



WAITAKI DISTRICT HEALTH SERVICES LIMITED

STATEMENT OF INTENT

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

2015/2016

CONTENTS

2.0 The Company	3
2.1 Background	3
2.3 Objectives	3
2.4 Shareholder Expectations	3
3.0 Reporting and Performance Measures	4
3.1 Reporting Frequency and Content.....	4
3.2 Performance Targets and Measures	5
4.0 Governance Policy and Procedures	6
4.1 Corporate Governance Statement.....	6
4.2 Dividend Policy	7
4.3 Accounting Policies.....	7
4.4 Tendering Policy	7
4.5 Procedures for Acquisition of Other Interests	7
4.6 Activities for Which the Company Seeks Compensation from any Local Authority	7

Waitaki District Health Services Limited

Draft Statement of Intent

Period from 1 July 2015 – 30 June 2016

1.0 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 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 policies relating to governance and other matters.

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

2.0 The Company

2.1 Background

Waitaki District Health Services 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 provision of quality, locally based healthcare services.

2.2 Nature and Scope of Activities

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

- The operation of Oamaru Hospital.
- The District-wide provision of health services including medical, women's health, child health, elderly health, disability support, public health radiology and related support services.
- Maintaining and operating the Southern District Health Board service contract for the Waitaki District.
- Providing contract health and rehabilitation services for other organisations requiring local service.
- Acquiring, maintaining and operating all buildings and other resources needed for the business of the Company.

2.3 Objectives

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

2.4 Shareholder Expectations

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

- That the company shall ensure that Government responsibility for funding of health services for Waitaki District is maintained at all times and that no call will be made on Council to fund health services to Waitaki District.
- Business activities are conducted in an efficient and effective manner.
- Assets and liabilities are prudently managed.
- Overall performance supports Council's reasons for continued ownership.
- Expedient short-term decisions that may adversely impact on the achievement of future long term needs and objectives are avoided.
- The Company acts as a good employer and as an environmentally conscious and responsible citizen.
- Transparent and collaborative relations are maintained with the shareholder.
- Pursue all avenues of funding that may be available from time to time for Waitaki District Health Services funding

3.0 Reporting and Performance Measures

3.1 Reporting Frequency and Content

A Director 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 two 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 Company'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 Policy.
- Activity statistics, with comparable figures for previous year. □ A report on service delivery issues and achievements.

Waitaki District Health Services Trust

Reports will include, as required by accounting practice and standards, the Waitaki District Health Services Charitable Trust financial performance and financial position in the consolidated accounts of the Company.

3.2 Performance Targets and Measures

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

- (i) Operate and provide planned services within budgeted income, including services contract income with the Southern District Health Board and income from other contracted sources.
- (ii) Achieve a break even or better result after prudent provision for assets depreciation and replacement and for future trading requirements.
- (iii) Update the Company's business plan on an annual basis.
- (iv) Meet and observe performance targets and service standards required under Southern District Health Board and Ministry of Health contractual arrangements with the Company.
- (v) Meet and observe adequate professional and technical standards in the delivery of Waitaki District health services and investigate, identify and implement appropriate measurement standards to ensure this is achieved.
- (vi) Implement and maintain a Quality Assurance Programme to ensure adequate standards of care and services are maintained to the Company's patients.
- (vii) Undertake ongoing monitoring of the Quality Assurance Programme to ensure an adequate performance in provision of health care services and adherence to all the applicable statutory and industry imposed regulations by the Company.
- (viii) Establish, where appropriate, strategic alliances with business partners and community groups in order to achieve desired outcomes for health services.
- (ix) Report regularly to Council and to the Community through the Waitaki District Health Forum on community health achievements and outcomes.
- (x) Maintain the Waitaki District Health Forum in accordance with a community approved protocol for the Forum's operation and objectives as a means of liaison and communication between the hospital and community related health groups.
- (xi) Enhance and develop good community health services outcomes, particularly with regard to the elderly.
- (xii) Work with all parties having 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) Support as appropriate initiatives for health services involving the housing and care of the elderly.

The financial projections for the Company are set out below:

	Actual	Forecast	Forecast	Forecast
	2014	2015	2016	2017
Shareholder funds (Equity)	12,617,966	12,812,113	12,925,144	13,042,546
Total Assets Less Liabilities	12,617,966	12,812,113	12,925,144	13,042,546
Total Assets	15,031,402	15,225,549	15,338,580	15,455,982
Total Liabilities	2,413,436	2,413,436	2,413,436	2,413,436

Note:

- These figures assume normal rates of depreciation
- Land and buildings valuations were updated at 30 June 2014.

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 Company.

The ratio of consolidated shareholders' funds to total assets will be in the range of 84% to 85%.

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 commercial loan arrangements.

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

Directors Estimate of the Company Value

The Company'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.

4.0 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 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 acknowledges that it is responsible for the overall control framework of the Company, it recognises that no cost effective internal control system will preclude all error and irregularities.

(b) The Role of the Shareholder

The 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 Company'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) Board Appointments

Directors are appointed by the shareholder in accordance with Council policy. The 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 and Board Performance

The Board formally reviews its 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. The annual review also provides information to the shareholder on the mix of skills needed to assist with the identification of new directors.

(e) Board Committees

There are two Board Committees; the Finance and Building Committee and Staff and Clinical Services Committee. Adhoc Committees are constituted as may be required for particular Board tasks.

(f) **Company Management Structure**

The Company's organisational structure includes the Directors' involvement with management and administration services contracted as required.

(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 Report.

4.4 Tendering Policy

The Company has a tendering policy 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 Report.

4.5 Procedures for Acquisition of Other Interests

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

If the directors believe that the Company should invest in, or otherwise acquire, any interest in another company or organisation, they will 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.