Education and Management

Cardiac Education and Management

Podiatry

Rural Hospital Medical and Surgical Services

Community Radiology, including X-Ray, CT scan and Ultrasound

Audiology

Emergency Department

General Medicine Outpatient Clinics

Dermatology Outpatient Clinics

Endocrinology Outpatient Clinics

Medical Oncology Outpatient Clinics

Rheumatology Outpatient Clinics

Nurse Led Outpatient Clinics

Chemotherapy Outpatient Clinics

Rural Hospital Inpatient Services

General Surgery Outpatient Clinics

Minor Operations

Ear, Nose and Throat Outpatient Clinics

Gynaecology Outpatient Clinics

Ophthalmology Outpatient Clinics

Orthopaedic Outpatient Clinics

Fracture Clinic

Primary Maternity Services

Quality in Healthcare

Waitaki District Health Services Limited takes pride in its achievement of attainment of quality standards. The focus on quality and compliance remains strong focus with achievement this year of three year certification under the Health and Disabilities services (Safety) Act 2001. Furthermore, our Radiological Services also successfully completed their annual IANZ Surveillance Audit within Radiology Services.

A Quality Improvement Committee oversees the various quality programmes across the organisation, led by our Quality Improvement Coordinator. Furthermore, in recent months there has been the re-establishment of clinical committees reviewing our quality of service. Such committees include Clinical Governance and the Morbidity and Mortality review Group.

Operating Highlights

Our services contract with Southern DHB was negotiated as a new five year contract commencing on 1st July 2017. This year saw the inclusion of further funding for additional CT Scans and to implement the agreed model of care.

Our work has been supported by investment in our infrastructure that has enabled the expansion of telehealth services. These services are being used across some outpatient clinics which is negating the need for the person to travel to Dunedin to see a specialist. During the telehealth consultation, the person is supported by a nurse. Furthermore, the recent roll-out of WIFI capability across the facility will enable us to introduce electronic clinical tools such as Medchart which increases medication safety. Further investment in IT has seen a significant upgrade of our computer system to enable us to move closer towards a paperless system. With the support of our community donors, a significant upgrade of our Patient Acuity Monitoring system was also completed.

The 2018-19 year was a busy year across Waitaki District Health Services Limited with strong activity in all areas.

“Oamaru Hospital has maintained the services available to our community and provided access in line with previous years.”

Activity within our services has remained high both in clinical and non-clinical services. The following table shows the significant reach into our community that Waitaki District Health Services Limited provide with **65,339 interactions with members of our community**.

Activity	Number
Medical Inpatient Bed Days - Takaro	4,601
AT&R Bed Days - Takaro	1,012
Outpatient Clinic Attendances	3,641
Emergency Department Attendances	7,661
Local births	54
Post-natal Admissions of Local Women	132
Minor Operations Completed	257
Meals on Wheels Delivered	12,600
District Nursing Visits	12,803
Day Chemotherapy treatments	291
Physiotherapy Outpatient or Community Contacts	3,672
Occupational Therapy Community Assessments	527
Social Work Contacts	454
Needs Assessments	203
Podiatry Treatments	742
Community Speech Language Therapy Contacts	194
Diabetic Patient Contacts and Education	740
Dietitian Contacts	567
Cardiac Education and Management	35
Respiratory Education and Management	133
CT Scans	518
X-Rays and Ultrasound	13,276
AT&R Outpatient or Community Contacts	654
Diabetes Eye Screening	505
Audiology Treatments	67

In order to support this activity there was a rollout of a new nursing structure including leadership in November 2017 and numerous clinical quality improvement projects undertaken throughout the year including; Advanced Care Planning, Bariatric Review, Restraint Review and Fall Prevention Programme implementation.

Organisational readiness for emergencies was developed and tested through an exercise with other health and community providers. This will be the subject of ongoing planning and regular exercises to maintain readiness.

Non-clinical areas were the focus of significant work to replace the ageing systems such as the Patient Acuity Monitoring System, telephony systems and to improve staff access to computers.



BUGS AWAY!
INFECTION CONTROL
DEMONSTRATION

Waitaki District Health Services Limited continues to enjoy a close relationship with our community. This is evidenced through the ongoing support through bequests, donations and fundraising activities. These valuable sources of revenue enable us to ensure that we are able to provide contemporary equipment and environment for our services.

Donations received

Financial donations received this year include:

- \$998 for front entrance carpet
- \$50,000 from the Otago Community Trust towards the Patient Acuity Monitoring System
- \$35,886 from the Lions Foundation towards the Patient Acuity Monitoring System and Flat Screen TVs for Takaro Lodge
- \$5,000 from Oamaru Rotary Club for CPR mannequin
- \$8,146 from J W Christie Charitable Trust for new slit lamp for eye clinics

Looking Ahead

We are currently facing a number of challenges which require us to reconsider how we structure our services so that we can offer sustainable services for our community. A number of these challenges relate to national settlements of collective employment agreements such as the recent nursing agreement which at the time of writing, we receive no additional funding to match what is being offered by the District Health Boards. As a Rural Hospital we are well networked with the other Rural Hospitals within the region and will seek to continue to explore how we can improve both our clinical and financial sustainability.

Without change, the current financial situation is not sustainable. There is a plan to get back to a break even position, which include ensuring that there is appropriate funding for the services we provide. A current major focus for us is our current Southern DHB contract negotiations. In addition, we are needing to take a multifaceted approach in order to maximize revenue and reduce expenses. In order to maximize revenue we will work to ensure the Southern DHB funding levels are appropriate, explore other revenue opportunities such as primary care, further ACC contracts and private revenue options. Simultaneously we are reviewing our cost structures to ensure the services we provide maintain quality, but are delivered in the most cost effective way. This will require us to ensure we have adequate staff and the appropriate skill mix.

A further component is looking at the opportunities that the Southern DHB Primary and Community strategy offers us. This strategy provides an exciting opportunity for Waitaki District Health Services Limited as we look to our future to ensure we continue to provide services that both meet the needs of our population and are sustainable.

This Strategy involves the creation of Community Health Hubs, which Waitaki District Health Services Limited would seek to become for our area. For Oamaru this would involve us building on our existing services so that we become a Community Health Hub with inpatient beds. This

exciting development is likely to see an extended range of services delivered from our site, and an increased diversity of our funding sources. Part of this development that is planned will see the location of a primary care practice on site, which will be established as a Health Care Home.

Health Care Home is adapted from a healthcare innovation model in the USA, which features a multidisciplinary approach, and utilizes electronic enablers so that health care can be delivered proactively to the population. Some of the features of such a model is the use of 'lean' quality improvement technology, increased use of technology to improve patient services and coordination of care for people with high or complex health needs. It has been suggested by research that such models of care are associated with significantly lower ambulatory sensitive hospitalisations (avoidable admissions) and Emergency Department presentations.

Community Health Hubs also provide opportunities to ensure our assets are fully utilized such as our new CT scanner which was installed in September 2018. This up-to-date scanner is now able to undertake scans of higher quality and is much faster than our previous aging scanner. Ensuring our community has access wherever possible to local services and diagnostics is an important function of our health services.

Furthermore the Community Health Hubs will enable us to review the range of services located on the current site, which may lead to additional services being co-located to support the community. This is one of the revenue initiatives mentioned earlier. This work will require us to be cognizant of the needs of our community and ensure that the future demands for health services are considered. Considerations such as the range of services; both public and private, services to meet specific population needs such as older persons and Pacific Peoples will be required.

Financial Statement

Waitaki District Health Services Limited Group

For the year ended 30 June 2018

Summary to the Waitaki District Council

The audited financial statements for the year ended 30 June 2018 accompany the annual report for Waitaki District Health Services Limited Group, which consolidates Waitaki District Health Services Limited and the Waitaki District Health Services Trust.

Group Results

The Group recorded an overall deficit from continuing operations of \$688,655, compared to the previous year deficit of \$558,095. Non-operating and other items including the revaluation gain of the hospital land and buildings \$309,631 and interest revenue from the loan with the Observatory Village Charitable Trust \$144,618 totalled \$454,249. The total comprehensive revenue and expense for the year was a \$234,406 deficit (\$1,505,191 last year). Total Group equity is \$14,625,752 compared to \$14,860,158 last year.

Company Results

The result for Waitaki District Health Services Limited recorded a net operating deficit of \$810,918 for the year (excluding Trust funds and donations received) compared to a deficit of \$597,243 last year.

Funding from the Southern District Health Board increased by \$679,519, to \$10,489,006 for the year. This was due to additional Model of Care and One-Off Funding combined with additional funding for the Radiology department to increase the number of annual scans.

ACC Income was \$830,538 compared to \$560,877 last year, an increase of \$269,661. The increase in ACC related income is expected to continue, albeit at a slower rate.

The combination of the above revenue items contributed to an increase in company revenue to \$12,596,297 compared to \$11,775,960 last year.

Total expenditure for the company increased from \$12,440,465 last year to \$13,407,215. Increased staff expenditure accounted for 77% of this increase. This is due to additional staffing and assistance needed to implement the new Model of Care.

Trust Results

The Waitaki District Health Services Trust recorded a surplus of \$117,461, an increase from the deficit of \$941,246 last year. This large movement is due to the fair value adjustments required on the loan between the Trust and the Observatory Village Charitable Trust. The loan is repayable to the Trust in 2027. Therefore, this year the present value of the loan has increased providing a fair value adjustment, recognised as interest income, totalling \$144,618. Trust equity at the end of the period was \$3,765,834.

The balance of the Observatory Village loan totalled \$5,600,000. After fair value adjustments the balance is \$2,519,308 compared to 2,374,690 last year. The Trust has no further funding obligations to Observatory village.

Independent Auditor's Report

To the readers of Waitaki District Health Services Limited Group's financial statements and performance information for the year ended 30 June 2018:

The Auditor-General is the auditor of Waitaki District Health Services Limited Group (the Group). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 7 to 27, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in net assets/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 Group on pages 27 to 30.

In our opinion:

- the financial statements of the Group on pages 7 to 27:
- present fairly, in all material respects:
- its financial position as at 30 June 2018; 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 the Public Benefit Entity standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 27 to 30 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2018.

Our audit was completed on 9 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the contingency for entitlements under the Holidays Act 2003. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Contingency for entitlements under the Holidays Act 2003

Without modifying our opinion, we draw your attention to the disclosure in note 19 on page 26 relating to the Group's contingent liability for possible issues associated with the calculation of employee entitlements under the Holidays Act 2003, which could be significant.

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 of Directors for the financial statements and the performance information

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

The Board of Directors 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 of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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.

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 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 of Directors.
- We evaluate the appropriateness of the reported performance information within the 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 of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 5, 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 the 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 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

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



Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General Christchurch,
New Zealand