



## **AUCKLAND DISTRICT HEALTH BOARD**

**Minutes of the Auckland District Health Board meeting  
held on Thursday 2 December 2004  
in the Marion Davis Library, Building 43,  
Auckland City Hospital, Grafton  
commencing at 1:30 pm**

### **1. ATTENDANCE AND APOLOGIES**

#### **Board Members**

Wayne Brown (Chair)  
Margaret Horsburgh  
Crystal Beavis  
Harry Burkhardt  
Di Nash  
John Retimana  
Ian Scott  
Pat Snedden

#### **In Attendance**

Graham Aitken – Board Advisor  
Tony Bierre  
Jackie Blue  
Chris Chambers  
Barry de Geest  
Pat Alley

#### **Management in Attendance**

Garry Smith – Chief Executive Officer  
Denis Jury – Chief Planning and Funding Officer  
Warwick Russell - Acting Chief Financial Officer  
Nigel Murray – General Manager Auckland City Hospital  
Andrew Norton – General Manager Human Resources  
David Sage – Chief Medical Officer  
Ian Bell - Board Administrator

#### **Apologies**

The Chair declared the meeting open at 12:15 pm.  
An apology had been received from Vicki Salmon. An apology had been received from Virginia Hope.

### **6. FINANCIAL REPORT – OCTOBER 2004**

The Chairman addressed the meeting on the financial reports noting that the hospital had been the driver of the adverse financial situation currently being supported by the Funder and Support Services.

A paper showing the sub-services included in each Service was explained noting that operating theatres and anaesthesia together with SSS and laboratories were contained in Clinical Specialities. Auckland City Hospital had an unfavourable variance of \$4m for the month of October. Revenue, which was a measure of what was undertaken, was 62% for Women's Services. Employee Other category held redundancies and vacancies. Total

Direct Costs were \$2.4m unfavourable for the month with an unfavourable variance to budgeted savings appearing in the 24 Hour Centre. The total organisation was close to budget for the month.

An analysis of the year to date to October 2004 showed that the year to date savings in direct treatment costs in the 24 Hour Centre had all been budgeted for the month of October matching the monthly result. These included unachieved savings as a result of costs related to mabthera and scoliosis although discussions were being held with Pharmac. Cardiac Services were unfavourable in income by \$2.5m but were trying to rectify this. Surgical was budgeting for a loss due to delays in the implementation of Wies 11 and pricing issues with a budgeted loss year to date of \$12m.

The year end position had not been reforecast with a budgeted loss of \$66.5m. The information at the bottom of the page showed how actual results were deviating from budgets year to date and showed that Medical Services needed to do better although Surgical was close to budget. Increased costs for the year resulting from the Building programme were additional debt, capital charge and depreciation.

The financial reports were good tools for the new Board.

The meeting adjourned at 12:35 pm. Pat Alley and Barry de Geest left the meeting.

The meeting reconvened at 1:20 pm.

## **2. CONFIRMATION OF MINUTES – 4 NOVEMBER 2004**

Moved Margaret Horsburgh, seconded Di Nash

*That the minutes of the meeting of the Auckland District Health Board held on 4 November 2004 be confirmed as a true and correct record.*

Carried

## **3. ACTION POINTS – 4 NOVEMBER 2004**

Garry Smith advised that all ADHB standard correspondence was being reviewed although this was a big project.

## **4. CHAIRMAN'S REPORT**

Wayne Brown reported to the Board as follows:

- The meeting with the Minister on the 16 November 2004 had made much progress with all parties having been better prepared.
- The District Annual Plan (DAP) had been accepted with points made on the issues that were making it difficult for ADHB. This was supported by the Taylor Report which stated that the problem could be as large as \$100m and Graham Aitkens' support.
- Population Based Funding and elderly care policy issues had been raised.
- As a means of measuring the cross border issues in Auckland Transit NZ had advised some 600k movements per day.
- The Terms of Reference of Ross Keenan, Deputy Chair were not yet known.

- The Board appointments had been announced.
- He had attended a Starship Foundation activity at Sky City.
- Stephen Streat had made a presentation at the Clinical Education Centre on health allocations which gave people within the organisation a different view. People focused on what they did but needed to also be exposed to the wider health picture.

#### Moved Ian Scott, seconded Wayne Brown

*That the ADHB acknowledges the opening of the Clinical Education Centre and expresses its appreciation and thanks to the efforts of Dr Richard Frith, Gill Naden and Dr John Henley and other staff together with the A+ Charitable Trust for the excellent outcome in having the Centre opened.*

#### Carried

- The Clinical Education Centre was already increasing understanding.
- Donations and bequests were a formal form of income complimentary to Government funding.

Wayne Brown thanked the Board for the support over the years and acknowledged the work of Vicki Salmon on the A+ Charitable Trust.

- Points from the allocations presentation were that NZ expenditure was about average with outliers including the USA, there was pressure on demand from new interventions, increase in health expenditure is through demand not administration and people expected more.

Wayne Brown acknowledged the out going Board members and welcomed the new Board and expressed his appreciation of the support and work done by Margaret Horsburgh as Deputy Chair.

## **5. CHIEF EXECUTIVE OFFICER**

### **5.1 Report**

The overall results were on track but the key issue was reporting on risks and how they were being managed. Any areas of over spend would need to be saved elsewhere.

The Clinical Education Centre had opened and the recognition and support of the Board was appreciated.

The DAP was ready for signoff and the focus was now on the next three years to be completed by the 15 December 2004.

LabPlus had received a successful accreditation report.

The funding package for 2005/2006 was expected to be announced on the 14 December 2004 disclosing the decisions on pricing and compensation for Population Based Funding issues.

The Meningococcal Vaccine Strategy was being implemented with particular emphasis through Maori Health and Pacific Health.

Assistance was being given to the MoH on the Mapo review together with meetings with regional DHBs to get a regional outcome.

Quality and Performance Improvement was considering changes to the quality structure in ADHB.

Workforce issues for ADHB were being linked to national and regional interfaces. The business cases for HRMS and Pharmacy had been signed off and recommended to the Chair to sign being funded from cash flows.

The General Manager HR advised that a blitz was being undertaken on over payments to staff with the data integrity exercise being undertaken to transfer to the new system uncovering a number of errors. The new payroll was scheduled for implementation on 1 April 2005.

There would be a Christmas recognition for staff at both sites as opening ceremonies had been delayed to next year.

## **5.2 2004 – 2005 District Annual Plan**

Moved Pat Snedden, seconded Ian Scott

*That the Auckland District Health Board:*

- i. Notes that the Minister of Health has approved an Auckland DHB deficit of (\$66.6m) plus additional abnormal items of asbestos removal (\$11.4m) and mental health under spend (\$5.3).*
- ii. Notes that both Chapter 1 and all following sections of the DAP have been previously reviewed by the Audit Committee and the Board.*
- iii. Approves the proposed budgeted deficit as noted in recommendation (i) above.*
- iv. Authorises the Chairman and Chief Executive to obtain final Ministerial signoff of the DAP.*

Carried

The CEO acknowledged the Board's support in getting the DAP signed off.

## **6. FINANCIAL REPORT – OCTOBER 2004**

While the monthly results were in line with budget, revenue was ahead, employees were close to budget and direct treatment costs were unfavourable. There was an under spend on capital of \$27m of which \$20m was in the Building Programme. Some savings had not been banked in the first months and with costs running higher than expected, there may be difficulties for the rest of the year to obtaining the budgeted result.

Targeted savings of 100 FTEs had not been allocated to services and how this was reported may need to be reviewed.

Newly appointed Level 3 managers were being introduced in a different way with an induction and on the job training to increase their skills.

The major Treasury issue was the debt to debt plus equity ratio driving deficit support requests.

## **7. DISABILITY SUPPORT ADVISORY COMMITTEE**

This Committee had not met.

## **8. QUALITY COMMITTEE**

This Committee had not met.

## **9. AUDIT COMMITTEE**

### **9.1 Report**

The Audit Committee had considered a paper on the change savings and what they meant which would be provided to the Board at the first meeting in 2005.

### **9.2 Provision of Supply Chain Services for Consumables**

Moved Ian Scott, seconded Harry Burkhardt

*That the ADHB approves the Auckland Region DHBs (ARDHBs) contract with Health Support Limited (HSL) for the provision of Supply Chain Services for Consumables for a period of 5 years, with an initial right of renewal of 3 years, and subsequent right of renewal of 2 years, both being at the ARDHBs collective discretion.*

Carried

### **9.3 Refurbishment of NWH Buildings to Relocated Owens Road Tenants**

Moved Di Nash, seconded Ian Scott

- 1. That the ADHB approves the capex of \$998,453 to relocate Public Health from Owens Rd to the ex-NW complex in accordance with the Greenlane Building Occupancy Plan, and*
- 2. That the contract for \$955,814 with Mainline Builders for the building work components for this and other associated projects be approved subject to final negotiations on scope and specifications, and*
- 3. the GM Building Programme be delegated authority to execute the contract with Mainline Builders once it is finalised.*

Carried

### **9.4 Domain Carpark Building**

The rights to car parking had been sold last year for \$15m of which \$7m had been accounted for as profit in the 2004 year. The proposed carpark was to allow patients and visitors to access ACH at the front door and would free up further car parking for staff.

Moved Pat Snedden, seconded Ian Scott

*That approval in principle is granted for ADHB to construct the Domain Carpark Building on the Auckland City Hospital site, fully funded by a variation to the existing Parking Licence Agreement with ABN AMRO. This approval is subject to:*

- 1. The cost of constructing the building being confirmed by a full tender process*
- 2. A final proposal being negotiated with AMRO that has no negative impact on ADHB's financial performance for the next 20 years*
- 3. A proposal from an alternative party being evaluated against the AMRO offer*
- 4. Confirmation that constructing a carpark building on the ex-Wallace Block site is the best strategic use of this land.*
- 5. Confirmation of the accounting treatment and effect of the reverting value of the asset on ADHB's balance sheet.*

Carried

## **10. GENERAL BUSINESS**

### **ACH Fletchers Contract**

Management had given assurances that the release of the retention and performance bond was appropriate. The Audit Committee had asked Internal Audit to check the sign off sheets.

Moved Wayne Brown, seconded Harry Burkhardt

*That the ADHB approves the release of the Fletcher Construction Performance Bond of \$7.0m and the release of retentions of \$1.6m in accordance with the ACH contract subject to any deductions for outstanding defects and endorsements from consultants and;  
that the Chief Executive Officer be delegated final approval.*

Carried

The building of ACH had been within budget and the Board congratulated Fletchers and the Building team. Management acknowledged the role of the Building and Change Committee in providing governance and advice.

The Chairman wished Pat Snedden well in his new role as Chairman of Counties Manukau District Health Board.



**11. NEXT MEETING**

The meeting closed at 2.16 pm.

The next meeting will be held on:  
Thursday 3 February 2005  
Marion Davis Library  
Auckland City Hospital  
Grafton

**CONFIRMED**

**CHAIR:** .....

**DATE:** .....