2021/22

Statement of Performance Expectations

Waitematā District Health Board

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

The Waitematā District Health Board Statement of Performance Expectations for 2021/22 is signed for and on behalf of:

Waitematā District Health Board

Dr Judy McGregor CNZM	Kylie Clegg
Chair	**Deputy Chair**

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SECTION 1: STATEMENT OF PERFORMANCE EXPECTATIONS – WAITEMATĀ 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 at 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 of 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 for our population, measured by our two long term outcomes:

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

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	● (green)
95–99.9%	0.1–5% away from target	Substantially achieved	● (blue)
90–94.9%	5.1–10% away from target*	Not achieved but progress made	● (yellow)
<90%	>10% away from target**	Not achieved and no progress made	● (red)
*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	79%	90%
% of PHO-enrolled patients who smoke and are referred to smoking cessation providers	Q	5%	6%
% of PHO-enrolled patients who smoke and are prescribed smoking cessation medications	Q	7%	12%
Number of pregnant women smokers referred to the stop smoking incentive programme	Q	193	231
Number of clients engaged with Green Prescriptions	V	4,900[1]	4,618
% of clients engaged with Green Prescriptions	C		
- *Māori*		*13%*	*13%*
- *Pacific*		*15%*	*12%*
- *South Asian*		*6%*	*8%*
Immunisation			
% of pregnant women receiving pertussis vaccination in pregnancy	C	54%	50%
- *Māori*		*32%*	
- *Pacific*		*39%*	
- *Asian*		*66%*	
% of pregnant women receiving influenza vaccination in pregnancy	C	44%	50%
- *Māori*		*26%*	
- *Pacific*		*39%*	
Influenza vaccination coverage in children aged 0-4 years and hospitalised for respiratory illness	C	18%	30%
- *Māori*		*10%*	
- *Pacific*		*9%*	
% of eight months olds will have their primary course of immunisation on time	C	93%	95%
- *Māori*		*87%*	
- *Pacific*		*92%*	
% of five year olds will have their primary course of immunisation on time	C	89%	95%
- *Māori*		*86%*	
- *Pacific*		*88%*	
- *Asian*		*93%*	
Rate of HPV immunisation coverage	C	68%[2]	75%
Population-based screening			
% of women aged 45-69 years having a breast cancer screen in the last 2 years	C	66%[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	90%[2]	95%
% of 4 year olds receiving a B4 School Check	C	68%[1]	90%
Bowel cancer screening			
% of people aged 60-74 years invited to participate who returned a correctly completed kit[3]	Q	61%	60%
- *Māori*		*63%*	
- *Pacific*		*49%*	
- *Asian*		*55%*	
- *Other*		*64%*	
% 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	95%	95%
Auckland Regional Public Health Service[4]			

[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
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	83%	95%
% of newborn babies enrolled with a general practice or primary health organisation (PHO) at 3 months of age - *Māori* - *Pacific*	C	 93% 79% 82%	85%
Primary Options for Acute Care (POAC) utilisation rate	V	1.60%	3%
% of people with diabetes aged 15-74 years and enrolled with Waitematā DHB practices who does not have an HbA1c recorded in the last 15 months - *Māori* - *Pacific*	C	 12% *19%* *14%*	<8%
% of people with diabetes aged 15-74 years and enrolled with Waitematā DHB practices whose latest HbA1c in the last 15 months was ≤64 mmol/mol - *Māori* - *Pacific*	Q	 63% *49%* *49%*	60%
% of Māori and Pacific patients with prior CVD who are prescribed triple therapy - *Māori* - *Pacific*	Q	 59% 67%	70%
Pharmacy			
Number of prescription items subsidised	V	8,165,354	Ω
Community-referred testing and diagnostics			
Number of radiological procedures referred by GPs to hospital	V	34,003	Ω
Number of community laboratory tests	V	4,013,632	Ω
Oral health[5]			
% of preschool children enrolled in DHB-funded oral health services - *Māori* - *Pacific* - *Asian*	C	98% *75%* *96%* *93%*	95%
Ratio of mean decayed, missing, filled teeth (DMFT) at year 8 - *Māori* - *Pacific* - *Asian*	Q	0.61 *0.85* *0.79* *0.63*	MoH TBC
% of children caries free at five years of age - *Māori* - *Pacific* - *Asian*	Q	58% *49%* *38%* *47%*	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
Utilisation of DHB-funded dental services by adolescents from School Year 9 up to and including age 17 years	C	68%	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 and 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	122,215[1]	Ω
% of ED patients discharged, admitted or transferred within six hours of arrival	T	96%	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	89%	90%
% of patients with ischaemic stroke thrombolysed and/or treated with clot retrieval and counted by DHB of domicile (service provision 24/7)	Q	12.9%	12%
% of ACS inpatients receiving coronary angiography within 3 days	T	76%	70%
Maternity			
Number of births in Waitematā DHB hospitals	V	6,627	Ω
% of babies exclusively breastfed on discharge	Q	75%	>75%
Elective (inpatient/outpatient)			
Number of planned care interventions (V) - *Inpatient surgical discharges* - *Minor procedures* - *Non-surgical interventions*	V	32,032 *19,413* *12,619* *0*	32,531 21,331 10,866 334
% of accepted referrals receiving their CT scan within 6 weeks	T	63%[1]	95%
% of accepted referrals receiving their MRI scan within 6 weeks	T	83%[1]	90%
% of people receiving urgent diagnostic colonoscopy in 14 days	T	99%	90%
% of people receiving non-urgent diagnostic colonoscopy in 42 days	T	42%[1]	70%
% of patients waiting longer than 4 months for their first specialist assessment	T	15.4%[1]	0%
Quality and patient safety			
% of opportunities for hand hygiene taken	Q	n/a[6]	80%
% of hip and knee arthroplasties 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 positive responses to the National Adult Hospital Survey question: '*Did those involved in your care ask you how to say your name if they were uncertain?*'	Q	79%[7]	80%
Palliative care, in-hospital			
Total number of referrals	V	1,387	Ω
Referral to response (mean time from referral to first contact with referrer)	T	7.6 h	≤6 h
Referral to assessment (mean time from referral to first face-to-face patient assessment)	T	9.25 h	≤24 h

[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] Result for the three months to Feb-2021.

Outputs measured by	Notes	Baseline 2019/20	Target 2021/22
Mental health			
% of population who access Mental Health services	C		
- Age 0–19 years		3.69%[1]	≥3.76%
- *Māori*		*5.09%*	≥5.43%
- Age 20–64 years		3.83%	≥3.72%
- *Māori*		*9.03%*	≥8.86%
- Age 65+ years		2.19%	≥2.16%
- *Māori*		*2.40%*	≥2.26%
% of 0-19 year old clients seen within 3 weeks[8]	T		
- Mental Health		70%[1]	80%
- Addictions		81%	80%
% of 0-19 year old clients seen within 8 weeks[8]			
- Mental Health		90%	95%
- Addictions		96%	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 2021/22
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[9]	95%
Palliative care, hospice			
Total number of contacts in the community	V	19.940	Ω
% of patients acutely referred who waited >48 hours for a hospice bed	T	0.5%	<5%
Residential care			
ARC bed days	V	982,979	Ω

[8] 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.

[9] 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 $000	2020/21 Forecast $000	2021/22 Plan $000	2022/23 Plan $000	2023/24 Plan $000	2024/25 Plan $000
Government and Crown Agency Revenue	1,815,097	1,907,238	2,092,738	2,135,405	2,178,030	2,209,870
Patient Sourced and Other Income	28,530	47,480	32,437	25,798	26,266	26,746
IDFs and Inter DHB Provider Income	93,878	106,167	101,883	103,899	105,962	108,062
Total Funding	**1,937,505**	**2,060,885**	**2,227,058**	**2,265,102**	**2,310,258**	**2,344,678**
Personnel Costs	789,356	822,767	846,806	837,749	854,738	872,067
Outsourced Costs	92,460	100,124	104,902	106,954	109,054	113,934
Clinical Supplies Costs	134,297	140,670	150,830	151,787	154,787	157,835
Infrastructure and Non-Clinical supplies Costs	109,061	103,350	74,539	82,042	83,425	70,448
Payments to Other Providers	880,529	947,982	1,089,481	1,086,570	1,108,254	1,130,394
Total Expenditure	**2,005,703**	**2,114,893**	**2,266,558**	**2,265,102**	**2,310,258**	**2,344,678**
Net Surplus/(Deficit)	**(68,198)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**
TOTAL COMPREHENSIVE INCOME	**(68,198)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**
Extraordinary Items:						
Holiday Pay	41,800	24,000	20,000	0	0	0
COVID-19	28,800	204	0	0	0	0
Total Extraordinary items	**70,600**	**24,204**	**20,000**	**0**	**0**	**0**
Operating Surplus/(Deficit)	**2,402**	**(29,804)**	**(19,500)**	**0**	**0**	**0**
Budget	0	(36,000)	(19,500)			
BAU Variance to Budget Surplus/(Deficit)	**2,402**	**6,196**	**0**	**0**	**0**	**0**

In brief:

- 2019/20 Result favourable to budget $2.402m
- 2020/21 Result favourable to budget $6.196m
- 2021/22 Plan result $16.5m improvement on 2020/21.

Notes

- 2019/20 result contains $41.8m for Holiday Pay Remediation Provision and $28.8m for COVID-19 related costs.
- 2020/21 forecast result contains $24m for Holiday Pay Remediation Provision and $0.2m for COVID-19 related costs.
- 2021/22 forecast result contains $20m for Holiday Pay Remediation Provision assumes funding of $98m will be provided to fully offset $98m of anticipated COVID-19 related costs.

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	494,355	497,128	507,044	516,019
Total expenditure	497,935	497,128	507,044	516,019
Net surplus/(deficit)	**(3,580)**	**0**	**0**	**0**
Rehabilitation and support				
Total revenue	393,659	394,585	402,456	409,903
Total expenditure	395,337	394,585	402,456	410,908
Net surplus/(deficit)	**(1,678)**	**0**	**0**	**0**
Prevention				
Total revenue	49,739	50,492	51,498	52,290
Total expenditure	50,532	50,492	51,498	52,290
Net surplus/(deficit)	**(793)**	**0**	**0**	**0**
Intensive assessment and treatment				
Total revenue	1,289,305	1,322,897	1,349,261	1,366,466
Total expenditure	1,322,754	1,322,897	1,349,261	1,366,466
Net surplus/(deficit)	**(33,449)**	**0**	**0**	**0**
Consolidated surplus/(deficit)	**(39,500)**	**0**	**0**	**0**

SECTION 2: FINANCIAL PERFORMANCE

In the 2020/21 financial year, Waitematā DHB's operating result, before one-off adjustments for Holiday Pay and COVID-19 impacts, is forecast to be $6m favourable to the planned deficit of $36m.

This operating result, however, will be impaired by unfunded costs of COVID-19, estimated to be $0.2m at 30 June 2021, and further provisions required in relation to the Holidays Act of $24m for the 2020/21 year.

Within each arm of the DHB (principally Funder and Provider), different financial results are expected to be achieved, with the Provider forecasting a deficit of $50.3m, excluding extraordinary costs of $24.0m for the Holidays Act and $5.0m for COVID-19 costs.

This is offset by surpluses in the Funder and Governance Divisions totalling $20.5m, resulting in a DHB deficit of $29.8m, being $6.2m better than the budgeted result before extraordinary costs. This situation of deficits in Provider divisions offset by Funder surpluses is not uncommon in the DHB sector.

The Board recognises that these offsetting results are unacceptable and are not sustainable. Continued adverse variances in the Provider Arm of the DHB necessarily limit the options available to the Board to invest in new services and initiatives, both in the hospital sector and in primary care.

Historically, we have performed well financially, with surpluses generated in the prior years. Continued focus on financial sustainability has contributed significantly to the achievement of prior year surpluses in a challenging environment with high demographic growth, high impact of the ageing population and continuing operational and capital cost pressures.

However, the rate of recent population growth, the ageing of the population the DHB serves, the state of our ageing infrastructure and facilities, and requirements for the development of services, facilities and information systems to provide high quality, safe and effective care has increased the financial pressures on the DHB, and the financial challenges are the greatest they have been for several years. Remediation of the Holiday Pay situation will potentially increase the DHB's operating costs by $20m per annum going forward, excluding any other similar increase incurred by our NGO providers.

Construction works are progressing on a number of major facility programmes to redevelop the two hospital sites, the Mason Clinic campus and associated infrastructure. The first of these programmes is the Tōtara Haumaru facility that will see additional theatre, inpatient wards and endoscopy capacity on the North Shore campus.

For the 2021/22 financial year, the DHB is forecasting a $20.7m deficit in the Provider and surplus in the Funder of 1.2m prior to impacts of the Holidays Act and COVID-19.

The 2021/22 deficit of $19.5m prior to extraordinary impacts of COVID-19 and the Holidays Act provisions is an improvement of $16.5m against the 2020/21 budgeted deficit of $36m, and represents a $32.5m improvement in operating terms, because the 2020/21 budget included a one-off $16m gain on sale of property.

Accordingly, the 2021/22 deficit of $19.5m is an improvement of more than half of the 2020/21 operating deficit.

The 2021/22 operating deficit of $19.5m is forecast to be impacted by further extraordinary costs relating to the Holidays Act of $20m and assumes that COVID-19 costs of $98m will be funded.

The Provider result assumes that a $18m savings plan will be achieved. The budgeted result in the Funder also contains risk with regards to IDF payments, NGO demand-driven expenditure, Pay Equity and In Between Travel.

The Board approves any significant savings projects and plans, especially those that are high risk. The CEO and CMO have the Board's delegation to halt any project they believe might affect quality or patient outcome.

At an operational level, the savings plan is monitored by the Financial Sustainability Governance Group, which is chaired by the Director of Hospital Services. The Executive Leadership Team receives a regular report on progress against the plan.

Improving the financial performance of the Provider Arm is being delivered via a series of tactical, operational and strategic initiatives. The strategic initiatives are developed with senior management and clinicians, with a high degree of focus on improving patient care as well as improving financial performance. The Board will not compromise patient care and safety in its endeavours to improve financial performance.

The financial challenges facing the DHB are considerable, and as noted above, the current performance of the Provider Arm is not sustainable.

The challenges we face include:

- A reduction in Waitematā DHB's estimated population led to a reduction in the share of population-based funding received in 2020/21, which in has an ongoing impact in revenue for 2021/22. Therefore, despite the Vote Health uplift being significantly greater for the sector, Waitematā DHB received the same dollar uplift in 2020/21 as it did for 2019/20.
- Increased personnel costs for Care Capacity Demand Management (CCDM).
- Continuing clinical wage settlement and contractual increases.
- High population growth, particularly in the 65+ age group, is driving service demand with a lagging funding stream.
- Critical restraint in regional IT infrastructure.
- Investment in facilities to replace those not fit for purpose and to accommodate growth.
- Increases in National Price from the NCCP review increased IDF net outflows by $24m in the 2020/21 financial year and is anticipated to repeat in 2021/22.

Key assumptions for financial projections

Revenue Growth

Key assumptions on the DHB revenue from the MoH are as following:

- DHB revenue increase for CCP and demographic growth as per the funding envelope for 2021/22 and not be less in absolute value than that indicated.
- Revenue in out years will not be less in absolute value than that indicated for 2021/22 and increase by 2% year on year
- That $98m of funding will be provided to cover $98m of anticipated COVID-19 related costs.
- That funding for DHB sustainability indicated in 2020/21 will be provided in 2021/22.

Expenditure Growth

Expenditure growth excluding Holiday Pay and additional costs of COVID-19 $53.6m (2.5%) above 2020/21 forecast expenditure is planned for the DHB. This is driven by: demographic growth-related cost pressure on the services we provide; demographic growth impact on demand-driven third party contracts; clinical staff volume growth to meet service growth requirements; costs for staff employment contract agreements and step increases and inflationary pressure on clinical and non-clinical supplies and service contracts. Key expenditure assumptions also include the below.

- The impact of Care Capacity Demand Management (CCDM), which is expected to add 122 FTEs in the latter part of 2020/21, with full-year effect in 2021/22.
- Impact on personnel costs of all settled employment agreements, automatic step increases and new FTEs, estimated provisions for expired employment contracts and of employment agreements expiring during the planning period.
- Clinical supplies cost growth is based on the actual known inflation factor in contracts, estimation of price change impacts on supplies and adjustments for known specific information within services. Costs also reflect the impact of volume growth in services provided by us and are mitigated by the impact of procurement cost savings initiatives.
- That staff cost (MECA) increases will be aligned with planned settlements of current employment negotiations.
- The 2021/22 plan includes extraordinary costs relating to the Holidays Act of $20m and additional COVID-19 related costs of $98m.

Forecast Financial Statements

The Board of Waitematā DHB is responsible for the issue of the forecast financial statements, including the appropriateness of the assumptions underlying the forecast financial statements.

These forecasts include a further provision of $20m of extraordinary cost in relation to Holiday Pay in 2021/22.

Financial statements were prepared to comply with the requirements of Section 139 of the Crown Entities Act. The forecast financial statements may not be appropriate for use for any other purpose.

In line with requirements of Section 149G of the Crown Entities Act 2004, we provide both the financial statements of Waitematā DHB and its subsidiaries (together referred to as 'Group') and Waitematā DHB's interest in associates and jointly controlled entities.

The Waitematā DHB group consists of the parent, Waitematā District Health Board and Three Harbours Health Foundation (controlled by Waitematā District Health Board). Joint ventures are with healthAlliance N.Z. Limited and HealthSource New Zealand Limited; Awhina Waitakere Health Campus is a jointly controlled operation. The associate companies are Northern Regional Alliance Limited formerly called Northern DHB Support Agency Limited (NDSA).

The tables below provide a summary of the financial statements for the audited result for 2019/20, year-end forecast for 2020/21, planned results for 2021/22 and out years 2022/23 to 2024/25. The financial statements have been prepared on the basis of the Key Assumptions for Financial Forecasts and the significant accounting policies summarised in the Statement of Accounting Policies. 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.

Summary Forecast Statement of comprehensive income – 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
Total Funding	1,937,505	2,060,885	2,227,058	2,265,102	2,310,258	2,344,678
Total Expenditure before extraordinary items	1,935,103	2,090,689	2,246,558	2,265,102	2,310,258	2,344,678
Net Surplus / (Deficit) before extraordinary items	**402**	**(29,804)**	**(19,500)**	**0**	**0**	**0**
Operating Budget	Breakeven	(36,000)	**(19,500)**	0	0	0
COVID-19 and Holiday Pay	68,600	**24,204**	**20,000**			
TOTAL RESULT	**(68,198)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**

Forecast Statement of comprehensive income – 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
Government and Crown Agency Revenue	1,815,097	1,907,238	2,092,738	2,135,405	2,178,030	2,209,870
Patient Sourced and Other Income	28,530	47,480	32,437	25,798	26,266	26,746
IDFs & Inter DHB Provider Income	93,878	106,167	101,883	103,899	105,962	108,062
Total Funding	**1,937,505**	**2,060,885**	**2,227,058**	**2,265,102**	**2,310,258**	**2,344,678**
Personnel Costs	789,356	822,767	846,806	837,749	854,738	872,067
Outsourced Costs	92,460	100,124	104,902	106,954	109,054	113,934
Clinical Supplies Costs	134,297	140,670	150,830	151,787	154,787	157,835
Infrastructure & Non-Clinical supplies Costs	109,061	103,350	74,539	82,042	83,425	70,448
Payments to Other Providers	880,529	947,982	1,089,481	1,086,570	1,108,254	1,130,394
Total Expenditure	**2,005,703**	**2,114,893**	**2,266,558**	**2,265,102**	**2,310,258**	**2,344,678**
Net Surplus / (Deficit)	**(68,198)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**
Other Comprehensive Income	0					
Gains/(Losses) on Property Revaluations	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**(68,198)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**

Notes:

- 2019/20 result contains $41.8m for Holiday Pay Remediation Provision and $28.8m for COVID-19-related costs.
- 2020/21 forecast result contains $24m for Holiday Pay Remediation Provision and $0.2m for COVID-19-related costs.
- 2021/22 forecast result contains $20m for Holiday Pay Remediation Provision and $98m will be provided to fully offset $98m anticipated COVID-19-related costs.

Forecast Statement of comprehensive income – 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
Government and Crown Agency Revenue	1,815,097	1,907,238	2,092,738	2,135,405	2,178,030	2,209,870
Patient Sourced and Other Income	28,031	47,480	32,437	25,798	26,266	26,746
IDFs & Inter DHB Provider Income	93,878	106,167	101,883	103,899	105,962	108,062
Total Funding	**1,937,006**	**2,060,885**	**2,227,058**	**2,265,102**	**2,310,258**	**2,344,678**
Personnel Costs	789,356	822,767	846,806	837,749	854,738	872,067
Outsourced Costs	92,959	100,124	104,902	106,954	109,054	113,934
Clinical Supplies Costs	134,297	140,670	150,830	151,787	154,787	157,835
Infrastructure & Non-Clinical supplies Costs	109,061	103,350	74,539	82,042	83,425	70,448
Payments to Other Providers	880,529	947,982	1,089,481	1,086,570	1,108,254	1,130,394
Total Expenditure	**2,006,202**	**2,114,893**	**2,266,558**	**2,265,102**	**2,310,258**	**2,344,678**
Net Surplus / (Deficit)	**(69,196)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**
Other Comprehensive Income						
Gains/(Losses) on Property Revaluations	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**(69,196)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**

Forecast Statement of comprehensive income – governance & funding administration

	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	16,561	16,746	13,231	13,483	13,747	14,011
Expenditure						
Personnel	12,226	11,197	13,873	14,125	14,384	14,662
Outsourced services	8,178	8,802	6,616	6,736	6,856	6,976
Clinical supplies	7	10	14	14	14	14
Infrastructure & non clinical supplies	(6,237)	(5,943)	(7,272)	(7,392)	(7,507)	(7,641)
Total Expenditure	**14,174**	**14,066**	**13,231**	**13,483**	**13,747**	**14,011**
Surplus/(Deficit)	**2,387**	**2,680**	**0**	**0**	**0**	**0**

Forecast Statement of comprehensive income – provider

	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 via Funder	930,030	970,170	998,159	1,044,022	1,064,902	1,086,190
MoH Direct	42,766	31,923	71,230	72,623	74,040	63,832
Other	48,339	76,245	53,757	48,404	49,315	50,251
Total Income	**1,021,135**	**1,078,338**	**1,123,146**	**1,165,049**	**1,188,257**	**1,200,273**
Expenditure						
Personnel	777,130	811,570	832,933	823,624	840,354	857,405
Outsourced services	84,282	91,322	98,286	100,218	102,198	106,958
Clinical supplies	134,290	140,660	150,816	151,773	154,773	157,821
Infrastructure & non clinical supplies	115,298	109,293	81,811	89,434	90,932	78,089
Total expenditure	**1,111,000**	**1,152,845**	**1,163,846**	**1,165,049**	**1,188,257**	**1,200,273**
Surplus / (Deficit)	**(89,865)**	**(74,507)**	**(40,700)**	**0**	**0**	**0**

Notes:

- 2019/20 result contains $41.8m for Holiday Pay Remediation Provision and $28.8m for COVID-19-related costs.
- 2020/21 forecast result contains $24m for Holiday Pay Remediation Provision and $0.2m for COVID-19-related costs.
- 2021/22 forecast result contains $20m for Holiday Pay Remediation Provision and assumes $16m will be provided to fully offset $16m of anticipated COVID-19-related costs.

Forecast Statement of comprehensive income – funder

	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						
Revenue	1,846,061	1,952,645	2,102,011	2,144,015	2,186,843	2,230,535
Expenditure						
Personal Health	1,315,705	1,375,466	1,460,057	1,490,713	1,520,782	1,551,464
Mental Health	241,848	260,414	273,122	278,450	283,864	289,387
DSS	226,069	233,420	261,403	266,550	271,796	277,148
Public Health	23,301	45,076	89,208	90,940	92,703	94,502
Māori Health	3,636	3,776	3,850	3,939	4,011	4,083
Governance	16,222	16,674	13,171	13,423	13,687	13,951
Total Expenditure	**1,826,781**	**1,934,826**	**2,100,811**	**2,144,015**	**2,186,843**	**2,230,535**
Surplus/(Deficit)	**19,280**	**17,819**	**1,200**	**0**	**0**	**0**

Notes:

- 2021/22 forecast assumes funding of $82m will be provided to fully offset $82m of anticipated COVID-19 related costs.

Forecast capital costs

	2019/20 Audited $000	2020/21 Forecast $000	2021/22 Plan $000	2022/23 Plan $000	2023/24 Plan $000	2024/25 Plan $000
Depreciation	28,927	30,000	31,853	33,252	33,252	33,924
Capital Charge	29,315	21,634	20,004	23,220	29,580	31,872
Capital Costs	**58,242**	**51,634**	**51,857**	**56,472**	**62,832**	**65,796**

Capital costs are expected to increase with additional capital investments. The increase in depreciation charge is mainly due to our accelerated facilities programme and continued investment in facilities and equipment.

Waitematā DHB is required to revalue its land and building assets in accordance with the New Zealand Equivalent to International Accounting Standard 16 Land and Buildings, Plant and Equipment (NZIAS 16) every three to five years. The three-year cycle for detailed revaluation exercises for Waitematā DHB was last prepared on 30 June 2018 and will be due on 30 June 2021. The effects of the asset revaluation due at 30 June 2021 were not incorporated into the plan for 2021/22.

Forecast 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						
MoH and other Government / Crown	1,912,292	2,006,895	2,194,621	2,239,304	2,283,992	2,317,932
Other Income	17,451	46,552	26,735	20,000	20,360	20,732
Interest received	1,596	672	352	352	352	352
Payments for Personnel	(722,580)	(775,042)	(806,472)	(837,749)	(854,738)	(872,067)
Payments for Supplies	(1,136,724)	(1,224,427)	(1,365,495)	(1,370,881)	(1,392,688)	(1,406,815)
Capital Charge Paid	(28,834)	(21,398)	(20,004)	(23,220)	(29,580)	(31,288)
GST Input Tax	417	(15)	0	0	0	0
Net cashflow from operating activities	**43,618**	**33,237**	**29,737**	**27,806**	**27,698**	**28,846**
Cashflow from investing activities						
Sale of Fixed Assets	0	38,832	0	0	0	0
Capital Expenditure (-ve)	(46,837)	(76,599)	(163,486)	(199,436)	(81,806)	(30,000)
Acquisition of investments	(7,144)	0	0	0	0	0
Net cashflow from investing activities	**(53,981)**	**(37,767)**	**(163,486)**	**(199,436)**	**(81,806)**	**(30,000)**
Cashflow from financing activities						
Capital contributions from the Crown	26,050	**24,400**	**57,660**	**167,500**	**88,600**	**0**
Proceeds from borrowings	0	0	0	0	0	0
Repayment of borrowings	0	0	0	0	0	0
Net cashflow from financing activities	**26,050**	**24,400**	**57,660**	**167,500**	**88,600**	**0**
Net cash movements	**15,687**	**19,870**	**(76,089)**	**(4,130)**	**34,492**	**(1,154)**
Cash and cash equivalents at the start of the year	36,685	52,372	72,242	(3,847)	(7,977)	26,515
Cash and cash equivalents at the end of the year	**52,372**	**72,242**	**(3,847)**	**(7,977)**	**26,515**	**25,361**

Forecast 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						
MoH and other Government / Crown	1,912,292	2,006,895	2,194,621	2,239,304	2,283,992	2,317,932
Other Income	17,275	46,552	26,735	20,000	20,360	20,732
Interest received	1,596	672	352	352	352	352
Payments for Personnel	(722,580)	(775,042)	(806,472)	(837,749)	(854,738)	(872,067)
Payments for Supplies	(1,136,724)	(1,224,427)	(1,365,495)	(1,370,881)	(1,392,688)	(1,406,815)
Capital Charge Paid	(28,834)	(21,398)	(20,004)	(23,220)	(29,580)	(31,288)
GST Input Tax	417	(15)	0	0	0	0
Interest payments	0	0	0	0	0	0
Net cashflow from operating activities	**43,442**	**33,237**	**29,737**	**27,806**	**27,698**	**28,846**
Cashflow from investing activities						
Sale of Fixed Assets	0	38,832	0	0	0	0
Capital Expenditure (-ve)	(46,837)	(76,599)	(163,486)	(199,436)	(81,806)	(30,000)
Acquisition of investments	(7,144)	0	0	0	0	0
Net cashflow from investing activities	**(53,981)**	**(37,767)**	**(163,486)**	**(199,436)**	**(81,806)**	**(30,000)**
Cashflow from financing activities						
Capital contributions from the Crown	26,050	24,400	57,660	167,500	88,600	0
Proceeds from borrowings	0	0	0	0	0	0
Repayment of borrowings	0	0	0	0	0	0
Net cashflow from financing activities	**26,050**	**24,400**	**57,660**	**167,500**	**88,600**	**0**
Net cash movements	**15,511**	**19,870**	**(76,089)**	**(4,130)**	**34,492**	**(1,154)**
Cash and cash equivalents at the start of the year	41,053	56,564	76,434	345	(3,785)	30,707
Cash and cash equivalents at the end of the year	**56,564**	**76,434**	**345**	**(3,785)**	**30,707**	**29,553**

Forecast 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
Current Assets	139,035	147,567	74,264	104,540	174,230	208,814
Non-current assets	801,141	846,900	954,175	1,119,091	1,165,705	1,158,825
Total assets	**940,176**	**994,467**	**1,028,439**	**1,223,631**	**1,339,935**	**1,367,639**
Current Liabilities	285,331	531,070	543,982	568,774	593,578	618,382
Non-current liabilities	211,723	47,600	50,500	53,400	56,300	59,200
Total liabilities	**497,054**	**578,670**	**594,482**	**622,174**	**649,878**	**677,582**
Net assets	**443,122**	**415,797**	**433,957**	**601,457**	**690,057**	**690,057**
Total equity	**443,122**	**415,797**	**433,957**	**601,457**	**690,057**	**690,057**

Forecast 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
Current Assets	146,939	155,471	82,168	112,444	182,134	216,718
Non-current assets	812,164	857,923	965,198	1,130,114	1,176,728	1,169,848
Total assets	**959,103**	**1,013,394**	**1,047,366**	**1,242,558**	**1,358,862**	**1,386,566**
Current Liabilities	287,231	532,970	545,882	570,674	595,478	620,282
Non-current liabilities	211,723	47,600	50,500	53,400	56,300	59,200
Total liabilities	**498,954**	**580,570**	**596,382**	**624,074**	**651,778**	**679,482**
Net assets	**460,149**	**432,824**	**450,984**	**618,484**	**707,084**	**707,084**
Total equity	**460,149**	**432,824**	**450,984**	**618,484**	**707,084**	**707,084**

Disposal of land

In compliance with clause 43 of schedule 3 of the New Zealand Public Health and Disability Act 2000, Waitematā DHB will not sell, exchange, mortgage or charge land without the prior written approval of the Minister of Health. Waitematā DHB 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 movement in 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	**486,268**	**443,122**	**415,797**	**433,957**	**601,457**	**690,057**
Comprehensive Income/(Expense)						
Surplus / (deficit) for the year	(69,196)	(54,008)	(39,500)	0	0	0
Other Comprehensive income	0	0	0	0	0	0
Total Comprehensive Income	**(69,196)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**
Owner transactions						
Capital contributions from the Crown	26,050	24,400	57,660	167,500	88,600	0
Repayments of capital to the Crown	0	0	0	0	0	0
Movement in Trust and Special Funds	**0**	**2,283**	**0**	**0**	**0**	**0**
Balance at 30 June	**443,122**	**415,797**	**433,957**	**601,457**	**690,057**	**690,057**

Statement of movement in 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	**502,297**	**460,149**	**432,824**	**450,984**	**618,484**	**707,084**
Comprehensive Income/(Expense)						
Surplus / (deficit) for the year	(68,198)	(54,008)	(39,500)	0	0	0
Other Comprehensive income	0	0	0	0	0	0
Total Comprehensive Income	**(68,198)**	**(54,008)**	**(39,500)**	**0**	**0**	**0**
Owner transactions						
Capital contributions from the Crown	26,050	24,400	57,660	167,500	88,600	0
Repayments of capital to the Crown	0	0	0	0	0	0
Movement in Trust and Special Funds	**0**	2,283	**0**	**0**	**0**	**0**
Balance at 30 June	**460,149**	**432,824**	**450,984**	**618,484**	**707,084**	**707,084**

Additional information

Capital expenditure

	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 Sources						
Free cashflow from depreciation	28,927	30,000	31,853	33,252	33,252	33,924
External Funding	26,050	24,400	57,660	167,500	88,600	0
Inflow from sale of fixed asset	0	38,832	0	0	0	0
Cash reserves	43,618	33,237	29,737	40,062	40,746	42,434
Total Funding	**98,595**	**126,469**	**119,250**	**240,814**	**162,598**	**76,358**
Baseline Capital Expenditure						
Land	0	0	0	0	0	0
Buildings and Plant	(14,987)	(16,674)	(41,089)	(17,865)	(17,865)	(17,865)
Clinical Equipment	(6,561)	(9,098)	(10,127)	(9,747)	(9,747)	(9,747)
Other Equipment	(1,181)	(675)	(1,751)	(723)	(723)	(723)
Information Technology	5,627	(1,341)	(5,660)	(1,437)	(1,437)	(1,437)
Intangible Assets (Software)	0	0	0	0	0	0
Motor Vehicles	(923)	(213)	0	(228)	(228)	(228)
Total Baseline Capital Expenditure	**(18,025)**	**(28,001)**	**(58,627)**	**(30,000)**	**(30,000)**	**(30,000)**
Strategic Investments						
Land	(16,373)	0	0	0	0	0
Buildings and Plant	(12,439)	(48,598)	(104,859)	(169,436)	(51,806)	0
Clinical Equipment	0	0	0	0	0	0
Other Equipment	0	0	0	0	0	0
Information Technology	0	0	0	0	0	0
Intangible Assets (Software)	0	0	0	0	0	0
Motor Vehicles	0	0	0	0	0	0
Total Strategic Capital Expenditure	**(28,812)**	**(48,598)**	**(104,859)**	**(169,436)**	**(51,806)**	**0**
Total Capital Payments	**(46,837)**	**(76,599)**	**(163,486)**	**(199,436)**	**(81,806)**	**(30,000)**

Banking facilities

Shared commercial banking services

Waitematā DHB is in the shared commercial banking arrangements with various other DHBs, the Bank of New Zealand (‘BNZ’) and New Zealand Health Partnerships Limited. The BNZ provide banking services to the sector, managed by New Zealand Health Partnerships Limited. DHBs are no longer required to maintain separate standby facilities for working capital.

Statement of accounting policies

Statement of accounting policies for the year ended 30 June 2020

Reporting entity

The Waitematā District Health Board (the DHB) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates 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 controlling entity is the New Zealand Crown. The consolidated financial statements of Waitematā DHB for the year ended 30 June 2020 comprise Waitematā DHB and its subsidiaries (together referred to as the 'Group'). The Group consists of the controlling entity, Waitematā District Health Board and Three Harbours Health Foundation.

The Waitematā District Health Board's primary objective is to deliver health, disability, and mental health services to the community within its district. The group does not operate to make a financial return. Accordingly, the DHB and Group are public benefit entities (PBE) for financial reporting purposes. The DHB's subsidiary, associates and joint arrangements are incorporated and domiciled in New Zealand.

Measurement base

The financial statements were prepared on a historical cost basis, except for items identified below which were measured at fair value.

Presentation currency and rounding

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

Changes in accounting policies and disclosures – New and amended standards and interpretations

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards issued and not yet effective, and not early adopted

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. Waitematā DHB does not intend to early adopt the amendment.

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. Waitematā DHB has not yet determined how application of PBE FRS 48 will affect its statement of performance.

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2020. 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 Waitematā 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.

Subsidiaries

Subsidiaries are entities controlled by Waitematā DHB that are exposed, or have rights to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. These financial statements include Waitematā DHB and its subsidiaries, the acquisition of which are accounted for using the acquisition method. The effects of all significant intercompany transactions between entities are eliminated on consolidation. In Waitematā DHB's financial statements, investments in subsidiaries are recognised at cost less any impairment losses.

Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor.

Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Where the joint venture's results are material, the DHB includes the interest in the joint venture in the consolidated financial statements, using the equity method, from the date that joint control commences until the date that joint control ceases. The investments in joint ventures are accounted for in the parent entity financial statements at cost.

Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement recognise their direct right to the assets, liabilities, revenues and expenses of joint operations and their share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Associates

An associate is an entity over which the DHB has significant influence and that is neither a controlled entity nor an interest in a joint arrangement. The investment in an associate is recognised at cost of the investment plus the 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 The DHB's share of losses exceeds its interest in an associate, The DHB's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that The DHB has incurred legal or constructive obligations or made payments on behalf of an associate.

Revenue

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

Revenue from exchange transactions

MoH population-based revenue

The DHB receives annual funding from the Ministry of Health (MoH), which is based on population levels within the Waitematā region. 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 periods is not recognised 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 contracted revenue

ACC contract revenue is recognised as revenue when eligible services are provided and any contract conditions were fulfilled.

Revenue from other DHBs

Inter district patient inflow revenue is recognised when a patient treated within the Waitematā DHB region is domiciled outside of Waitematā district. The Ministry credits Waitematā DHB with a monthly amount based on estimated patient treatment for non-domiciled Waitematā residents within the Waitematā district. An annual wash up occurs at year end to reflect the actual revenue for non Waitematā-domiciled patients treated within the Waitematā district.

Interest revenue

Interest revenue is recognised using the effective interest method.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Provision of services

Services provided to third parties on commercial terms are exchange transactions when the transaction outcome can be estimated reliably. Revenue from these services is recognised in proportion to the completion stage in the Statement of Comprehensive Revenue and Expense.

Non exchange transactions

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.

Capital charge

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

Borrowing costs

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

Leases

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.

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.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot exchange rates 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.

Financial Instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition

Financial assets are classified, at initial recognition, as ‘measured at amortised cost’, ‘fair value through other comprehensive revenue and expense’ and ‘fair value through surplus or deficit’. See discussion below for determination of classification. A financial asset is initially measured at its fair value plus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Financial assets at amortised cost

This category is the most relevant to the DHB and Group. The classification of financial assets at amortised cost at initial recognition depends on the financial asset’s contractual cash flow characteristics and the business model for managing them. For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are ‘solely payments of principal and interest’ on the principal amount outstanding (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level. The business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in surplus or deficit when the asset is derecognised, modified or impaired. The DHB and Group measure the following financial assets at amortised cost, Cash and cash equivalents, Short Term Deposits, Trade and Other Receivables, Prepayments and Trusts and Special Purpose Funds not recognised at a market value. Cash and cash equivalents includes cash on hand, deposits held at call with banks and with NZ Health Partnerships Limited, other short-term highly liquid investments with original maturities of 3 months or less.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading, financial assets designated upon initial recognition at fair value through surplus or deficit, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through surplus or deficit, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive revenue and expense, as described above, debt instruments may be designated at fair value through surplus or deficit on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of surplus or deficit. The DHB and Group has the following financial assets classified at fair value though surplus or deficit, Investments in associates and portfolio investments.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expenses comprise of those equity instruments that the DHB and Group has elected to classify as fair value through other comprehensive income on initial recognition when they meet the definition of equity instruments. Gains and losses on these financial assets are never recycled to surplus or deficit. Dividends are recognised in surplus or deficit when the right to receive payment has been established. The Group does not hold any financial assets classified at fair value through other comprehensive revenue and expense.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The DHB recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through surplus or deficit. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the DHB and Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the DHB and Group applies a simplified approach in calculating ECLs. Therefore, credit risk is not tracked; instead, the DHB and Group recognises a loss allowance based on lifetime ECLs at each reporting date. The DHB and Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The DHB and Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the DHB and Group may also consider a financial asset to be in default when internal or external information indicates that the DHB and Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities at amortised cost

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through surplus or deficit, or at amortised costs, as appropriate. All financial liabilities are recognised initially at fair value and, in the case financial liabilities at amortised cost, net of directly attributable transaction costs. The DHB's and Group's financial liabilities include trade creditors and other payables, borrowings including an overdraft facility which are classified at amortised cost. The DHB has not classified any financial liabilities as financial liabilities through surplus or deficit. 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.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below. This is the category most relevant to the DHB. After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of surplus or deficit. Short-term payables are recorded at their face value due to the short-term nature of them they are not discounted. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Inventories

Inventories held for distribution at no charge or for a nominal charge or consumption in the provision of services to be rendered at no charge or for a nominal charge 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. Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of costs (using the FIFO method) and net realisable value. 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.

Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes:

- Land
- Buildings (including fit outs and underground infrastructure)
- Clinical Equipment
- IT Equipment
- Other Equipment and Motor Vehicles.

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.

Revaluations

Land and buildings are revalued 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 revalued assets are assessed annually to ensure that they do not differ materially from fair value at the reporting date. If there is evidence supporting a material difference, then the off-cycle asset classes will be revalued. 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 an asset 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 revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

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 have been estimated as:

- Buildings (including components) 2 to 80 years (1.25%-50%)
- Clinical equipment 3 to 20 years (5%-33%)
- Other equipment and motor vehicles 3 to 15 years (6.67%-33%)
- IT Equipment 5 to 15 years (6.67%-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. Work in progress is recognised at cost, less impairment, and is not amortised.

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 associated with the development and maintenance of the DHB's website are recognised as an expense when incurred.

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 have been estimated as:

- Acquired software 3 to 5 years (20% - 33%)
- Internally developed software 3 to 5 years (20% - 33%).

Indefinite life intangible assets are not amortised but are reviewed annually for impairment.

Finance, Procurement and Information Management System (formerly National Oracle Solution)

The Finance, Procurement and Information Management System (FPIM), (previously part of the National Oracle Solution programme), is a national initiative, funded by DHBs and facilitated by NZ Health Partnerships Limited (NZHPL) to deliver sector wide benefits. NZHPL holds an intangible asset recognised at the capital cost of development relating to this programme. Waitematā DHB holds an asset at cost of capital invested by the DHB in FPIM. This investment represents the right to access the FPIM assets and is considered to have an indefinite life. DHBs have the ability and intention to review the service level agreement indefinitely and the fund established by NZHPL through the on-charging of depreciation and amortisation on the assets to the DHBs will be used to, and is sufficient to, maintain the assets' standard of performance or service potential indefinitely. As the rights are considered to have an indefinite life, the intangible asset is not amortised and will be tested for impairment annually.

Impairment of property, plant, and equipment and intangible assets

The DHB does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a 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.

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, and sick leave. 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; and
- the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick Leave, continuing medical education, 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 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.

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. If the other participating employers ceased to participate in the Scheme, the employer could be responsible for any deficit of the Scheme. Similarly, if a number of employers cease to have employees participating in the Scheme, the DHB could be responsible for an increased share of the deficit.

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.

Make Good Lease Provision

A make good lease provision is made where operating leases contain clauses which specify that the Group should incur periodic charges for maintenance, make good dilapidations or other damage occurring during the rental period or requires the Group to return the asset to the configuration that existed at inception of the lease. The provision reflects the estimate of only the conditions as at the reporting date. The outflow of the provision would be expected at cessation of each lease. Assumptions were made around the term of the period of the lease based on the contractual term and expectations around exercising rights of renewal, which is subject to uncertainty. Further assumptions are made around the expected cost of meeting these lease obligations and estimating the present value of the provision, which also come with inherent uncertainty.

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 ongoing 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 future cash flows.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- crown equity
- accumulated surplus/(deficit)
- property revaluation reserves
- trust funds.

Contributions from/(repayment to) the Crown

The DHB Crown approved projects funding.

Property Revaluation reserve

The revaluation reserve movement relates to the independent valuation of land and buildings carried out by Telfer Young (Auckland) Ltd.

Trust /special funds

Trust/special funds are funds donated or bequeathed for a specific purpose. The use of these assets must comply with the specific terms of the sources from which the funds were derived. The revenue and expenditure in respect of these funds is included in the surplus or deficit. An amount equal to the expenditure is transferred from the Trust fund component of equity to retained earnings. An amount equal to the revenue is transferred from retained earnings to trust funds. All trust funds are held in bank accounts that are separate from the DHB's normal banking facilities. Refer to Note 29 for details.

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 Inland Revenue Department 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 is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the Statement of Performance Expectations (SPE) as approved by the Board at the beginning of the financial year to ensure we report against original approved budget. The budget figures were prepared in accordance with NZ GAAP, using accounting policies consistent with those adopted by the Board in preparing these financial statements. The format of the budget is different to that shown in the Financial Statements. The amounts that are disclosed are the same, however what has been presented has been reformatted to the purpose of these Financial Statements.

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 were no changes to the cost allocation methodology since the date of the last audited financial statements.

Critical accounting estimates and assumptions

In preparing these 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.

Land and building revaluations

Note 13 provides information on the estimates and assumptions applied in the measurement of revalued land, buildings, underground infrastructure and fixed dental clinics and pads. The significant assumptions applied in determining the fair value and buildings are disclosed in note 13.

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; and
- analysis of prior asset sales.

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

Retirement and long service leave

Note 17 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Holiday Pay Provision

Refer to Note 17 for details on the exposure in relation to the estimates and uncertainties surrounding holiday provisions.

Provision for expected credit losses

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due. The ECL calculation is initially based on the Group's historical observed default rates. The Group will adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 8.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Leases classification

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.

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. The DHB entered into a contract for services with providers for laboratory services. Services are provided across several DHB districts. 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 statements.