

AUCKLAND DISTRICT HEALTH BOARD

Minutes of the Auckland District Health Board meeting
held on Thursday 5 February 2004
in the Marion Davis Library, Building 43,
Auckland City Hospital
commencing at 1:15pm

1. ATTENDANCE AND APOLOGIES

Board Members

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

Management in Attendance

Garry Smith – Chief Executive Officer
Marek Stepniak – Chief Operating Officer
Michael Boersen - Chief Financial Officer
Denis Jury – GM Planning, Strategy & Funding
John Woods – GM Human Resources
Meng Cheong – GM Medical/Surgical
David Sage – Chief Medical Officer
Kay Hyman – GM Starship Children's/National Women's
Brenda Saunders – GM Communications
Ian Bell - Board Administrator

Apologies

The Chairman declared the meeting open at 1:45pm.
The Chairman noted Dame Susan Devoy's resignation from the Board and suggested that a letter be sent to her in appreciation of her excellent contribution.

Moved Wayne Brown, seconded Margaret Horsburgh

That the ADHB move a vote of thanks to Dame Susan Devoy for her excellent contribution to the Board.

Carried

2. CONFIRMATION OF MINUTES 4 DECEMBER 2003

Moved Ian Scott, seconded John Retimana

That the minutes of the meeting of the Auckland District Health Board held on 4 December 2003 be confirmed as a true and correct record.

Carried

Discussions had been held with Gordon Davies of the MOH on the national pricing project which had not issued any conclusions as yet. He advised that rather than using a specific example, such as kidney transplants, that a group of pricing anomalies be submitted to demonstrate that the tertiary adjuster is insufficient to cover all the pricing anomalies.

3. ACTION POINTS 4 DECEMBER 2003

There were no action points.

4. CHAIRMAN'S REPORT

4.1 Report

Wayne Brown advised that the activities undertaken for the month had been:

- Attendance at two Select Committees involving preparation of forty eight pages of responses to questions. He thanked the CEO, CFO, Denis Jury, David Sage and staff for their input.
- Tour of the Auckland Hospital by the Select Committee. He thanked Nigel Murray and noted that Select Committee members were able to speak to clinicians.
- He had received a letter from the Minister concerning the Greater Auckland Collaboration.
- He had met with Nigel Murray to discuss the alleged \$40m savings and found them all to be in the Change Programme.
- He had signed the Support Building contract for \$25m.
- He had signed the ASB Facility documents for \$65m.
- Discussions had been held on the revaluation exercise.
- Reviewed plans for positive savings in this financial year.
- Received a letter from the Cystic Fibrosis Association who wanted to be photographed in Starship but had been denied by the communications General Manager presenting as a "marketing manager" protecting our brand. The Chair was disappointed at this response denying access to a public facility.

4.2 2003/2004 District Annual Plan

The letter from the Minister advising signing of the District Annual Plan for 2003/2004 was noted. It was important to deliver to the District Annual Plan to maintain the Boards credibility.

4.3 Lease of Premises to Starship Hospital School

The Ministers approval was noted.

5. CHIEF EXECUTIVE REPORT

5.1 Progress Against ADHB's Key Goals and Key Issues

5.2 Operations Report

5.3 Shared Services Report

5.4 Planning, Strategy and Communications

Garry Smith spoke to his reports.

Control Our Finances

- There was a focus on the year end position with the Provider arm losses not to reduce expenditure on primary healthcare spending.
- Management of possible over production as there is no more funds.
- Focus on reducing management and administration costs by \$7m had commenced.
- 2004 was a major year for employee relations with negotiations with SMOs, laboratory workers and radiation therapists.
- The funding package and issues relating to price, tertiary adjuster, calculation of population and business rules on IDF.

Change Programme

- Change programme identifying 2004/2005 projections.
- Implementation issues with SSS, Greenlane Clinical Centre, CRIS and bed management. It was important to acknowledge and keep people informed on what was being done.
- While complaints had increased, there was an emphasis on fixing them in a positive manner.
- Work on the regional shared services.

Lifting the Health of Aucklanders

- Issues will be generated through the DAP process.
- Referred Services was a national project but local initiatives could be dove tailed into it.
- Looking at ways to continue the initiatives that had been funded from the Primary Investment Fund.
- The policy change for screening of new migrants was welcomed.

5.5 Statement of Intent for 2003/2004

Moved Pat Snedden, seconded Margaret Horsburgh

That the ADHB notes that the 2003/2004 Statement of Intent is about to be endorsed by the Minister.

Carried

6. FINANCIAL REPORTS – DECEMBER 2003

6.1 Financial Report

Michael Boersen spoke to the report noting the budgeted receipt of \$15m for the sale of the car park licence in June and that December was budgeted to be a bad month. The two issues in the month of December were employee costs and direct treatment costs in the Provider arm. Direct treatment costs had been outlined to the Audit Committee with

increases in inventory, additional volumes and the effects of SSS. Comparisons with previous years were difficult as many services had been relocated however costs were still higher than the previous year. The SSS difficulties meant more stock and consumables but that is expected to track back through to June 2004. \$1m had been budgeted in the Provider arm for migration costs.

The Chairman asked that the average year to date be included on the pages for the year to date as well as forecasts. The unfavourable variances particularly nursing and direct treatment costs needed to be managed by people at the coal face with direct responsibility i.e. by using nurse leaders. It was acknowledged that Surgical and Cardiac areas would be difficult to manage closer to budget.

Michael Boersen stated that he was not too nervous about achieving the forecast deficit if the Provider could deliver to budget over the next six months as there was some up sides and contribution from Shared Services. He was not relying on any provisions to achieve the results. A contrary view was expressed that the changes required were not being imbedded in the organisation.

The debate on 6.1 was adjourned to address Regional Shared Services.

Regional Shared Services

Garry Smith spoke to a paper on Project NewShare covering the back office areas of operations which showed expenditure of some \$105m. The three Boards had different philosophies to management and governance, return on investment and the structure. The Chairman requested that the CEOs seek and get alternative bulk contracting out prices from third parties to compare with the proposals.

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Garry Smith, while supporting the proposal, had reservations about how it would operate from a governance level if combined into the existing healthAlliance which would be a 50/50 arrangement but with three Boards voting. It was noted that healthAlliance grew out of a sharing arrangement not a business case to achieve savings.

Deleted: He therefore recommended a new independent organisation and structure.

Wayne Brown left the meeting at 3:00pm and Margaret Horsburgh assumed the Chair.

Garry Smith advised that there would be a meeting of the three CEOs and he would be advocating for the need for a business case and how a governance structure would work as just joining healthAlliance would not deliver on these criteria.

Deleted: a more vigorous business case to support the proposal as he had discomfort with behaviours and parochialism. T

The Board adjourned the discussion to later in the meeting.

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The meeting returned to discussing the financial report 6.1.

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The debts owed by Waitemata and Counties Manukau were noted. The question of Pharmacy One had been resolved and an agreement reached but no money had been received. The ACC debt was difficult to manage as they had to deal with all the different branches and if there was a small error on the invoice the whole invoice was rejected. A better management account process was being investigated.

6.2 Treasury Report

Ian Bell spoke to his report noting that it was a major month with refinancing of existing bank facilities with ANZ, Westpac Banking Corporation and BNZ being replaced with the new Crown Financing Agency funding. It was noted that funds generally due in January had been received at 31 December from the MOH which also improved the cash position. The cash movement for year to date was \$32m which was \$65.2 favourable to budget. This had meant that loans of \$36m had not been drawn and there were additional funds on deposit compared with budget.

A claim for equity support for HSDP for the second quarter for 2004 had been lodged for \$4.6m compared of an original budget of \$13.7m. Equity support to rectify the interest breach at 31 December 2003 had been approved by the Crown totally \$20.75m with payments structured to be \$10.75m in January 2004, which had been received, and the balance being \$8m in March 2004 and \$2m in April 2004. This commitment would allow the issuing of the compliance certificate required under the Negative Pledge Deed. Documentation for the new \$65m ASB facility was being completed.

Moved Di Nash, seconded Ian Scott

That the ADHB Board compliments the Treasury Manager on his achievements.

Carried

7. DISABILITY SUPPORT ADVISORY COMMITTEE

The Committee would not meet until April 2004.

8. BUILDING COMMITTEE

The Building Committee was scheduled to meet in the next week.

9. QUALITY COMMITTEE

The Quality Committee would be meeting on 19 February 2004 which would be a workshop with management to establish performance measure of quality. All Board members were invited to the meeting.

10. AUDIT COMMITTEE

10.1 Report

Vicki Salmon reported that the Chairman of the A+ Charitable Trust, Richard Frith presented to them on the fund raising for the Clinical Education Centre with virtually all of the money raised and design being undertaken with a view to commencing construction. Post audits on HDU and the Rostering Project were reviewed as were good Internal Audit reports. The valuation of land and buildings had also been discussed as had the HRMS business case.

The Chair acknowledged the valuable expertise that John Woods as GM, Human Resource had brought to the organisation over the last two years and wished him well for the future.

10.2 Leases

This item had been withdrawn.

10.3 Library Services

Moved Ian Scott, seconded Margaret Horsburgh

That the ADHB approves the proposal with the University of Auckland for the provision of Library Services for 2004.

Carried

10.4 Microsoft Enterprise Agreement

The Audit Committee had discussed this and while recommending it to the Board had been disappointed with the approach taken by Microsoft.

Moved Pat Snedden, seconded Ian Scott

That the ADHB approves the re-signing of the Microsoft Enterprise Agreement for a period of three years at an annual cost of \$1.3m.

Carried

10.5 Funder Contracts Mental Health

Moved Ian Scott, seconded Margaret Horsburgh

That the ADHB approves the following contracts:

284118	Odessey House Trust
248090	Delmore and Reidy
284097	Framework Trust

Carried

10.6 Diagnostic Medlab Limited

Moved Ian Scott, seconded Harry Burkhardt

That the ADHB approves the 02 variation to the contract with Diagnostic Medlab Limited effective from 1 July 2002 and authorises the Chief Executive Officer to sign the variation on its behalf.

Carried

10.7 Spectrum Care Trustee Fees

The Audit Committee had discussed this and requested management to provide more information and a recommendation on the level of fees as well as looking at the question of subordinated debt to the Trust.

10.8 HRMS Business Case

Moved Ian Scott, seconded Margaret Horsburgh

That the ADHB delegates approval of the final payroll and HRMS business case to the Chairman and Chair of the Audit Committee after it is recommended to them by the Management Finance Committee.

Carried

11. GENERAL BUSINESS

The Board wished to move into public exclusion.

Moved Pat Snedden, seconded Vicki Salmon

That the public be excluded from the following part of the meeting to consider further advice on regional co-operation. The reason for passing the resolution was to protect the privacy of natural persons and to enable the Board to carry on without prejudice or disadvantage commercial activities and negotiations under the Official Information Act 1982 section 9(2)a, section 9(2)i and section 9(2)j and that the public conduct of the relevant part of the meeting would be likely to result in the disclosure of information for which there were good reasons for withholding would exist under section 9 of the Official Information Act 1982

Carried

Matters were discussed in public exclusion.

Moved Pat Snedden, seconded Vicki Salmon

That the ADHB come out of public exclusion.

Carried

12. NEXT MEETING

The meeting closed at 3.42pm.

The next meeting will be held on:

Thursday 4 March 2004,
Marion Davis Library,
Auckland City Hospital
Grafton.

CONFIRMED

CHAIR

DATE

Board
5 February 2004

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