TE TOKA TUMAI
Auckland DHB

2021/22

Statement of Performance Expectations

Te Toka Tumai - Auckland District Health Board

Presented to the House of Representatives pursuant to section 149 of the Crown Entities Act 2004

The Te Toka Tumai - Auckland District Health Board Statement of Performance Expectations for 2021/22 is signed for and on behalf of:

Te Toka Tumai - Auckland District Health Board

Pat Snedden
Chair

William (Tama) Davis
Deputy Chair

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SECTION 1: STATEMENT OF PERFORMANCE EXPECTATIONS – AUCKLAND DHB 2021/22

The Statement of Performance Expectations (SPE) is a requirement of the Crown Entities Act (2004) and identifies outputs, measures and performance targets for 2021/22.

Measures in our SPE represent those outputs/activities we deliver to meet our goals and objectives in Section 2 and our Statement of Intent (Appendix A), and provide a reasonable representation of the vast scope of business-as-usual services provided, using a small number of key indicators. Performance measures are concerned with the volume (V), quality (Q), timeliness (T) and population coverage (C) of service delivery. Actual performance against these measures will be reported in our audited Annual Report year end.

The Crown Entities Act 2004 requires the SPE to include forecast financial statements for the financial year, prepared in accordance with generally accepted accounting practice. Our forecast financial statements for the year ended 30 June 2022 (Appendix C) and the Financial Performance Summary table (Section 2) form part our 2021/22 SPE.

Four Output Classes (Prevention, Early Detection and Management, Intensive Assessment, and Treatment and Rehabilitation and Support) are to be used by all DHBs to reflect the nature of services provided. These classes include outputs we propose to supply in the financial year and are directly funded (in whole or in part) by the Crown in accordance with: an appropriation for the purpose; by grants distributed under any Act, or by levies, fees, or charges prescribed by or under any Act.

Statistics New Zealand and the Ministry of Health released updated population estimates and projections in late 2020 based on the 2018 Census. Many of our measures and targets rely on this data, so there may be changes in both performance and target data when comparing this Plan to previous plans and reports.

The COVID-19 outbreak in early 2020 saw a significant reduction in clinical activity because of restrictions under the lockdown period, the re-purposing of staff and facilities for COVID-19 functions, and members of the public choosing not to access health services. Data collection was also affected. This has affected the performance of many 2019/20 results, therefore the 2019/20 baseline result may not be an accurate indicator of expected 2021/22 performance. Measures significantly affected by COVID-19 have been identified in the footnotes.

Performance measurement framework

Our focus for 2021/22 is on delivering the key targets identified in our performance framework, which will ultimately result in better health outcomes for our population, measured by our two high level outcomes:

- an increase in life expectancy
- a reduction in the ethnic gap in life expectancy

The measures in this section link to the national, regional and local strategic direction covered in our Statement of Intent.

Targets and achievements

Targets and comparative baseline data for each of the output measures are included in the following sections. Measures with a target of Ω are demand driven, where it is not appropriate to set a target.

We use a grading system to rate performance against each measure. This helps to identify measures where performance was very close to target versus those where under-performance was more significant. The criteria to allocate grades are as follows.

Criteria		Rating	
On target or better		Achieved	🟢
95–99.9%	0.1–5% away from target	Substantially achieved	🔵
90–94.9%*	5.1–10% away from target*	Not achieved but progress made	🟡
<90%	>10% away from target**	Not achieved and no progress made	🔴
*and improvement on previous year ** or 5.1–10% away from target and no improvement on previous year			

Output class 1: Prevention Services

Preventative services protect and promote health by targeting changes to physical and social environments that engage and support individuals to make healthier choices. Prevention services include: health promotion to prevent illness and reduce unequal outcomes; statutorily mandated health protection services to protect the public from toxic environmental risk and communicable diseases; and population health protection services, e.g. immunisation and screening services. By supporting people to make healthy choices and maintain good health, effective prevention can significantly improve health outcomes. The DHB works with the Auckland Regional Public Health Service to promote and protect wellness and prevent disease.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
Health promotion			
% of PHO-enrolled patients who smoke are offered brief advice to stop smoking in the last 15 months	C	87%	90%
% of PHO-enrolled patients who smoke and are referred to smoking cessation providers	Q	9%	6%
% of PHO-enrolled patients who smoke and are prescribed smoking cessation medications	Q	8%	12%
Number of pregnant women smokers referred to the stop smoking incentive programme	Q	154	110
Number of clients engaged with Green Prescriptions	V	3,623[1]	4,250
% of clients engaged with Green Prescriptions	C		
- *Māori*		*13%*	*11%*
- *Pacific*		*22%*	*17%*
- *South Asian*		*15%*	*17%*
Immunisation			
% of pregnant women receiving pertussis vaccination in pregnancy	C	60%	50%
- *Māori*		*34%*	
- *Pacific*		*42%*	
- *Asian*		*71%*	
% of pregnant women receiving influenza vaccination in pregnancy	C	51%	50%
- *Māori*		*34%*	
- *Pacific*		*42%*	
Influenza vaccination coverage in children aged 0-4 years and hospitalised for respiratory illness	C	20%	30%
- *Māori*		*10%*	
- *Pacific*		*14%*	
% of eight months olds will have their primary course of immunisation on time	C	93%	95%
- *Māori*		*85%*	
- *Pacific*		*91%*	
% of five year olds will have their primary course of immunisation on time	C	89%	95%
- *Māori*		*84%*	
- *Pacific*		*89%*	
- *Asian*		*91%*	
Rate of HPV immunisation coverage	C	86%	75%
Population-based screening			
% of women aged 45-69 years having a breast cancer screen in the last 2 years	C	67%[1]	70%
% of women aged 25-69 years having a cervical cancer screen in the last 3 years	C	69%[1]	80%
HEEADSSS assessment coverage in DHB-funded school health services	C	84%[2]	95%
% of 4 year olds receiving a B4 School Check	C	65%[1]	90%
% of newborn babies offered and received completed hearing screening within 1 month	V	95%	90%
Bowel cancer screening			
% of people aged 60-74 years invited to participate who returned a correctly completed kit[3]	Q	New indicator	60%
- *Māori*			
- *Pacific*			
- *Asian*			
- *Other*			
% of participants who returned a positive FIT have a first offered diagnostic date that is within 45 calendar days of their FIT result being recorded in the NBSP IT system	T	New indicator	95%

[1] The performance of this measure was significantly affected by COVID-19 in 2019/20.
[2] 2019 school year.
[3] Proportion of people invited to take part in the programme who were screened in the two years prior to the reporting period.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
Auckland Regional Public Health Service[4]			
Number of alcohol licence applications and renewals (on, off club and special) that were inquired into	V	3,625	Ω
Number of tobacco retailer compliance checks conducted	V	184	300
% of smear-positive pulmonary tuberculosis cases contacted by a public health nurse within 3 days of clinical notification	T	95%	90%
% of high risk enteric disease cases for which the time of initial contact occurred as per protocol	Q	96%	90%
% of COVID-19 confirmed cases that started isolation/quarantine within 48 hours after notification (time case notification to isolation/quarantine of contact P002)	T	New indicator	80%

Output class 2: Early Detection and Management

Early detection and management services are delivered by a range of health professionals in various settings, including general practice, community and Māori health services, pharmacist services and child and adolescent oral health services. Access to these services ensures that those at risk, or with disease onset, are recognised early and their condition is appropriately managed. Early detection and management services also enable patients to maintain their functional independence with less invasive intervention.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
Primary health care			
Rate of primary care enrolment in Māori	C	82%	95%
% of newborn babies enrolled with a general practice or primary health organisation (PHO) at 3 months of age - *Māori* - *Pacific*	C	91% *80%* *85%*	85%
Primary Options for Acute Care (POAC) utilisation rate	Q	0.91%	3%
% 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 - *Māori* - *Pacific*	C	11% *16%* *12%*	<8%
% of people with diabetes aged 15-74 years and enrolled with Auckland DHB practices whose latest HbA1c in the last 15 months was ≤64 mmol/mol - *Māori* - *Pacific*	Q	61% *50%* *49%*	60%
% of Māori and Pacific patients with prior CVD who are prescribed triple therapy - *Māori* - *Pacific*	Q	*56%* *65%*	70%
Pharmacy			
Number of prescription items subsidised	V	7,387,260	Ω
Community-referred testing and diagnostics			
Number of radiological procedures referred by GPs to hospital	V	26,739	Ω
Number of community laboratory tests	V	3,213,918	Ω
Oral health[5]			
% of preschool children enrolled in DHB-funded oral health services - *Māori* - *Pacific* - *Asian*	C	97% *77%* *92%* *93%*	95%
Ratio of mean decayed, missing, filled teeth (DMFT) at year 8 - *Māori* - *Pacific* - *Asian*	Q	0.63 *0.81* *0.93* *0.58*	MoH TBC
% of children caries free at five years of age - *Māori* - *Pacific*	Q	58% *46%* *30%*	MoH TBC

[4] Services delivered by Auckland Regional Public Health Service (ARPHS) on behalf of the three Metro Auckland DHBs. Results are for all three DHBs.
[5] To align with the school year, all baseline results are for the calendar year prior to the end of each financial year, i.e. CY2019.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
- *Asian*		*55%*	
Utilisation of DHB-funded dental services by adolescents from School Year 9 up to and including age 17 years	C	87%	85%

Output Class 3: Intensive Assessment and Treatment

Intensive assessment and treatment services are delivered by specialist providers in facilities that co-locate clinical expertise and specialised equipment, such as a hospital or surgery centre. These services include ambulatory, ED and inpatient services (acute and elective streams), such as diagnostic, therapeutic and rehabilitative services. Effective and prompt resolution of medical and surgical emergencies and treatment of significant conditions reduces mortality, restores functional independence an improves health-related quality of life, thereby improving population health.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
Acute services			
Number of ED attendances	V	109,215[1]	Ω
% of ED patients discharged, admitted or transferred within six hours of arrival	T	87%	95%
% 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	T	96%	90%
% of patients with ischaemic stroke thrombolysed and/or treated with clot retrieval and counted by DHB of domicile (service provision 24/7)	C	14.3%	12%
% of ACS inpatients receiving coronary angiography within 3 days	T	84%	70%
Maternity			
Number of births in Auckland DHB hospitals	V	6,634	Ω
Elective (inpatient/outpatient)			
Number of planned care interventions - *Inpatient surgical discharges* - *Minor procedures* - *Non-surgical interventions*	V	21,578[1] 13,466 8,111 1	24,338 16,253 7,818 267
% of people receiving urgent diagnostic colonoscopy in 14 days	T	96%	90%
% of people receiving non-urgent diagnostic colonoscopy in 42 days	T	39%[1]	70%
% of patients waiting longer than 4 months for their first specialist assessment	T	15.5%[1]	0%
% of accepted referrals receiving their CT scan within 6 weeks	T	85%[1]	95%
% of accepted referrals receiving their MRI scan within 6 weeks	T	52%[1]	90%
Quality and patient safety			
% of opportunities for hand hygiene taken	Q	n/a[6]	80%
% of hip and knee arthroplasty operations where antibiotic is given in one hour before incision	Q	n/a[6]	100%
% of hip and knee procedures given right antibiotic in right dose	Q	n/a[6]	95%
% of patients audited for pressure injury risk who received a score	Q	92%	90%
% of patients with a hospital-acquired pressure injury	Q	1.8%[7]	<3.0%
% of 'yes, always' responses to the HQSC Adult Hospital survey question: *'Was your name pronounced properly by those providing your care?'*	Q	89.1%[8]	≥89.1%
% of 'very good' and 'excellent' responses to the Auckland DHB inpatient survey question: *'How would you rate the coordination of your care between the hospital, home and other health services after you were discharged from hospital?'*	Q	66.7%	70%

[6] 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 2019/20 results are unavailable.
[7] CY2019 result.
[8] Nov 2020 to Feb 2021 result.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
Mental Health			
% of population who access Mental Health services	C		
- Age 0–19 years		3.38%	≥3.38%
- *Māori*		*5.93%*	≥6.00%
- Age 20–64 years		3.95%	≥3.92%
- *Māori*		*11.76%*	≥11.46%
- Age 65+ years		3.17%	≥3.11%
- *Māori*		*4.33%*	≥3.64%
% of 0-19 year old clients seen within 3 weeks[9]	T		
- Mental Health		69%[1]	80%
- Addictions		97%[1]	80%
% of 0-19 year old clients seen within 8 weeks[9]			
- Mental Health		81%[1]	95%
- Addictions		100%[1]	95%

Output Class 4: Rehabilitation and Support Services

Rehabilitation and support services are delivered following a 'needs assessment' process and coordination provided by the Needs Assessment and Service Coordination (NASC) Service for a range of services, including palliative care, home-based support, and residential care services. Rehabilitation and support services are provided by the DHB and non-DHB sector, e.g. residential care providers, hospice and community groups. Effective support services restore function and help people to live at home for longer, therefore improving quality of life and reducing the burden of institutional care costs.

Outputs measured by	Notes	Baseline 2019/20	Target 2020/21
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	n/a[10]	95%
Palliative care			
Number of community contacts (nurses)	V	8,143	Ω
% of patients acutely referred who waited >48 hours for a hospice bed	T	0%	<5%
Residential care			
ARC bed days	V	997,066	Ω

[9] If a referral is open at the end of the reporting period and does not have an in-scope activity, a waiting time will be calculated based on the reporting period end date. A referral considered to be compliant may go on to exceed the target waiting time. Note this methodology is changing in 2021/22 and patients still waiting will not be counted towards the indicator.

[10] Due to COVID-19, service provision in Q4 2019/20 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 2019/20.

Financial Performance Summary

Statement of Comprehensive Income	2019/20 Audited Actual $000	2020/21 Forecast $000	2021/22 Plan $000	2022/23 Plan $000	2023/24 Plan $000	2024/25 Plan $000
Funding						
Government & Crown Agency Sourced	1,688,374	1,808,953	1,934,727	2,021,292	2,061,178	2,101,856
Non-Government & Crown Agency Sourced	106,933	90,209	98,324	95,524	95,524	95,524
IDFs & Inter-DHB Sourced	701,179	767,885	811,696	827,568	843,757	860,271
Total Funding	**2,496,486**	**2,667,047**	**2,844,747**	**2,944,385**	**3,000,460**	**3,057,651**
Expenditure						
Personnel Costs	1,211,110	1,222,581	1,266,700	1,292,051	1,318,692	1,345,865
Outsourced Costs	155,094	172,291	162,985	167,072	170,414	173,822
Clinical Supplies Costs	312,320	331,422	349,161	354,838	360,169	365,579
Infrastructure and Non-Clinical Supplies Costs	219,414	232,076	215,482	211,278	213,657	216,105
Payments to Providers	599,024	660,447	768,473	797,816	813,772	830,048
IDF Outflows	103,143	110,156	116,867	121,329	123,756	126,231
Total Expenditure	**2,600,104**	**2,728,972**	**2,879,668**	**2,944,385**	**3,000,460**	**3,057,650**
Share of associate joint venture surplus/(deficit)	**(150)**	-	-	-	-	-
Net Surplus/(Deficit)	**(103,768)**	**(61,925)**	**(34,921)**	**(0)**	**0**	**0**
Extraordinary Expenditure						
Holidays Act Provisions		40,000	40,000	40,000	40,000	40,000
Other comprehensive income						
Gains/(Losses) on Property Revaluations	-	-	-	-	-	-
Total Comprehensive Income/(Deficit)	**(103,768)**	**(101,925)**	**(74,921)**	**(40,000)**	**(40,000)**	**(40,000)**

Statement of Service Performance (Four-year plan)

Prospective summary of revenues and expenses by output class	2021/22 Plan $000	2022/23 Plan $000	2023/24 Plan $000	2024/25 Plan $000
Early detection				
Total revenue	575,138	595,282	606,619	618,182
Total expenditure	534,267	546,622	556,370	566,836
Net surplus/(deficit)	**1,109,405**	**49,173**	**50,249**	**51,346**
Rehabilitation and support				
Total revenue	297,416	307,833	313,696	319,675
Total expenditure	322,850	330,006	336,207	342,531
Net surplus/(deficit)	**(25,434)**	**(22,173)**	**(22,511)**	**(22,856)**
Prevention				
Total revenue	41,184	42,627	43,439	44,266
Total expenditure	72,415	74,020	75,411	76,829
Net surplus/(deficit)	**(31,231)**	**(31,393)**	**(31,972)**	**(32,563)**
Intensive assessment and treatment				
Total revenue	1,931,009	1,998,644	2,036,707	2,075,528
Total expenditure	1,990,137	2,034,250	2,072,472	2,111,455
Net surplus/(deficit)	**(59,128)**	**(35,606)**	**(35,766)**	**(35,927)**
Consolidated Auckland DHB				
Total revenue	2,844,747	2,944,385	3,000,460	3,057,651
Total expenditure	2,919,668	2,984,385	3,040,460	3,097,650
Net surplus/(deficit)	**(74,921)**	**(40,000)**	**(40,000)**	**(40,000)**

SECTION 2: FINANCIAL PERFORMANCE

Financial Management Overview

Our organisational vision is Healthy Communities, World-class Healthcare, Achieved Together. This vision will be achieved by working with our strategic partners and stakeholders across the whole system, including our staff, patients, customers, suppliers, shared service agencies, providers and communities, to deliver high quality, effective, efficient and safe services that will achieve the best outcomes for the populations we serve. Effectively managing our financial, human, assets and other resources is critical to long-term financial sustainability and overall progress towards our vision.

We have been managing cost growth at Auckland DHB through a financial sustainability programme that has delivered savings in excess of $280M since inception in 2012/13. This, combined with good financial management, has seen the DHB generate surpluses for several years, with the first deficit being realised in 2018/19 as shown in the table below.

	2012/13 Actual $'000	2013/14 Actual $'000	2014/15 Actual $'000	2015/16 Actual $'000	2016/17 Actual $'000	2017/18 Actual $'000	2018/19 Actual $'000	2019/20 Actual $'000	2020/21 Budget $'000	2020/21 Forecast $'000
Net Surplus/(Deficit)	154	264	355	2,872	3,162	1,013	(231,968)	(103,767)	(45,043)	(101,925)

The deficits in 2018/19 and 2019/20 are primarily due to extraordinary items, mainly a provision for staff liabilities for non-compliance with the Holidays Act (the provision was $219M in 2018/19 and increased to $279M at 30 June 2020). Each year, the provision needs to be increased as the liability will continue to grow until the remediation programme is completed and payroll systems are updated to comply with the Holidays Act. Auckland DHB is working with the other Auckland metro DHBs and engaging nationally to implement a remediation programme. Other extraordinary factors affecting the DHB results include staff liabilities that have to be valued actuarially (e.g. Retiring gratuities) and the unfunded COVID-19 impacts. The deficit for 2020/21 of $45M was mainly due to Auckland DHB being impacted by reduced population projections, the ultimate impact of which is that we are unlikely to receive further demographic growth-related funding (estimated at $30M a year) and, until population projections realign. There was an additional impact of a partial implementation of the year's national price uplift (impact of $25M). Overall, the DHB's underlying operating result for 2020/21 excluding extra ordinary items is forecast to be within the approved plan.

Financial Sustainability

We have lived within our means in the past and plan to return to that position by:

- Containing cost growth through process and system improvements, contracting, procurement, cash management, revenue maximisation, staffing mix strategies and various one-off savings.
- Developing and prioritising programmes to deliver the best health service and outcomes for the local, regional and national population that we serve.
- Aligning investments, programmes and projects to our vision for **Healthy communities - World-class healthcare - Achieved together** in order to deliver strategic change across the continuum of services we provide (primary, secondary and tertiary).
- Fostering a culture of financial responsibility, accountability and discipline, supported by continuous improvement to ensure that our activities and investments add value to our patients and stakeholders, improve productivity and efficiencies, reduce waste and enable us to realise benefits of investments.
- Creating an environment of continuous improvement and innovation in processes, systems and the way services are delivered while also living our organisational values and delivering the best care for our patients, clients and customers.
- Working regionally, sharing ideas and information to resolve common including savings opportunities, service changes, and various initiatives to improve our investment management maturity.
- Working regionally to ensure that our local and regional service demand/capacity gaps and asset related risks are well understood locally and by central agencies. Developing plans to remediate risks, increase capacity, improve technology and implement changes in models of care on a timely basis. Our Northern Region Long Term Investment Plan (NRLTIP) describes our immediate and long-term capacity requirements for the Northern Region given regional population demographics (growing and ageing population), projected growth in demand and capacity stock take analysis. The NRLTIP also describes the regional ISSP Key investments required across the region to replace existing assets, address

risks of ageing technology, facilities and infrastructure, address quality and compliance issues, increase capacity and improve efficiencies are articulated in the NRLTIP.

Auckland DHB is at the peak of its investment life cycle, requiring significant investments in capacity, condition, compliance and functionality risks inherent in the current asset base. Crown funding support is required to support the investment programme. The main strategic programmes and projects already approved or requiring Crown funding include:

1. **Facilities Infrastructure Remediation Programme (FIRP) ($1B).** The programme, developed based on comprehensive risk assessment, addresses significant risks of ageing critical infrastructure, the need to increase resilience and enable future facility capacity expansion for our hospital campuses. Tranche One ($305M) and Tranche 2 ($262M) business cases were approved by the Minister and are under implementation.
2. **Building for the Future Programme (BFTF) ($1.3B).** The programme is being developed to be implemented in tranches to deliver additional DHB capacity for clinical and support services for at least ten years, in line with capacity requirements outlined in the NRLTIP. There is increasing pressure on resources for most health services, with shortfalls projected in inpatient acute beds, operating and interventional rooms, diagnostic suites, cancer care and critical care. An Integrated Stroke Unit (Ward 51) costing $30M recently completed under the BFTF programme will deliver additional capacity in the short term. Other tranche business cases are being developed to increase operating theatre and bed capacity in the medium term and an Integrated Cancer Services business case is being developed.
3. **Auckland DHB's PICU/ICU Child Health Expansion ($40M):** This is a BFTF Tranche project to increase Paediatric Intensive Care Unit (PICU) capacity (an additional 10 beds) at Starship Hospital with a combination of Intensive Care Unit (ICU) and High Dependency Unit (HDU) care beds and improved spaces to accommodate whānau of children in PICU and staff. PICU is the national paediatric intensive care service for all children in New Zealand, with a current capacity of 22 physical bed spaces (16 ICU and 6 HDU). The project was approved by the Minister in December 2020 and will be financed by Crown Equity ($25M) and Starship Foundation donation ($15M).
4. **Hospital Administration System Replacement Programme (HARP) ($55M).** The programme, developed after a comprehensive risk assessment of our clinical and business applications and systems, will replace the antiquated Patient Administration System. HARP is one of the strategic projects prioritised in the ISSP and NRLTIP. Crown funding of $20M has been approved to be financed from the Crown and the balance of $35M will be financed by the DHB.

In addition to contributing funds to the strategic projects noted above, we also invest internally generated cash in replacing baseline assets, technology and facility upgrades and refurbishments. Our asset management plans indicate a significant bow wave of deferred clinical and facility assets. The bow wave is in part due to prioritisation of internally generated cash to meet capital needs not only for baseline asset renewals, but also for capacity increase, technology improvement and to address quality and compliance issues.

Our capital programme is exerting more financial pressure on our bottom-line and long term sustainability. We will continue to work with our regional counterparts and nationally on service development and investment planning to address our capacity gaps, deliver better outcomes for our population, ensure investment decisions are robust, reduce duplication of services and, ensure joined planning for resources we compete for (e.g. workforce, contractors, funding).

Financial Planning Setting

The DHB is committed to the Government's priorities and delivering high quality services sustainably. This includes living within our means, which is a challenge in the current fiscally constrained environment when the DHB is also experiencing growth in demand, price and volume driven inflation and significant operational impacts of capital programmes. The recent change in the DHB's future funding profile (since 2020/21) is exacerbating the situation. The revised DHB population data has resulted in the DHB being considered overfunded and being placed in a transitional funding pool by the Ministry. This means that the DHB will not be receiving additional demographic growth funding until the transitional funding of $106M is back in parity with the PBFF model. This equates to about $30M of lost revenue increase each year over the next 3 to 4 years. While funding growth is slowing, the expenditure growth trajectory continues unabated. Part of our out-year deficits in the plan a result of this and an acknowledgement that 'low hanging fruit' in the savings programme have been exhausted and radical changes are required to remain financially sustainable.

A partial correction of the previous cost/price anomaly implemented in 2020/21 through a national price uplift assisted in addressing a systemic issue relating to the national prices not fully reflecting the true cost of providing services. Funding advised for the balance is now lower than anticipated as implementation of the price adjustor has been changed to 75% only, instead of full implementation in 2020/21.

We will continue to work with central agencies and other DHBs to address any structural deficits relating to national funding mechanisms, cost/pricing gaps and service demand related impacts on revenue and costs for tertiary and national services. We will also work with all interested parties to address systemic issues, inefficiencies, inequities, risk/benefit trade-offs and to develop a commissioning approach to national and tertiary services that are appropriately funded.

Key Assumptions for Financial Projections

Revenue Growth

Most of Auckland DHB's revenue is from the Ministry of Health, mainly population-based funding (PBFF) for the Auckland DHB population, IDF revenue (for services delivered for other DHBs' populations) and funding for the national services we provide. As the Funding Envelope advice for 2021/22 has not yet been provided (expected in May/June 2021), we have developed the high level first Draft of our annual plan financials on the basis of the following assumptions:

- Funding for 2021/22 has been budgeted as per the Ministry of Health funding advice.
- No demographic growth funding is assumed as Auckland DHB is in the transitional funding pool, with demographic growth funding only expected in 2024/25.
- 2021/22 additional underlying Cost Pressure has been implemented at 75% as per Ministry advice, leaving a significant funding gap for the DHB.
- Planned Care funding has been budgeted as advised by the Ministry with associated planned volumes.
- Ministry of Health funding contracts and Crown Funding Agreement Variations (outside of the FE advice) which end in 2020/21 have been assumed to roll over and included in the 2021/22 Budget with funding budgeted as advised by the Ministry and with associated expenditure.
- IDF Inflows have been budgeted based on Ministry of Health funding advice and any known changes to contract volumes per the Price Volume Schedule.
- We have budgeted for the annual increase in the provision for the liability for non-compliance with Holidays Act ($40M per year). Per Ministry of Health advice, we have not included the funding to fully offset this, resulting in our deficit of $40M in each of the planning years. As this is an additional cost pressure not previously reflected in pricing, and in line with the understanding of the Holidays Act liability, it is anticipated that this will be funded by the Crown or will flow through to the bottom line.
- We have budgeted for a partial estimated impact of COVID-19, with funding advised expected to be fully offset by expenditure. COVID-19 budget is only in the Funder and Public Health service with no budget provisioned in the Provider (other than Public Health). As such, it is assumed that an additional COVID-19 impacts outside of the funding will impact the bottom line.
- All other funding is based on contracts or estimated uplifts/reductions based on historical analysis.
- Any capital charge increases relating to projects approved by the Ministers are assumed to be cost neutral (i.e. fully offset by additional Ministry of Health operational revenue). Revenue to offset the capital charge impacts has been assumed in the plans. The impact of strategic projects approved by the Minister of Health have been included and those not yet approved have not been included.
- This plan assumes that the impact of strike action (if any) on the DHB's ability to deliver Elective volumes will not result in unfavourable revenue wash-ups.
- In the out-years, the depreciation impact for strategic projects such as FIRP is assumed to be cost neutral to the bottom-line. No revenue has been assumed for this in the plan.

Expenditure Growth

The following assumptions have been made relating to expenditure in the four year financial plans:

- Salary increases for settled MECAs have been budgeted at settlement levels. Salary growth for unsettled MECAs have been budgeted at a base increase of 1.9% plus relevant allowances for other costs such as step increases, kiwi saver, annualisation of personnel costs that came through part year including CCDM etc. Any settlements greater than this level are not affordable to the DHB and will have a bottom-line impact if not fully funded. There is a risk that any settlement reached above these parameters will negatively impact on the projected deficit for 2021/22. Additionally, any extra costs in relation to managing ongoing industrial action has not been factored into the projected expenditure.
- Personnel costs include an increase in the provision for the Holidays Act liability in each year.
- As the DHB has no demographic growth funding, FTE growth has been limited to essential increases only and annualisation of CCDM and other approved areas. There is a substantial financial risk that the expected volume growth of over 5% will be able to be managed from within existing resources based solely on delivered productivity improvement initiatives.
- Clinical supplies cost growth reflects inflation factor in current contracts, estimation of price change on supplies, and adjustments for known specific information within services. HealthSource Procurement and Supply chain teams and other national entities continue to negotiate contract prices to realise more savings in this area although COVID-19 is expected to have an adverse impact on supply chain. There is a significant risk related to clinical supplies, limited cost growth which has been included in the savings plan, this could materialise depending on supply chain related price pressures or volume demand
- Infrastructure cost growth (excluding interest, depreciation and capital charge) is based on the actual known inflation factor per contracts, estimation of price change impacts on supplies and adjustments for known specific information within services. A budget risk relating to depreciation has been assumed based on considerations for timing and capacity to implement projects. This will be managed as part of the savings programme.
- Interest expense is based on asset leasing arrangements. Capital charge reflects the estimated Crown equity position at balance date at 5% capital charge rate and depreciation is based on the fixed asset register and capitalisations from the planned capital expenditure.
- Depreciation for approved strategic projects such as FIRP has been included based on expected capitalisation profiles for the projects.
- Extraordinary costs in relation to additional cyber security resilience measures, in light of recent Health sector cyber events, have not been included in our expenditure projections, and would materially impact our ability to achieve the forecast deficit if not otherwise funded.
- COVID-19 impacts have been included in Funder expenditure lines, with corresponding offsetting Ministry funding. . No provision for Covid-19 expenditure has been made for Provider expenditure.
- A full revaluation of land is being completed as part of 2020/21 year end and the impact of this will be included in the final accounts. Any increase in asset values due to revaluation that results in an increase in capital charge is assumed to be cost neutral to the DHB.
- The impact of capital charge on Crown equity for projects financed by the Crown is assumed to be cost neutral on the bottom-line, i.e. any additional capital charge impacting the bottom-line will be fully offset by additional revenue.
- Funder payments reflect historical cost growth patterns, demographic growth factor, inflationary factor, demand modelling (for demand-driven areas such as pharmaceuticals, primary health and aged residential care and for other areas), PHARMAC advised budgets for pharmaceuticals, contractual arrangements in place with providers and investments required in priority areas and specific initiatives funded expenditure.
- Out-years' expenditure growth is planned in line with the assumed future funding growth path, but still with a gap such that breakeven position cannot be achieved.
- We are committed to continuing the savings programme to delivery $39M savings from the following initiatives incorporated in the budget: productivity gains, cost containment, personnel management, supply chain improvements and revenue growth. We will continue to develop further initiatives in order to mitigate risk associated with delivery of these savings plans, however are cognisant that there may be limited ability to alleviate all of the potential reisk inherent on the financial forecasts without compromising service provision.

Financial Risks

The key issues, risks and challenges for us during the planning horizon include the following:

Sustainability of Services

Provision of sustainable services is dependent on the ability to live within our means. In the past, the deficit generated in the Provider Arm has been fully offset by surpluses in the Funder Arm but this is not sustainable hence the deficits projected. Easy to achieve savings are becoming more difficult to find and structural deficits need to be addressed by considering the revenue and cost structures of services provided. Any further cost pressures beyond planned levels will increase the risk of service sustainability. DHB expenditure is very sensitive to changes in the cost of settlement of MECAs. Any 1% change in personnel costs for Auckland DHB equates to $12M (2020/21 cost).

InterDistrict Flows (IDFs)

The DHB revenue is sensitive to IDF wash-ups. If services delivered are below contract for washed up areas, the DHB's bottom-line could be impacted if there is insufficient capacity to absorb such shocks to the system. In 2019/20 and 2020/21, COVID-19 has had a significant impact on the ability to meet IDF and Planned care volume contracts.

Ability to invest in services

Currently, the DHB has very little, if any, ability to invest in areas that will reduce long-term demand for expensive hospital-based services. This ability has deteriorated significantly with the DHB being placed in transitional funding and not receiving demographic funding until PBFF parity is achieved.

Ability to invest in capital

Significant capital investment for remediation of aged facilities infrastructure, major upgrades and investment in new technology and clinical equipment replacement is required. Crown funding will be required to finance major redevelopment and upgrade projects, including funding or other mechanisms to alleviate the impact of large capital programmes on operating performance.

Impact of Strikes, COVID-19 future waves and any other communicable disease outbreaks

Ongoing disruption and additional costs of COVID-19 exert more pressure on DHB resources and ability to remain sustainable. With the DHB in transitional funding and not receiving any demographic growth funding, there is no capacity to absorb any shocks from COVID-19 or other factors.

As has been seen during 2018/19 and 2019/20, strikes, measles outbreaks and COVID-19 have had significant impacts on DHB financial performance. This 2021/22 plan assumes that any uncontrollable factors such as these will be fully offset by additional funding or no wash-ups on funding due to inability to deliver planned volumes.

Forecast Financial Statements

The Board of Directors of the Auckland DHB is responsible for issuing forecast financial statements, including the appropriateness of the assumptions underlying the forecast financial statements.

The Draft forecast financial statements for the period 2021/22 to 2024/25 included in this Annual Plan are authorised by the Board of Directors on 5 March 2021.

The forecast financial statements were prepared to comply with the requirements of Section 149G of the Crown Entities Act. The forecast financial statements may not be appropriate for use for any other purpose.

In line with the requirements of Section 149G of the Crown Entities Act 2004, we provide both the forecast financial statements of 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 and Auckland District Health Board Charitable Trust (controlled by Auckland DHB). Joint ventures are with healthAlliance N.Z. Limited and NZ Health Innovation Hub Management Limited. The associate company is Northern Regional Alliance Limited.

The tables below provide a summary of the forecast consolidated financial statements for the audited result for 2019/20, financial forecast for 2020/21 and, financial plans for years 2021/22 to 2024/25. The DHB has not as yet received funding indications regarding PBFF uplift or cost pressures for 2021/22, which gives uncertainty of revenue elements and some aspects of cost; therefore, this plan was prepared to reflect expected costs at a high level and limited reliance should be placed on the financial projections included in it.

The forecast financial statements were prepared based on the key assumptions for financial forecasts and the significant accounting policies summarised in the Significant Accounting Policies outlined in this plan.

The actual financial results achieved for the period covered are likely to vary from the forecast/plan financial results presented. Such variations may be material.

The Statement of Comprehensive Revenue and Expenses for the Group and the Parent are presented in a manner that shows clearly the breakeven position for BAU and the impact of the extraordinary items. The rest of the financial statements is presented including the extraordinary item (Holiday Act liability increase).

Statement of Comprehensive Revenue and Expenses – Group

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
FUNDING						
Government & Crown Agency Sourced	1,688,374	1,808,953	1,934,727	2,021,292	2,061,178	2,101,856
Non-Government & Crown Agency Sourced	106,933	90,209	98,324	95,524	95,524	95,524
IDFs & Inter-DHB Sourced	701,179	767,885	811,696	827,568	843,757	860,271
TOTAL FUNDING	**2,496,486**	**2,667,047**	**2,844,747**	**2,944,385**	**3,000,460**	**3,057,651**
EXPENDITURE						
Personnel Costs	1,211,110	1,222,581	1,266,700	1,292,051	1,318,692	1,345,865
Outsourced Costs	155,094	172,291	162,985	167,072	170,414	173,822
Clinical Supplies Costs	312,320	331,422	349,161	354,838	360,169	365,579
Infrastructure & Non-Clinical Supplies Costs	219,414	232,076	215,482	211,278	213,657	216,105
Payments to Providers	599,024	660,447	768,473	797,816	813,772	830,048
IDF Outflows	103,143	110,156	116,867	121,329	123,756	126,231
TOTAL EXPENDITURE	**2,600,104**	**2,728,972**	**2,879,668**	**2,944,385**	**3,000,460**	**3,057,650**
Share of associate joint venture surplus/(deficit)	**(150)**	-	-	-	-	-
NET Surplus/(Deficit) (before extraordinary items)	**(103,768)**	**(61,925)**	**(34,921)**	**0**	**0**	**0**
Extraordinary Expenditure						
Holidays Act Provisions		40,000	40,000	40,000	40,000	40,000
Other Comprehensive Income						
Gains/(Losses) on Property Revaluations	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT)	**(103,768)**	**(101,925)**	**(74,921)**	**(40,000)**	**(40,000)**	**(40,000)**

The deficit of $74.9M for 2021/22 includes an extraordinary item shown separately (ie. increase in the Holidays Act liability), with the underlying deficit of $34.9M.

Statement of Comprehensive Revenue and Expenses – Parent

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
FUNDING						
Government & Crown Agency Sourced	1,688,374	1,808,953	1,934,727	2,021,292	2,061,178	2,101,856
Non-Government & Crown Agency Sourced	106,009	85,353	95,002	92,202	92,202	92,202
IDFs & Inter-DHB Sourced	701,179	767,885	811,696	827,568	843,757	860,271
TOTAL FUNDING	**2,495,562**	**2,662,191**	**2,841,425**	**2,941,063**	**2,997,138**	**3,054,329**
EXPENDITURE						
Personnel Costs	1,210,747	1,222,218	1,266,145	1,291,496	1,318,137	1,345,310
Outsourced Costs	155,094	172,291	162,985	167,072	170,414	173,822
Clinical Supplies Costs	312,320	331,422	349,161	354,838	360,169	365,579
Infrastructure & Non-Clinical Supplies Costs	219,445	227,583	213,288	209,084	211,463	213,911
Payments to Providers	599,024	660,447	768,473	797,816	813,772	830,048
IDF Outflows	103,143	110,156	116,867	121,329	123,756	126,231
TOTAL EXPENDITURE	**2,599,772**	**2,724,116**	**2,876,919**	**2,941,636**	**2,997,711**	**3,054,901**
Surplus/(deficit)			-	-	-	-
NET Surplus/(Deficit) (before extraordinary items)	**(104,210)**	**(61,925)**	**(35,494)**	**(573)**	**(573)**	**(573)**
Extraordinary Expenditure						
Holidays Act Provisions		40,000	40,000	40,000	40,000	40,000
Other Comprehensive Income						
Gains/(Losses) on Property Revaluations	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT)	**(104,210)**	**(101,925)**	**(75,494)**	**(40,573)**	**(40,573)**	**(40,573)**

Interest, Depreciation and Capital Charge

Included in infrastructure and non-clinical supplies costs are capital-related costs in the form of Interest, Depreciation and Capital Charge (IDCC).

Depreciation reflects the size and value of our asset base and rates of annual usage applied to the asset classes and the impact of new Capital expenditure investment in facilities and equipment over time and impact of asset revaluations and asset impairments.

Capital charge reflects the Crown's return on investment in the DHB and is impacted by upward movements in asset valuations, debt equity conversion noted above and the capital charge rate policy. These costs are summarised in the table below.

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
FINANCING COSTS						
Interest	562	826	1,200	1,200	1,200	1,200
Depreciation	55,495	57,032	65,878	71,435	82,578	96,227
Capital Charge	45,993	35,827	32,572	37,158	45,487	49,009
TOTAL FINANCING COSTS	**102,050**	**93,685**	**99,650**	**109,794**	**129,265**	**146,436**
% of Infrastructure & Non Clinical Supply Costs	**47%**	**40%**	**46%**	**52%**	**61%**	**68%**

To maintain overall sustainability, we need to continue investing in assets required to support the growing demand for our services. To maintain financial sustainability, this investment needs to be affordable to the DHB, meaning that all associated financing costs must be met within the funding available.

Statement of Cashflows – Group

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
CASHFLOW FROM OPERATING ACTIVITIES						
Cash was provided from						
Cash receipts from MoH and patients	2,380,642	2,558,032	2,746,423	2,848,860	2,904,936	2,962,127
Other receipts	101,488	94,505	95,699	92,899	92,899	92,899
	2,482,130	**2,652,538**	**2,842,122**	**2,941,760**	**2,997,835**	**3,055,026**
Cash was applied to						
Cash paid to employees	(1,095,334)	(1,168,393)	(1,226,700)	(1,292,051)	(1,318,692)	(1,345,865)
Cash paid to suppliers	(1,279,967)	(1,367,876)	(1,514,518)	(1,543,741)	(1,533,703)	(1,566,549)
Net GST Paid	3,842	397	-	-	-	-
Payments for Capital Charge	(45,993)	(33,816)	(35,572)	(37,158)	(45,487)	(49,009)
	(2,417,453)	**(2,569,688)**	**(2,773,790)**	**(2,872,949)**	**(2,917,881)**	**(2,961,423)**
NET CASHFLOW FROM OPERATING ACTIVITIES	**64,677**	**82,850**	**68,332**	**68,810**	**79,953**	**93,603**
INVESTING ACTIVITIES						
Cash was provided from						
Interest Received	4,159	2,237	2,625	2,625	2,625	2,625
Proceeds from Sale of property, plant & equipment	162	37	-	-	-	-
Decrease/(Increase) in Investments & restricted trust funds	11,731	17,893	5,000	-	-	-
	16,052	**20,168**	**7,625**	**2,625**	**2,625**	**2,625**
Cash was applied to						
Purchase of property, plant & equipment	(68,092)	(98,731)	(259,420)	(276,182)	(198,111)	(80,275)
Purchase of intangible assets	(2,313)	(692)	(26,672)	(26,122)	(27,258)	(11,584)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	**(54,353)**	**(79,255)**	**(278,467)**	**(299,679)**	**(222,744)**	**(89,234)**
FINANCING ACTIVITIES						
Interest paid	(562)	(869)	(1,200)	(1,200)	(1,200)	(1,200)
Repayment of loans	(97)	(97)	(100)	(46)	-	-
Proceeds of borrowings	1,997	3,808	6,707	(3,134)	(3,142)	(3,134)
Proceeds from capital contributed/(repaid)	30,047	44,675	131,752	208,198	153,128	25,660
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	**31,384**	**47,517**	**137,159**	**203,818**	**148,786**	**21,326**
NET CASH INFLOW/(OUTFLOW)	**41,708**	**51,112**	**(72,976)**	**(27,050)**	**5,996**	**25,695**
Cash & cash equivalents at the start of the year	**94,192**	**135,900**	**187,013**	**114,036**	**86,986**	**92,981**
Cash & cash equivalents at the end of the year	**135,900**	**187,013**	**114,036**	**86,986**	**92,981**	**118,677**

The increasing operating cashflow over the years reflects the impact of the cash for the Holidays Act remediation assumed to be received, to offset the increase in the provision each year.

Statement of Cashflows – Parent

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
CASHFLOW FROM OPERATING ACTIVITIES						
Cash was provided from						
Cash receipts from MoH and patients	2,380,642	2,558,032	2,746,423	2,848,860	2,904,936	2,962,127
Other receipts	94,994	94,505	95,699	92,899	92,899	92,899
Total operating cash receipts	**2,475,636**	**2,652,538**	**2,842,122**	**2,941,760**	**2,997,835**	**3,055,026**
Cash was applied to						
Cash paid to employees	(1,094,808)	(1,168,393)	(1,226,700)	(1292,051)	(1,318,692)	(1,345,865)
Cash paid to suppliers	(1,278,318)	(1,366,956)	(1,510,809)	(1,544,314)	(1,554,276)	(1,567,122)
Net GST Paid	3,731	397	-	-	-	-
Payments for Capital Charge	(45,993)	(33,816)	(32,572)	(37,158)	(45,487)	(49,009)
Total operating Cash payments	**(2,415,388)**	**(2,568,768)**	**(2,774,363)**	**(2,873,522)**	**(2,918,454)**	**(2,961,996)**
NET CASHFLOW FROM OPERATING ACTIVITIES	**60,248**	**83,770**	**67,759**	**68,237**	**79,380**	**93,030**
INVESTING ACTIVITIES						
Cash was provided from						
Interest Received	3,743	2,237	2,625	2,625	2,625	2,625
Proceeds from property, plant & equipment	162	37	-	-	-	-
Decrease/(Increase) in Investments & restricted trust funds	10,379	17,893	5,000	-	-	-
	14,284	**20,168**	**7,625**	**2,625**	**2,625**	**2,625**
Cash was applied to						
Purchase of property, plant & equipment	(68,039)	(98,731)	(259,420)	(276,182)	(198,111)	(80,275)
Purchase of intangible assets	(2,313)	(692)	(26,672)	(26,122)	(27,258)	(11,584)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	**(56,068)**	**(79,255)**	**(278,467)**	**(299,679)**	**(222,744)**	**(89,234)**
FINANCING ACTIVITIES						
Interest paid	(562)	(869)	(1,200)	(1,200)	(1,200)	(1,200)
Repayment of loans	(1,544)	(97)	(100)	(46)	-	-
Proceeds of borrowings	3,444	3,808	6,707	(3,134)	(3,142)	(3,134)
Proceeds from capital contributed/(repaid)	30,047	44,675	131,752	208,198	153,128	25,660
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	**31,385**	**47,517**	**137,159**	**203,818**	**148,786**	**21,326**
NET CASH INFLOW/(OUTFLOW)	**35,565**	**52,032**	**(73,549)**	**(27,623)**	**5,423**	**25,122**
Cash & cash equivalents at the start of the year	**94,192**	**129,757**	**181,789**	**108,240**	**80,816**	**86,039**
Cash & cash equivalents at the end of the year	**129,757**	**181,789**	**108,240**	**80,616**	**86,039**	**111,161**

Statement of Financial Position – Group

	2019-20 Audited $'000	2020-21 Forecast $'000	2021-22 Plan $'000	2022-23 Plan $'000	2023-24 Plan $'000	2024-25 Plan $'000
ASSETS						
Current assets						
Cash and cash equivalents	135,900	187,013	114,036	86,986	92,981	118,677
Investments	15,000	5,000	-	-	-	-
Trust/special funds	15,086	12,278	12,278	12,278	12,278	12,278
Restricted trust funds	1,308	1,308	1,308	1,308	1,308	1,308
Debtors & other receivables	111,916	108,890	108,890	108,890	108,890	108,890
Prepayments	4,622	6,177	5,473	4,768	4,064	3,359
Inventories	15,396	16,187	16,187	16,187	16,187	16,187
Total Current Assets	**299,228**	**336,853**	**252,172**	**230,417**	**235,708**	**260,699**
Non-current assets						
Investments	-	-	-	-	-	-
Trust/special funds	15,970	17,132	17,132	17,132	17,132	17,132
Property, Plant and Equipment	1,131,133	1,166,369	1,337,772	1,569,891	1,715,865	1,708,916
Intangible Assets	9,300	8,576	19,283	19,472	18,201	11,610
Investment in joint ventures & associates	75,057	75,057	75,057	75,057	75,057	75,057
Total Non-Current Assets	**1,231,461**	**1,267,134**	**1,449,244**	**1,681,551**	**1,826,254**	**1,812,714**
TOTAL ASSETS	**1,530,689**	**1,603,987**	**1,707,416**	**1,911,968**	**2,061,962**	**2,073,413**
LIABILITIES						
Current liabilities						
Payables and deferred revenue	197,221	244,049	244,049	243,680	243,680	232,604
Employee benefits	505,323	579,000	619,000	659,000	699,000	739,000
Borrowings	1,925	2,633	2,633	2,533	2,533	2,533
Restricted trust funds	1,308	1,308	1,308	1,308	1,308	1,308
Total Current Liabilities	**705,777**	**826,990**	**866,990**	**906,521**	**946,521**	**975,445**
Non-current liabilities						
Employee Benefits	88,931	94,788	94,788	94,788	94,788	94,788
Borrowings	10,136	13,613	20,220	17,040	13,907	10,773
Total Non-Current Liabilities	**99,067**	**108,401**	**115,008**	**111,828**	**108,695**	**105,561**
TOTAL LIABILITIES	**804,844**	**935,391**	**981,998**	**1,018,349**	**1,055,216**	**1,081,006**
EQUITY						
Contributed Capital	919,432	964,107	1,095,853	1,304,058	1,457,179	1,482,839
Accumulated surplus/(deficit)	(821,487)	(923,412)	(998,335)	(1,038,339)	(1,078,833)	(1,118,333)
Property revaluation reserve	599,151	599,151	599,151	599,151	599,151	599,151
Trust/special funds	28,749	28,749	28,749	28,749	28,749	28,749
TOTAL EQUITY	**725,845**	**668,596**	**725,418**	**893,619**	**1,006,747**	**992,407**
NET ASSETS	**725,845**	**668,596**	**725,418**	**893,619**	**1,006,747**	**992,407**

The movement in Crown equity balances reflects the increase in equity for Crown funded significant investments under implementation such as FIRP and BFTF. However, this is also net of reductions due to deficits.

Statement of Financial Position – Parent

	2019-20 Audited $'000	2020-21 Forecast $'000	2021-22 Plan $'000	2022-23 Plan $'000	2023-24 Plan $'000	2024-25 Plan $'000
ASSETS						
Current assets						
Cash and cash equivalents	129,757	181,790	108,240	80,617	86,039	111,162
Investments	15,000	5,000	-	-	-	-
Trust/special funds	-	(8,297)	(8,297)	(8,297)	(8,297)	(8,297)
Restricted trust funds	1,376	1,308	1,308	1,308	1,308	1,308
Debtors & other receivables	114,127	106,741	106,741	106,741	106,741	106,741
Prepayments	4,622	6,177	5,473	4,768	4,064	3,359
Inventories	15,396	16,187	16,187	16,187	16,187	16,187
Total Current Assets	**280,278**	**308,906**	**229,652**	**201,324**	**206,042**	**230,460**
Non-current assets						
Investments	-	-	-	-	-	-
Trust/special funds	-	-	-	-	-	-
Property, Plant and Equipment	1,130,141	1,165,369	1,336,772	1,568,885	1,714,871	1,707,787
Intangible Assets	9,300	8,576	19,283	19,472	18,201	11,610
Investment in joint ventures & associates	74,539	74,539	74,539	74,539	74,539	74,539
Total Non-Current Assets	**1,213,980**	**1,248,484**	**1,430,594**	**1,662,895**	**1,807,611**	**1,793,935**
TOTAL ASSETS	**1,494,259**	**1,557,389**	**1,660,246**	**1,864,219**	**2,013,653**	**2,024,396**
LIABILITIES						
Current liabilities						
Payables and deferred revenue	188,429	226,910	226,909	226,540	226,540	215,328
Employee benefits	505,240	578,917	618,917	658,917	698,917	738,917
Borrowings	3,667	2,633	2,633	2,533	2,533	2,533
Restricted trust funds	1,384	1,308	1,308	1,308	1,308	1,308
Total Current Liabilities	**698,720**	**809,768**	**849,767**	**889,298**	**929,298**	**958,086**
Non-current liabilities						
Employee Benefits	88,932	94,788	94,788	94,788	94,788	94,788
Borrowings	10,136	13,613	20,220	17,040	13,907	10,773
Total Non-Current Liabilities	**99,067**	**108,401**	**115,008**	**111,828**	**108,695**	**105,561**
TOTAL LIABILITIES	**797,788**	**918,169**	**964,775**	**1,001,126**	**1,037,993**	**1,063,647**
EQUITY						
Contributed Capital	919,428	964,102	1,095,854	1,304,053	1,457,185	1,482,844
Accumulated surplus/(deficit)	(822,108)	(924,034)	(999,535)	(1,040,111)	(1,080,676)	(1,121,247)
Property revaluation reserve	599,151	599,151	599,151	599,151	599,151	599,151
Trust/special funds	-	-	-	-	-	-
TOTAL EQUITY	**696,471**	**639,219**	**695,471**	**863,093**	**975,660**	**960,748**
NET ASSETS	**696,471**	**639,220**	**695,471**	**863,093**	**975,660**	**960,748**

Disposal of Land

In compliance with clause 43 of schedule 3 of the New Zealand Public Health and Disability Act 2000, we will not sell, exchange, mortgage or charge land without the prior written approval of the Minister of Health. We will comply with the relevant protection mechanism that addresses the Crown's obligations under Te Tiriti o Waitangi and any processes related to the Crown's good governance obligations in relation to Māori sites of significance.

Statement of Changes in Net Assets/Equity – Group

	2019-20 Audited $'000	2020-21 Forecast $'000	2021-22 Plan $'000	2022-23 Plan $'000	2023-24 Plan $'000	2024-25 Plan $'000
BALANCE AT 1 JULY	**799,567**	**725,845**	**668,596**	**725,418**	**893,619**	**1,006,747**
Comprehensive Income/(Expense)						
Surplus/Deficit for the Year	(103,767)	(61,925)	(34,921)	0	0	0
Extraordinary Expenses	-	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Gains/(Losses) on Property Revaluations	-	-	-	-	-	-
Other movements	(1)	-	(9)	2	(4)	0
TOTAL COMPREHENSIVE INCOME	(103,768)	**(101,925)**	**(74,930)**	**(39,998)**	**(40,003)**	**(40,000)**
OWNER TRANSACTIONS						
Capital Contributions from the Crown	30,046	44,675	131,752	208,199	153,131	25,660
BALANCE AT 30 JUNE	**725,845**	**668,596**	**725,418**	**893,619**	**1,006,747**	**992,407**

Statement of Changes in Net Assets/Equity – Parent

	2019-20 Audited $'000	2020-21 Forecast $'000	2021-22 Plan $'000	2022-23 Plan $'000	2023-24 Plan $'000	2024-25 Plan $'000
BALANCE AT 1 JULY	**770,631**	**696,470**	**639,220**	**695,473**	**863,099**	**975,658**
Comprehensive Income/(Expense)						
Surplus/Deficit for the Year	(104,210)	(61,925)	(35,499)	(573)	(573)	(573)
Extraordinary Expenses	-	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Gains/(Losses) on Property Revaluations	-	-	-	-	-	-
Other movements	4	-	(3)	(4)	8	1
TOTAL COMPREHENSIVE INCOME	**(104,206)**	**(101,925)**	**(75,502)**	**(40,577)**	**(40,565)**	**(40,571)**
OWNER TRANSACTIONS						
Capital Contributions from the Crown	30,046	44,675	131,752	208,199	153,131	25,660
BALANCE AT 30 JUNE	**696,471**	**639,220**	**695,471**	**863,093**	**975,660**	**960,748**

Additional Information

Financial performance for each of the DHB arms is summarised in the tables below and on the following pages.

Funder Arm Financial Performance

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
REVENUE						
Government & Crown Agency Sourced	1,563,530	1,634,678	1,794,323	1,877,452	1,915,001	1,953,301
Non-Government & Crown Agency Sourced	11,409	10,272	10,272	10,477	10,687	10,901
IDFs & Inter-DHB Sourced	686,267	742,035	793,595	809,467	825,656	842,169
TOTAL REVENUE	**2,261,206**	**2,386,985**	**2,598,189**	**2,697,396**	**2,751,343**	**2,806,370**
EXPENDITURE						
Payment to Provider	1,478,645	1,570,452	1,696,453	1,761,228	1,796,452	1,832,381
Payment to Governance	15,323	15,758	16,396	17,023	17,363	17,710
Total Payments to Internal Provider	**1,493,968**	**1,586,211**	**1,712,848**	**1,778,250**	**1,813,815**	**1,850,092**
NGO Expenditure						
Personal Health	354,491	392,456	406,520	422,042	430,483	439,093
Mental Health	42,897	47,491	67,171	69,736	71,131	72,553
DSS	177,108	196,076	208,222	216,172	220,496	224,906
Public Health	22,960	25,419	84,954	88,198	89,962	91,761
Māori Health	1,568	1,736	1,606	1,668	1,701	1,735
Total Payments to NGO providers	**599,024**	**663,178**	**768,473**	**797,816**	**813,772**	**830,048**
IDF Outflows	103,143	107,646	116,867	121,329	123,756	126,231
Total Payments to External Providers	**702,167**	**770,824**	**885,340**	**919,145**	**937,528**	**956,279**
TOTAL EXPENDITURE	**2,196,135**	**2,357,035**	**2,598,189**	**2,697,396**	**2,751,343**	**2,806,370**
SURPLUS/(DEFICIT)	**65,071**	**29,950**	**0**	**0**	**0**	**0**
Other Comprehensive Income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**65,071**	**29,950**	**0**	**0**	**0**	**0**

The Funder is planning a surplus in each of the planning years, which partially offsets planned deficits in the Provider arm but is not sufficient to achieve a breakeven result.

Provider Arm Financial Performance

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
INCOME						
MoH Base via Funder	1,493,558	1,596,302	1,714,554	1,779,329	1,814,554	1,850,483
MoH Direct	64,514	118,535	81,108	83,721	85,222	86,752
Other	155,153	135,677	144,548	145,166	145,793	146,427
TOTAL INCOME	**1,713,225**	**1,850,515**	**1,940,210**	**2,008,217**	**2,045,569**	**2,083,662**
EXPENDITURE						
Personnel	1,206,480	1,258,139	1,301,468	1,326,738	1,353,272	1,380,338
Outsourced Services	139,681	156,275	148,229	150,572	153,584	156,655
Clinical Supplies	312,082	331,264	350,948	354,677	360,005	365,413
Infrastructure & non clinical supplies	217,737	227,215	204,885	206,629	209,106	211,655
Other	7,825	9,656	9,601	9,601	9,601	9,601
TOTAL EXPENDITURE	**1,883,805**	**1,982,549**	**2,015,131**	**2,048,217**	**2,085,569**	**2,123,662**
SURPLUS/(DEFICIT)	**(170,580)**	**(132,035)**	**(74,921)**	**(40,000)**	**(40,000)**	**(40,000)**
Other Comprehensive Income						
Gains/(Losses) on Property Revaluations	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**(170,580)**	**(132,035)**	**(74,921)**	**(40,000)**	**(40,000)**	**(40,000)**

The Provider Arm financial plan is for a deficit in each of the planning years. This is partially offset by the surpluses in the Funder. Funding issues described in the Financial Sustainability and Financial Planning Setting sections mainly relate to the Provider arm. As a provider of last resort, Auckland DHB accepts referrals from other DHBs for national services and for IDF services, irrespective of the funding allowed in the Funding Envelope. COVID-19 impacts on provider arm resources also has implications for the ability to deliver to planned care and IDF volume contracts. The impacts of the significant investment programme fall on the provider arm, and without new demographic growth funding, the ability to absorb additional costs is limited. The DHB will continue working on the internal issues to improve productivity, improve processes and contain cost growth within controllable areas. However, the DHB will also need to work with the central agency and other DHBs to consider radical shifts in how services are delivered and the levels of service that should be delivered within the available funding.

Governance and Funding Administration Arm Financial Performance

	2019/20 Audited $'000	2020/21 Forecast $'000	2021/22 Plan $'000	2022/23 Plan $'000	2023/24 Plan $'000	2024/25 Plan $'000
Revenue from Funder Arm	15,323	15,758	16,396	17,023	17,1363	17,710
Revenue Other	700	-	-	-	-	-
TOTAL INCOME	**16,023**	15,758	**16,396**	**17,023**	**17,363**	**17,710**
EXPENDITURE	**14,282**	15,819	**16,396**	**17,023**	**17,363**	**17,710**
SURPLUS/(DEFICIT)	**1,741**	**(61)**	**0**	**0**	**0**	**0**
Other Comprehensive Income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**1,741**	**(61)**	**0**	**0**	**0**	**0**

The Governance and Funding Administration arm continues to perform within the funding allocated.

Capital Expenditure

The capital plan reflects the level of capital able to be funded from internally generated cash (mainly depreciation free cashflow) as well as strategic projects that are funded by Crown Equity. Ongoing capital investment is required to meet growth in services, compliance-related investments and investments in information technology. The Regional LTIP developed informs the main investment requirements prioritised for the region. Auckland DHB has three strategic projects included in the regional LTIP that are being progressed or in development. Only projects that have been approved by the Minister have been included in the plans i.e. FIRP Tranches 1 & 2, BFTF PICU, BFTF Ward 51. Projects where funding has been requested from the Ministry but not yet approved have not been included. The financials indicate that the HARP project can be accommodated into the plans.

	2019-20 Audited $'000	2020-21 Forecast $'000	2021-22 Plan $'000	2022-23 Plan $'000	2023-24 Plan $'000	2024-25 Plan $'000
FINANCING SOURCES						
Free cashflow from depreciation	55,495	60,632	65,878	71,435	82,578	96,227
External Crown Funding	30,047	227,430	131,752	208,199	153,129	25,660
Private Funding - Finance leases	1,900	6,809	6,707	(3,134)	(3.142)	(3,134)
Donations	-	-	6,663	7,552	-	-
Cash Reserves	(23,195)	(59,146)	75,092	18,251	(7,197)	(26,895)
TOTAL FINANCING	**64,246**	**235,724**	**286,092**	**302,304**	**225,369**	**91,859**
BASELINE CAPITAL EXPENDITURE						
Land	1,000					
Buildings and Plant	15,692	52,617	27,152	32,400	32,400	32,400
Clinical Equipment	21,333	34,279	57,388	24,000	24,000	24,000
Other Equipment	1,496	2,942	8,316	600	600	600
Information Technology (Hardware)	323	-	2,700	2,000	2,000	2,000
Intangible Assets (Software)	477	13,456	21,859	6,000	6,000	6,000
Motor Vehicles	779	823	809	1,000	1,000	1,000
TOTAL BASELINE CAPITAL EXPENDITURE	**41,100**	**104,117**	**118,223**	**66,000**	**66,000**	**66,000**
STRATEGIC INVESTMENTS						
Land	-	-	-	-	-	-
Buildings & Plant	21,828	121,746	160,556	213,682	133,111	20,275
Clinical Equipment		8,653	2,500	2,500	5,000	-
Other equipment	-	-	-	-	-	-
Information Technology (Hardware)	-	-	-	-	-	-
Intangible Assets (Software)	1,318	1,208	4,813	20,122	21,258	5,584
Motor Vehicles	-	-	-	-	-	-
TOTAL STRATEGIC CAPITAL EXPENDITURE	**23,146**	**131,607**	**167,869**	**236,304**	**159,369**	**25,859**
TOTAL CAPITAL PAYMENTS	**64,246**	**235,724**	**286,092**	**302,304**	**225,369**	**91,859**

Banking Facilities and Covenants

Term Debt Facilities and Covenants

Auckland DHB does not have any more term debt.

Shared Commercial Banking Services

Auckland DHB continues to participate in the DHBs' shared commercial banking arrangements with BNZ, other DHBs and New Zealand Health Partnership Limited (NZHPL). Under these arrangements, DHBs are not required to maintain separate overdraft or stand by facilities for working capital.

Statement of Accounting Policies

The forecast financial statements have been prepared based on the significant accounting policies, which are expected to be used in the future for reporting historical financial statements. The significant accounting policies used in the preparation of these forecast financial statements included in this Annual Plan are summarised below. A full description of accounting policies used by Auckland DHB for financial reporting is provided in the Annual Reports that are published on the Auckland DHB website: www.adhb.govt.nz/publications.

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 forecast financial statements of Auckland DHB 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 subsidiaries, associates and joint ventures 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.

Basis of preparation

The forecast financial statements have been prepared on a going concern basis, and the accounting policies were applied consistently throughout the period.

Going concern

The forecast financial statements of the DHB have been prepared on a going concern basis.

Statement of compliance

The forecast financial statements of the DHB were prepared in accordance with the requirements of the New Zealand Public Health and Disability Act (2000) and the Crown Entities Act (2004), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These forecast financial statements have been prepared in accordance with *PBE-FRS 42: Prospective Financial Statements*. These forecast financial statements comply with Public Sector PBE accounting standards. The forecast financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

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

Forecast information

In preparation of the forecast financial statements, the DHB has made estimates and assumptions concerning future events. The assumptions and estimates are based on historical factors and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions may differ from subsequent actual results.

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.

Basis of consolidation

Subsidiaries

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.

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.

Revenue

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

Revenue items	Explanation
MoH revenue	The DHB receives annual funding from the Ministry of Health (MoH), which is based on population levels 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

Revenue items	Explanation
	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.
ACC contract revenue	ACC contract revenue is recognised as revenue when eligible services are provided and any contract conditions have been fulfilled.
Revenue from other DHBs	Inter district patient inflow revenue occurs when a patient treated within the Auckland DHB region is domiciled outside of Auckland. The Ministry of Health 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.
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 grants	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.
Provision of services	Revenue derived from the provision of other services to third parties is recognised in proportion to the stage of completion at 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.

Personnel costs

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 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.

Capital charge

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

Other expenses

Borrowing costs

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

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.

Cash and cash equivalents

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.

Investments

Bank term deposits

Investments in 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.

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.

Receivables

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

Auckland DHB applies 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.

Inventories

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.

Non-current assets held for sale

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.

Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes: land; buildings (including fit outs 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 and underground infrastructure are re-valued 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 re-valued 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 re-valued. 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. 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 re-valued 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 were 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.

Intangible assets

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. The acquisition 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.

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 were estimated as:

- Acquired software 3 to 5 years (20–33%)
- Internally developed software 3 to 5 years (20–33%)
- Goodwill 29 months (42%).

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

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 re-valued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Investments in joint venture and associates

Joint Ventures

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 forecast financial statements include Auckland DHB's joint interest in the 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.

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

Payables

Short-term payables are recorded at their face value.

Employee entitlements

Short-term employee entitlements
Employee benefits that are 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 has 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;
- likelihood that staff will reach the point of entitlement and contractual entitlement information;
- 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.

Provisions

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 DHB belongs to the ACC Accredited Employers Programme (the Full Self Cover Plan") whereby the DHB accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the DHB is liable for all its claims costs for a period of two years after the end of the cover period in which injury occurred. At the end of the two-year period, the DHB pays a premium to ACC for the value of residual claims, and from that point the liability for on-going claims passes to ACC. The liability for the ACC Accredited Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely to possible, the estimated future cash outflows.

Borrowings

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

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.

Equity

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 cashflow hedge and trust funds.

Property Revaluation Reserves

The reserves related to the revaluation of land and buildings to fair value.

Trust funds

This reserve records the unspent amount of donations and bequests provided to the DHB. 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.

Goods and services tax

All items in the forecast 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.

Cost allocation

The DHB has determined the cost of outputs 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 forecast financial statements, the DHB has made estimates and assumptions concerning the future. These estimates and assumptions may 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 discussed below.

Estimating the fair value of land and building revaluations

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) of Telfer Young (Auckland) Limited. The valuation is effective as at 30 June 2017. The next full revaluation of land and buildings will be completed 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 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).

Values have been adjusted to reflect the imposition of Section 148 of The Act. Restrictions on Auckland DHB's ability to sell land would normally not impair the value of the land because Auckland DHB 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 infrastructures were last re-valued on 30 June 2016 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 value.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. The following market rents and capitalisation rates were used in the 30 June 2016 valuation:

- Land market values range from $3,000 to $4,000 per square metre depending on location
- Market rents range from $2,414 to $4,953 per square metre
- Capitalisation rates are market-based rates of return and range from 6.52% to 8.23%.

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 minimises the risk of this estimation uncertainty by:

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

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

Measuring Retirement Gratuities and Long Service Leave

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 this liability include 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 forward discount 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 has been determined after considering historical salary inflation patterns and future movements. The discount rates used are those advised by the Treasury. The salary inflation factor is the DHB'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.

Continuing Medical Education Leave

The continuing medical education leave liability assumes the utilisation of the annual entitlement based on recent experience.

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.

Measuring liability to comply with the Holidays Act 2003

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 any 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 2019/20 financial year. The review process agreed as part of the MOU will roll-out in tranches to the DHBs and NZBS, expected to be over 18 months although DHB readiness and availability of resources (internal and external to the DHB) may determine when a DHB can commence the process. The final outcome of the remediation project and timeline addressing any non-compliance will not be determined until this work is completed.

Notwithstanding, in preparing the forecasted financial statements, Auckland DHB recognises it has an obligation to address any historical non-compliance under the MOU and has made estimates and assumptions to determine a potential liability based on its own review of payroll processes which identified instances of non-compliance with the Act and the requirements of the MOU. This was based on selecting a sample of current and former employees; making a number of early assumptions; calculating an indicative liability for those current and former employees; and extrapolating the result. A provision for non-compliance with the Holidays Act has been made in the forecasted financial statements based on best estimate. However, until the project has progressed further, there remain substantial uncertainties. The estimates and assumptions may differ to the subsequent actual results as further work is completed and may result in further adjustment to the carrying amount of the provision liabilities within the next financial year.

Classification of Leases
Determining whether a lease agreement is a 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.

Identifying 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 statement.