

WAITAKI DISTRICT HEALTH SERVICES LIMITED

2022/2023

DRAFT STATEMENT OF INTENT

(Pursuant to Section 64 of the Local Government Act 2002)

<NB: no financials are included.>

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Waitaki District Health Services Limited

Draft Statement of Intent

Period from 1 July 2022 – 30 June 2023

1. Introduction

This Statement of Intent has been prepared in accordance with Section 64 of the Local Government Act 2002.

It outlines the activities and intentions of Waitaki District Health Services Limited (the Company) for the next three years and the objectives to which those activities will contribute. Performance targets and measures are specified, along with the Company's relevant policies relating to governance and other matters.

The Statement of Intent is reviewed annually by the Company in consultation with Waitaki District Council.

Where relevant, subsidiary / related entities of the Company, are highlighted.

NB: this draft SOI does not include Observatory Village, and the current intention is to dissolve WDHST.

NB: this draft SOI will need to be rewritten following receipt of the final Letter Of Expectation from Council.

NB: due to ongoing personnel issues, the required financials are currently unable to be compiled.

2. The Company

2.1 Background

Waitaki District Health Services Limited was established in 1997 for the charitable purpose of providing health services to the community and is 100% owned by the Waitaki District Council. Under the provisions of the Local Government Act 2002, it is deemed to be a Council Controlled Organisation.

Council's primary objective for continued ownership and control is to ensure the healthcare needs and interests of the District are met through the delivery of our core purpose:

To champion, provide, and enable sustainable, trusted, quality health services for our community (the Waitaki District).

WDHST was established under a trust deed for the charitable purpose of providing health services within the Waitaki District of New Zealand. Its trustees are the directors of the Company. Discussions have been had regarding the dissolution of the Trust.

WDHST established the Observatory Village Charitable Trust to own and operate the Observatory Village with the goal of providing support for aged care, health and disability services, and related charitable purposes. WDHST provided initial equity for the development. The Observatory Village has

repaid the equity as at March 2022. The equity interest in the Observatory Village had previously been represented through the Company Appointed Trustee to the Observatory Village Charitable Trust. With the repayment of the equity and with the intended dissolution of the Waitaki District Health Services Trust itself, the ongoing arrangements are now in need of clarification.

The Company is required by the Office of the Auditor General to provide audited consolidated financial accounts including the Company, WDHST and Observatory Village Charitable Trust. That grouping adds cost, time and other pressures that do not appear beneficial to anyone. All parties involved, Council, WDHSL, WDHST, and Observatory Village do not believe that the entities should be grouped together as WDHSL has no legal ability to direct or control the activities of Observatory Village; nevertheless, the Auditor General believes they should be grouped for audit purposes. A representation will be made by WDHSL, supported by the other parties, to the Auditor General to have that decision reconsidered.

2.2 Nature and Scope of Activities

The activities undertaken by WDHSL, the Company, include, but are not limited to:

- The operation of Oamaru Hospital
- The District-wide provision of health services including:
 - Inpatient care including (assessment, treatment and rehabilitation);
 - Acute care services such as Emergency Department, Stabilisation and Observation;
 - Maternity including ante and post-natal care;
 - Diagnostics such as Radiology (CT Scans, Plain Film, and Ultrasound);
 - Outpatient specialist and nurse-led clinics;
 - Mobile Surgical Bus;
 - Te Waka Wahine Hauroa (The Woman's Health Bus);
 - Chemotherapy;
 - District Nursing;
 - Allied Health, including Occupational Therapy, Clinical Needs Assessment, Physiotherapy and Social Work
- Maintaining and operating the Southern District Health Board service contract for the Waitaki District
- Maintaining and operating the ACC service contract for Rural GP services
- Providing contract health and rehabilitation services for other organisations requiring local services such as ACC Non-Acute Rehabilitation contract.
- Acquiring, maintaining and operating all buildings and other resources needed for the business of the Company.
- Developing a sustainable business plan to ensure long-term clinical and financial viability.
- Overseeing subsidiary / related companies for the benefit of the Group.

2.3 Objectives

The principal objective of the Company is to operate a successful healthcare business by providing services to meet the healthcare needs of the Waitaki District community.

2.4 Shareholder Expectations

Council expects that in conducting the affairs of the Company, WDHSL shall ensure:

- That the Company returns to operating in a financially sustainable manner.

- The Company delivers services that are clinically excellent and safe for both staff and those accessing services.
- Delivery of clinical services are of excellent quality and meets the needs of our community.
- That the Company buildings, infrastructure, clinical equipment and information technology systems are in good condition, fit for purpose and well maintained.
- That the Company ensures that the delivery of contracted services is within the provided funding.
- Business activities are conducted in an efficient and effective manner with assets and liabilities being prudently managed.
- Overall performance supports Council’s reasons for continued ownership, including engagement with the Council around the wider local government reforms opportunities as appropriate.
- The Company acts as a good employer and as an environmentally conscious and responsible citizen.
- Transparent and collaborative relations are maintained with the shareholder.
- That the Company pursue all avenues of funding that may be available from time to time for Waitaki District Health Services funding.
- That the Company engages with the upcoming health reforms process to ensure that both itself and the wider the community make the most of the opportunities being presented.
- That the Company, as the Parent, optimises its return on investment in WDHST and the Observatory Village Charitable Trust, to be used by the Company for the health and wellbeing of the Waitaki community. <NB: this may not be relevant dependent on subsequent events relating to the Trust.>

3. Reporting and Performance Measures

3.1 Reporting Frequency and Content

The Chair, or their nominated delegate, of the Company shall attend any meeting at which the Annual Report or Half Yearly Report is presented to Council as shareholder.

The following information will be available to the shareholder based on an annual balance date of 30th June:

Draft Statement of Intent

By 1 March each year, the Directors shall deliver to the shareholder a Draft Statement of Intent for the following year which fulfils the requirements of Section 64 of the Local Government Act 2002.

Completed Statement of Intent

By 30th June of each year, the Directors will deliver to the shareholder a Statement of Intent for the following year which fulfils the requirements of Section 64 of the Local Government Act 2002.

Half Yearly Report

Within two months after the end of the first half of each financial year, the Directors shall deliver to the shareholder an un-audited report containing the information required by the Financial Reporting Act 1993 and a commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company’s performance.

Annual Report

Within three months after the end of each financial year, the Directors shall deliver to the shareholder an annual report and audited financial statements in respect of the financial year, containing the following information as a minimum:

- A report on the operations of the Company to enable an informed assessment of the Group's performance, including variations from the business plan and achievements against performance targets.
- Performance against the Corporate Governance Statement.
- Audited Financial statements as required under the Financial Reporting Act 1993, *(It is noted that time constraints of the company's auditors may delay timely completion of audits and that any such delays are not within the control of the company).*
- A report on compliance with the Company's Tendering Policies.
- Activity statistics, with comparable figures for previous year.
- A report on service delivery issues and achievements.

Waitaki District Health Services Group

As a result of a directive from the Office of the Auditor General, the annual financial statements of Waitaki District Health Services Limited, Waitaki District Health Services Trust and the Observatory Village Charitable Trust will be consolidated.

For the purposes of transparency, in addition to the consolidated accounts, the shareholder will be provided with as a minimum the separate accounts for each of the entities of Waitaki District Health Services Limited, Waitaki District Health Services Trust and the Observatory Village Charitable Trust.

The Company notes its disagreement with the directive in as much as it has no legal means of carrying out the directive in regard to the Observatory Village components.

<NB: there are inherent difficulties associated with placing this requirement on WDHSL given the experiences of the current and previous years audits. Resolution of this matter needs addressing.>

3.2 Performance Objectives and Measures

WDHSL – The Company

Over the next three years the Company's performance objectives are to:

- (i) Ensure services are clinically excellent, financially sustainable and delivered by an engaged workforce, operating in safe working environments.
- (ii) Operate and provide planned services within budgeted income, including services contract income with the Southern District Health Board and income from other contracted sources.
- (iii) Achieve a break even or better result after prudent provision for assets, depreciation and replacement, and for future trading requirements.
- (iv) Optimise the return on investment in the Observatory Village Charitable Trust, to be used by the Company for the health and wellbeing of the Waitaki community. <NB: is there any ongoing relevance for this ? WDHSL think it should be removed from the SOI.>
- (v) Update the Company's business plan on an annual basis.
- (vi) Meet service standards required under Southern District Health Board contractual arrangements with the Company, by maintaining the following certifications:
 - a. Health & Disability Sector Standards Certification for the hospital;

- b. Baby Friendly Hospital Initiative Certification for Maternity;
 - c. International Accreditation New Zealand (IANZ) Certification for Radiology;
 - d. Building Warrant of Fitness certification;
 - e. Building Act 2004 Compliance Schedule;
 - f. Compliance with Food Act 2014, Food Regulations 2015, FSANZ Food Standards Code through a National Programme Level 3 for the hospital kitchen;
 - g. Stationary Container System Test Certificate;
 - h. Hazardous Substances Location Test Certificate;
 - i. Approved Handlers Test Certificate;
 - j. Cold Chain Accreditation.
- (vii) Meet and observe adequate professional and technical standards in the delivery of Waitaki District Health Services by ensuring all employed regulated health professionals hold current Annual Practising Certificates.
 - (viii) Maintain a Quality Assurance Programme to ensure adequate standards of care and services are maintained to the Company's patients.
 - (ix) Establish, where appropriate, strategic alliances with business partners and community groups in order to achieve desired outcomes for health services.
 - (x) Report to the Council at half yearly and yearly interval as required.
 - (xi) Communicate to staff and to the wider community as and when necessary. The Board have agreed to a minimum of two health forums annually.
 - (xii) Work with parties such as Stronger Waitaki, the Emergency Services Coordinating Committee (ESCC), the Emergency Care Coordination Team (ECCT), the Electives Operational Meeting, Stroke Governance Group and/or others that have a professional or business interest in health care in the Waitaki District to maintain and improve the range and quality of health care services in the District.
 - (xiii) The Board commit to ongoing reviews of the Company governance policies.

Notes:

- A review is currently underway to validate the wider financial management approaches that have been used by WDHSL. This may lead to adjustments being required in due course.

Ratio of Consolidated Shareholders' Funds to Total Assets

'Shareholders' Funds' (Equity) are defined as the paid-up capital plus any retained tax paid profits earned and less any dividends distributed to shareholders. They include accumulated surpluses, revaluation reserves, trust funds and any other reserves or funds which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".

'Total Assets' are defined as the sum of all current and non-current assets plus investments of the consolidated Group.

The ratio of consolidated shareholders' funds to total assets will be in the range of 60% to 90%.

No asset will be represented by the Waitaki District Council's shareholding in the Company that could involve the Council or community in loss of value in such asset which is nominal only, the Company being wholly funded by Government and private suspensory and commercial loan arrangements.

The estimated capital structure for the next three years is shown in financial projections for the consolidated Group as set out above.

Directors Estimate of the consolidated Group's Value

The consolidated Group's commercial value is estimated in all material respects to be equivalent to the "Total Equity" disclosed in the company's annual and half yearly financial reports. The directors will advise the shareholders on an annual basis if they believe the value to differ materially from this state.

<NB: the financial representations may need to be revisited in the event of WDHSL no longer needing to report as a "Group" for audit purposes.>

4. Governance Policy and Procedures

4.1 Corporate Governance Statement

(a) Role of the Board of Directors

The Directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the Council Controlled Organisation shall be made pursuant to the authority of the directorate of the Organisation and its Statement of Intent. The Board consults with the Company's shareholder in preparing and reviewing the Statement of Intent.

The Board meets on a regular basis and is responsible for the proper direction and control of the Company's activities. This responsibility of the Company Directors includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to shareholders. While the Board acknowledge that it is responsible for the overall control framework of the Company respectively, it recognises that no cost effective internal control system will preclude all error and irregularities.

(b) The Role of the Shareholder

The Company Board aims to ensure that the shareholder is informed of all major developments affecting the Group's state of affairs. The shareholder is consulted with on the review of the Waitaki District Health Services Limited's Statement of Intent and is responsible for the appointment of directors. Information is communicated to shareholder in the Annual Report, the Interim Report and special meetings where required.

(c) Company Board and Observatory Village Charitable Trust Trustee Appointments

Company Directors are appointed by the shareholder in accordance with Council policy. The Company Board is subject to the shareholder's director rotation policy requiring all of the directors retire over any three year period. Retiring Directors shall be eligible to apply for reappointment.

(d) Director, Board and Trustee Performance

The Board Evaluation policies require the Board review their performance, and the performance and contribution of individual directors on an annual basis, taking into account the current and future needs of the Company, and performance improvement processes are implemented as required. Annual reviews also provides information to the shareholder on the mix of skills needed to assist with the identification of new directors.

(e) Board and Observatory Village Charitable Trust Committees

There is one Company Board Committee, namely, Finance, Audit and Risk. Adhoc Committees are constituted as may be required for particular Board tasks.

(f) Company Management Structure

The Management of WDHSL is delegated to the Chief Executive Officer, who will manage WDHSL in accordance with the directives of the Board and good business practice.

There is no overall Management appointed for the Waitaki District Services Group for the purposes of reporting and audit consolidation over which WDHSL has no legal control or influence; another anomaly of holding WDHSL to account for something which it cannot control.

(g) Audit

External auditors are used to evaluate the quality and reliability of information provided to the shareholders.

4.2 Dividend Policy

It is not intended for the Company to pay a dividend.

4.3 Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993, the Financial Reporting Act 1993 and Local Government Act 2002 and be consistent with generally accepted accounting principles.

A full statement of Accounting Policies will be presented in the Company's Annual Reports.

4.4 Tendering Policy

The Company have tendering policies relating to the supply of goods and services to the Company from suppliers and directors.

Compliance with the Tendering Policy is reported in the Company's Annual Reports.

4.5 Procedures for Acquisition of Other Interests

The acquisition of shares or interest in other companies or organisations will only be considered independently by the Company Directors where such acquisition is consistent with the long term objectives of the Company respectively.

If the Company Directors believe that the Company should invest in, or otherwise acquire, any interest in another company or organisation, they will independently obtain the prior approval of the shareholder.

4.6 Activities for Which the Company Seeks Compensation from any Local Authority

There are no activities contemplated for which the Directors seek compensation from the Council as shareholder.

The Council is not permitted, nor required, to provide any guarantee, indemnity, or security in respects of the assets, liabilities, or trading activities of the Company.