



# ANNUAL REPORT

## 2000

# Mission Statement



PHOTO: EVENING POST

*Our mission is to provide seamless health care for the people of the Wellington region and tertiary services to the central region of New Zealand.*

*This means the right services, delivered by the right people, in the right place and time, with the right tools.*

# Capital Coast Health

Capital Coast Health is the leading provider of specialist health, disability support and mental health services, inpatient and community delivered, in the central region of New Zealand. It is one of the country's regional tertiary services centres.

With around 3,500 staff (2957 full-time equivalents) and an annual payroll approaching \$160 million, Capital Coast Health is a major employer in the Wellington region and one of New Zealand's largest providers of health and disability services.

Capital Coast Health operates hospitals at Wellington and Kenepuru, a small maternity and outpatient hospital at Paraparaumu, and a number of community bases.

The organisation provides primary and secondary (mainstream hospital) health services to more than 250,000 people living in Wellington City and its suburbs, the Porirua Basin, and the Kapiti Coast.

Specialist tertiary-level care is provided to patients from the wider region, serving a population base of about 900,000. These services include cardiology and cardiothoracic surgery, neurology, neurosurgery, vascular surgery, renal medicine and transplants, genetics, oncology, paediatric surgery, neonatal intensive care, obstetrics, endocrinology, gynaecology, orthopaedics and urology, and specialised forensic services.

## The Hospitals

### Wellington Hospital

With around 450 resourced beds<sup>1</sup> Wellington Hospital is the largest facility operated by Capital Coast Health. It provides a comprehensive range of specialist services.

Wellington hospital is also the region's main emergency and only trauma centre, with a rooftop helipad providing a direct link to surgical, intensive care and emergency services.

As a major teaching hospital, Wellington provides an educational environment for medical students of the University of Otago's Wellington School of Medicine and for the Malaghan Institute (medical research), both of which are situated on the same campus. Post-graduate training for doctors and other clinical professionals is conducted by the Medical School in such areas as physician, surgery, anaesthetics, paediatrics and radiotherapy. Capital Coast Health also has relationships with other tertiary institutions, particularly in the area of nursing training.

### Kenepuru Hospital

This secondary facility with 94 resourced beds caters to communities to the north of Wellington, including Porirua and Kapiti.

The hospital provides medical, surgical, maternity and child health services, plus services for the elderly, a specialist inpatient and rehabilitation service, and outpatient clinics. Mental health services are delivered from separate inpatient facilities, representing an additional 100 resourced beds, including the acute psychiatric unit Te Whare Rangatuhi, and the Purehurehu Unit (forensic mental health).

Multidisciplinary services for children and adolescents with emotional, behavioural or developmental concerns are provided at the Puketiro Centre adjacent to the hospital. The Centre also

provides audiology services for people of all ages in the Porirua area.

### Paraparaumu Hospital

This small community hospital provides maternity services and outpatient treatment clinics for the people of Kapiti. Multidisciplinary assessment and treatment programmes for the community's elderly are also based at the hospital.

## Community Services

In addition to hospital-based services, multidisciplinary services are provided in the community. Community health services include general and specialist district nursing, specialist multidisciplinary rehabilitation services, occupational therapy, speech language therapy, physiotherapy, dietetics, social work and home support services.

Mental health services are also provided extensively in the community. A wide range of crisis, assessment, treatment, consulting, liaison and training services are delivered to consumers in the Wellington and Porirua area, greater Wellington (including Hutt Valley) and throughout the Central region. Included in the range of services is the alcohol and drug services and the specialist Maori Mental Health Service that has a focus inclusive of child, adolescent and family, adult and day programs.

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<sup>1</sup> Based on the CCMAU definition of resourced beds, i.e. the number of beds fixed and budgeted for on an annual basis required to fulfil its contractual obligations to the HFA.

Capital Coast Health

# Annual Report 2000

The Directors of Capital Coast Health Limited  
Present the Annual Report including  
Financial Statements for the year ended 30 June 2000.

**For and on behalf of the Board**



**Rick Bettle**  
**Chair**



**Margaret Faulkner**  
**Director**

# Report from the Chairman and the Chief Executive

Capital Coast Health made significant progress in the 1999/2000 year, building on important initiatives and developments aimed at improving both the quality and efficiency of our services.

Firstly, we were successful in gaining an additional \$18 million of revenue in 1999-2000, compared to the prior year, for the provision of health and disability services. This was on top of the additional \$14 million gained in the prior year. In both years, most of this additional revenue was tagged to the provision of additional services. Nevertheless, it has enabled the organisation to address longstanding and critical staffing, clinical equipment and deferred maintenance issues, with consequent improvements in patient and staff safety, and to produce a financial result for the year better than budget (detail of this appears under "Financial Performance" below).

Secondly, a significant number of major capital projects have been commenced or completed. These are all being paid for with new equity funding from government, with the exception of the Mental Health project which is partly equity-funded, and are enabling the worst of our sub-standard accommodation problems to be addressed, also with consequent improvements in clinical safety and patient comfort. These projects include:

- ⌚ the construction of a new emergency services and orthopaedic facility (fracture clinic and outpatients) building at Wellington Hospital. The former premises in the earthquake prone front building have been totally inadequate for years. Work began in September 1999 and is on track for the official opening in December 2000 (cost \$14 million),
- ⌚ relocation of the Women's Health Service from the old Parkview Clinic to a purpose-built facility within the Grace Neill Block. This was completed in December 1999 and has enabled us to greatly improve the level of service provided (cost \$2.2 million),
- ⌚ relocation of the Orthopaedic ward from the old "210 Block" to a purpose-built facility within the Clinical Services Block. Officially opened in August 2000, it is a huge improvement on the service's previous base, which was a temporary facility built in the 1940s (cost \$2.4 million),
- ⌚ construction of a new Rehabilitation Centre at Wellington Hospital in place of services at a variety of locations. This has been operating since August 2000 and is also a significant achievement (cost \$2.6 million),
- ⌚ construction of additional mental health facilities on the Porirua hospital campus. These include an additional forensic unit and additional accommodation units for acute inpatients and rehabilitation services. With a total project cost of \$20 million, these new facilities will open in November 2001 and a number of derelict buildings still being used to accommodate patients will then close.

In addition to the major equity-funded projects set out above, a number of smaller capital upgrades and maintenance projects were completed. These include:

- ⌚ upgrading and refurbishing the Nurses Chapel to become an Education Centre as well as a chapel
- ⌚ a new peri-operative area was completed at Wellington, to improve service for those undergoing day surgery
- ⌚ a new birthing unit was opened at Kenepuru
- ⌚ a new Laporu Birthing unit was completed in Wellington
- ⌚ the Neurology area was upgraded
- ⌚ building Te Pehi Parata Whanau Whare in Wellington Hospital to provide basic on-site accommodation for visiting whanau
- ⌚ upgrading bathrooms in the Kenepuru ward block
- ⌚ undertaking a \$500,000 special painting project to improve significant areas at both Wellington and Kenepuru Hospitals



- ⌚ upgrading fire alarm and smoke control systems in all wards at both Wellington and Kenepuru Hospitals
- ⌚ bringing the 600 bed fleet up to an acceptable operational standard by overhauling more than 150 beds and disposing of many others
- ⌚ rebuilding the “front ends” of most main air conditioning units to accommodate high efficiency air filters
- ⌚ implementing an indoor air quality – infection control measurement and monitoring system to ensure the delivery of design air quality in all critical spaces

Other major achievements with organisation-wide impact that we have been particularly pleased with during 1999-2000 include:

- ⌚ establishment of a major planning team for the new regional hospital, as announced by the government in 1999. Health planners, architects and other professional advisers have been examining clinical and service options since March 2000 and a draft business case will be presented to government in December 2000.
- ⌚ planning for the implementation of the new District Health Board structure and assumption of responsibility for local contractual arrangements which will be transferred from the HFA to Capital Coast. This has been done in conjunction with extensive consultation with the wider health community.



- ⌚ re-examination of the role of the former Quality Care Council and establishment of the new Clinical Quality Council incorporating wider representation and an enhanced mandate to drive clinical safety initiatives through the organisation.
- ⌚ participation in the community consultation projects in the Porirua and Kapiti areas known as the “Healthlinks”

projects. Led by the Ministry of Health, these projects have resulted in a detailed report for each area which analyses the separate, distinct health needs of each community and points the way forward for development of services in future.

- ⌚ conclusion of the successful installation of the new SMS suite of clinical information systems. This three-year project installed these major new computer systems on time and within the original budget; a significant achievement in the current environment.
- ⌚ settlement of the long-standing dispute with service workers relating to lack of consultation with them in 1993 prior to contracting out certain support services. It is pleasing to note that it was finally settled with reasonable goodwill on both sides. This unfortunate case related to a previous era and we are seeking reimbursement from government for the \$1 million cost of settlement.
- ⌚ a further significant adjustment to the management structure, streamlining the reporting structure into six clinical groups. Allied with new performance measurement requirements, this will strengthen our ability to meet healthcare delivery objectives.

We are very proud of these and other initiatives outlined in this Report, as they will contribute significantly to Capital Coast Health achieving its mission.

Change is always part of the health sector, and the 1999-2000 year was no exception. We are confident that the progress we have made to date puts us in a good position to develop strongly through the significant changes we will be facing in the year ahead.

## Key clinical initiatives

### Surgical Services

*Surgical Services is responsible for a wide range of secondary and tertiary assessment and treatment which is provided on an outpatient, day case and inpatient basis. Services, include: Anaesthesia and Pain Management, Cardiothoracic Surgery, Dental Surgery, ENT and Audiology, Gastroenterology, General Surgery, Neurology, Neurosurgery, Ophthalmology, Orthopaedics, Urology and Vascular Surgery.*

Throughout the 1999-2000 year patient services continued to be delivered to a high standard in each clinical area, in spite of inadequate facilities and lack of resourcing in many cases. A highlight for the year was the continuing development of an improved pre-assessment process for surgical patients. More than 60 percent of all patients coming in for elective surgery are now assessed through specialist and anaesthesia pre-assessment clinics, facilitating day-of-surgery admission processes. Other

achievements include the reduction of inpatient waiting lists (eg cardiothoracic surgery list reduced from 151 patients waiting more than 6 months in October 1999 to only 6 waiting over six months at 30 June 2000), streamlining of the booking systems (eg Cardiothoracic service migrated from local to the integrated hospital booking system). Capital Coast Health achieved compliance for the National Booking Reporting System (NBRS) and processes for administering ACC patient information were substantially upgraded to support the ACC contract.

## Medical Services

*This Group provides a range of medical services including Wellington Cancer Centre, Cardiology, Internal Medicine (comprising General Medicine, Infectious Diseases and Dermatology), Renal Medicine, Respiratory Medicine and Endocrine/Diabetes. Secondary and tertiary services are provided for inpatients, outpatients and day cases.*

Improvements achieved in patient care during the 1999-2000 financial year included the following:

- ⌚ Cardiology Services achieved a waiting time of less than 4 weeks for angioplasty and catheterisation, through more efficient service delivery, compared with 6-8 weeks in the previous year.
- ⌚ Coordination of monitoring and assessment resulted in lower numbers of patients waiting for access to non-hospital dependent renal dialysis -from 22% of total treatments in the Dialysis Unit in 1996/7 to 10% in 1999/2000.
- ⌚ Reorganisation of outpatient clinic schedule in the Cancer Centre improved patient access, decreased waiting time and optimised utilisation of facilities
- ⌚ Endocrinology provided "distance outpatient" consultation by telephone for follow-up management of previously seen patients, and verbal advice to GPs in the region, to improve outpatient clinic utilisation
- ⌚ Internal Medicine, in conjunction with WIPA, developed an integrated model of care pilot for COPD patients. This will improve the care and management of patients through improved liaison between GPs and hospital specialists.

## Child Health Services

*Child Health Services provides an integrated mix of Inpatient/Outpatient/Day Patient and domiciliary services for children up to 16 years of age. Services are delivered in Wellington and Kenepuru Hospitals, Puketiro Centre, Outreach Clinics (local and regional) and from the homes of children.*

Significant achievements include automating the cytogenetics laboratory, starting Paediatric Outreach clinics in three hospitals

and reducing inpatient admissions by 25 percent over the previous three years at Kenepuru Hospital through the Acute Assessment Programme.

Initiatives planned last year have been achieved, including service refinement and cost reductions. These savings included more efficient rostering of medical staff, better balancing of work between the neo-natal unit and paediatric wards and the introduction of a simplified laboratory order form that has brought a 30 percent reduction in the number of tests requested.

## Women's Health Services

*The Women's Health Service is responsible for the provision of maternity facilities for Central Wellington, the Porirua Basin and the Kapiti Coast. Services include primary maternity delivery service, specialist gynaecological and obstetric services, including tertiary regional services, acute assessment services (gynaecology and obstetrics), gynaecological and obstetric ultrasound, regional pregnancy counselling and termination of pregnancy services, and professional development, clinical research and education towards ongoing, improved performance of clinical service.*

During the 1999-2000 year a number of initiatives have been successfully implemented, improving quality, bottom line performance and service delivery.

They include:

- ⌚ an education and orientation programme for newly graduated midwives
- ⌚ establishment of a primary maternity scanning service
- ⌚ establishment of an Acute Assessment Service in purpose-designed facilities, achieving improved access, streamlined clinical investigations and care, and reduced acute admission rates
- ⌚ relocation of the Abortion and Pregnancy Counselling Service into a new purpose-built facility in the Grace Neill Block, greatly improving the level of service offered. The new Clinic is the first in New Zealand to provide a fully integrated termination of pregnancy service with staff focussed on providing education, constructive pregnancy counselling, contraceptive teaching and a safe clinical service
- ⌚ introduction of more flexibility in clinic booking, reducing the routine gynaecology waiting time for outpatients throughout the region.

## Clinical Support Services

*Clinical Support Services (CSS) delivers a range of specialist services, including Emergency Department, Radiology, CT and*

*MRI scanning, Laboratory services, Pharmacy services, community or outpatient delivered diagnostic and therapeutic intervention, specialist rehabilitation and professional community services. CCS also manages patient travel and retrieval as well as emergency management.*

The Assessment, Treatment and Rehabilitation service has been restructured into a single community-focussed service supported by inpatient units at Wellington and Kenepuru. The emphasis is on rehabilitation in the community, with increased community team staffing.

CSS had responsibility for responding to changes in the accident insurance environment in Therapies, Community Health Services, Radiology and Emergency Department, ensuring patients covered by accident insurance were identified, revenue sought where appropriate and improved communication established with purchasers.

Continuing improvements have been achieved in Radiology, Laboratory and Pharmacy services to the rest of the organisation.

## **Mental Health Services**

*Mental Health Services provides a full range of inpatient, outpatient and community mental health services. These include specialist forensic, Maori Mental Health, Pacific Island Mental Health, alcohol and drug, dual diagnosis, crisis response and early intervention services.*

The last year has been a period of stability for this group with the only structural changes being the addition of some new services. This stability has been a key ingredient in an improvement in staff morale and a general feeling that the service has direction and focus.

Due to the stability and forward direction that has been achieved



CCMH has been able to make significant improvements in the following areas over the past year including:

- ⌚ The Mental Health quality plan has been completed and the implementation process has begun with every indication that the majority of requirements of the Mental Health Standards will be met by June 2000. Where this has been identified as not possible the Quality Plan identifies actions and timeframes for implementation of outstanding indicators.
- ⌚ A Clinical Risk Management Group has been operational over the past year. It is composed of the Director CCMH, members of the Professional Advisory Group and the Clinical Leaders. All incidents, complaints, reports from District Inspectors and action plans are reviewed on a weekly basis.
- ⌚ A contract has been signed with the Wellington Mental Health Consumers Union to establish consumer participation in service delivery and development
- ⌚ The Whakapai project (Cultural Competence) has moved on to the evaluation phase that is being well received by the service. Positive feedback has come from clinicians who appreciate the tools and direction the Whakapai project has given in how to practical meet the requirements of the treaty.
- ⌚ The Transitional Forensic Unit for 10 medium secure beds was renovated and clients moved in 13 days before the original contract date. The unit has exceeded expectations of the staff and the client group appear happy in these temporary facilities.
- ⌚ The Regional Community Forensic Contract was successfully negotiated and the teams are being set up and are operational within budget.
- ⌚ The transfer of Kapiti adult services from MidCentral to CCHL occurred in March 2000.

## **Maori Health**

Establishment of Te Pehi Parata Whanau Whare has been one of the most significant achievements for the Maori Health Unit. The whare provides accommodation to whanau/families who come with a patient to Wellington Hospital, but who live outside the Wellington area. This facility is always in use and much appreciated. The Maori Health Unit hopes to provide more of these facilities in the new Regional Hospital.

This year the Unit hosted a National HHS Maori Managers hui, attended by 13 of the 18 managers from around the country. A new forum was established, "Te Tumu Whakarae", Pillar of Leadership, to place Maori Managers under a single Kaupapa.

Quarterly meetings of the group are planned and guidelines and recommendations will be put forward to DHBs and Government on Maori health issues

The 1999/2000 year also saw the completion of consultations with Maori from Nelson to Hawkes Bay about the new Regional Hospital. Ideas and suggestions that emerged from the hui are being incorporated into the concepts of the new Regional Hospital buildings.

A partnership between the Unit and the Cancer Society, Kokiri Marae, has been formed to establish services for Maori in the Cancer Society. We are working towards bi-cultural services.

The Unit is working with Human Resources to address Maori workforce development issues. We plan to increase the Maori workforce at CCHL within the next four years in line with the company Strategic Plan.

## People

To fulfil the vision of our Strategic Plan in providing seamless patient care Capital Coast Health needs the right staff with the right training and support. This involves recruiting, managing, training and retaining staff in a supportive environment.

### Turnover/Exit reporting

At just over 22% per cent for the year (unchanged from the prior year), our staff turnover rate is far too high and is having an adverse effect on service quality and efficiency. Addressing this for the coming year is a management priority with initiatives including support for the new nursing clinical career path, development of a similar path for therapists, pay movements where possible and improved rostering for medical staff. New quarterly reporting on turnover rates and profiling exiting staff is giving Clinical Leaders and other management comprehensive data on key issues and trends affecting CCHL staff.

### Recruitment difficulties

National and international recruitment issues impacted significantly on CCHL during 1999/2000. Professions experiencing recruitment difficulties included experienced nurses, RMOs, medical radiation technologists, staff radiation therapists, experienced allied health professionals (speech language therapists, physiotherapists, occupational therapists) and psychiatrists.

### Cultural Awareness Training

Continuing Cultural Awareness training courses were delivered by external providers during 1999/2000. These sessions focused on tikanga, kawa and the practical application of Treaty principles into the workplace. A full-time bicultural educator has been



appointed, focussed on integrating Treaty principles into the organisation by working alongside staff within the services.

### Management Training

A Management Development training programme was implemented to support the enhanced performance of team leaders and other managers by providing them with the skills and knowledge to manage effectively. The well-supported programme run through 1999/2000 equipped participants to manage in a wide range of situations and to focus on specific domains, such as the management of behaviour and clinical casemix.

### Healthy Workforce

Through 1999/2000 the Health & Safety committee structure, with representatives from all areas of the organisation, started to function effectively. Formal hazard identification began across the organisation and the CCHL Health & Safety Manual 2000 was produced. A new policy on Pre-employment Screening, implemented during 1999, screens for a wider range of hazards than before and provides greater flexibility about how screening is performed.

In July 1999 CCHL developed a relationship with a private insurer for covering workplace accidents, but changed back this year to the ACC. On the basis of CCHL's sound health and safety and injury management processes, we achieved accreditation with ACC and this has allowed the organisation to 'self manage' all workplace accidents. This has enabled CCHL to have a comprehensive rehabilitation system for its employees covering both work and non-work injury as well as sickness.

### Clinical Quality

As noted above, the role of the former Quality Care Council has been re-examined resulting in the establishment of a new Clinical Quality Council. This will include consumer and GP representatives as well as representation from various

staff groups. Because of its larger size, it now performs a governance function in the area of clinical quality and much of the work is done through sub-committees. These include ethical; informed consent group; infection control; professional standards; patient information service; medicines review; quality facilitators group; risk management; blood transfusion; policies; IV; and resuscitation. Resources have been added in this area including the appointment of a Quality Facilitator in each of the six clinical groups. CQC priorities for the future include a strengthening of systems relating to reporting of clinical incidents, credentialing of specialists and clinical audit.

## **Nursing**

A wide range of nursing-led initiatives were implemented in 1999/2000 aimed at encouraging greater participation in organisational development and management, fostering individual career development and enhancing the organisation's knowledge base and planning processes.

### **Development of Partnership Model**

The Nursing and Midwifery Partnership Model aims to enhance the quality of care both at point of delivery and at the organisational structures which support care delivery. Due for implementation in the 2000/01 financial year following consultation with the Clinical Groups, it will ensure nursing and midwifery input into the tactical and strategic planning for care delivery. It will also contribute to Capital Coast Health establishing a competitive edge in the recruitment and retention of nurses and midwives.

### **Education Centre**

The chapel redevelopment project was completed within budget and the Education Centre has become a real asset for the training of nurses and midwives. It is also much in demand as a meeting venue for other groups within Capital Coast Health.

### **Centralising nursing recruitment**

As part of ongoing efforts to improve recruitment, a 'one stop shop' approach has been developed to streamline recruitment procedures and reduce costs. While team leaders still interview their own staff, administration is now centralised.

### **New graduate programme**

Operating since February 1998, this programme has proved increasingly successful in retaining new nursing graduates during their first year of employment. The 12-month programme, which includes regular study days and block sessions, has become a key reason for graduates choosing employment at Capital Coast Health. It has also attracted a lot of interest from other hospitals.

During 1999-2000, 54 new graduates completed the programme and 98% have a permanent position in Capital Coast Health.

### **Linking Career Pathway to pay**

A proposal to link the Nursing and Midwifery Career Pathway to remuneration has been agreed and signed off by the CEO. The proposal has been taken to the Collective Employment Contract negotiations for ratification by nurses and midwives.

### **Benchmarking nursing hours**

Benchmarking with Australian hospitals of comparable size has shown that Capital Coast Health's nursing hours enable it to operate in the most efficient way possible.

### **International Recruitment**

CCH has appointed Healthlink New Zealand as a preferred provider for nursing and midwifery recruitment. An international recruitment drive has been launched in UK, Norway, Holland, Germany and Denmark, in collaboration with CCH. There has been an overwhelming response. Interviews are planned for January 2001.

### **Back to Nursing Programme**

Capital Coast Health, in collaboration with Whitireia Polytechnic, has commenced a Back to Nursing programme, with ten participants in the first intake.

### **Cleaner Production**

CCH is at the forefront in NZ healthcare in cleaner production. Cleaner production aims to turn the hospital environment into one that is environmentally friendly. Recycling of glass, paper, reducing the landfill costs and incinerated material realised cost savings for the last financial year of \$78,000. This year CCH is on target to save a further \$228,000.

### **Education**

There have been eight speciality programmes run at CCH over the last year supported by CTA funding. Work has begun to have these programs credentialed by a tertiary provider and the NZ Nursing Council. This will be completed by the end of 2001.

Three papers have been presented internationally this year. They were on Cleaner Production at CCH, Healing Touch... the CCH Experience, and the longitudinal study of CCH New Graduate Program.

### **Bed Replacement Project**

By December 2000, there will be 92 new electric beds and 306 new mattresses in clinical areas.

## Information Systems, Operations and Facilities

The facilities and wide range of tools which clinical staff rely on every day are key to Capital Coast Health's ability to provide quality health care.

### Information technology

During the first half of the 1999/2000 year the focus was on upgrading, replacing and testing systems to ensure a smooth transition to the year 2000. All technology was checked, upgraded where necessary, and tested for compliance. The last of the functions to be transferred to the SMS Allegra Patient Management System were Mental Health and Medical Records Tracking. These systems were implemented, with enhanced functionality, before the end of 1999, along with a new dental system. Our planning ensured Capital Coast Health experienced no Y2K problems.

Changes have been made to the Patient Management System to meet new and amended reporting requirements from the Ministry of Health. These included providing additional data for the National Surgical Booking and Reporting System and the Mental Health Information Project. Capital Coast was among the first Health and Hospital Services to complete these changes and pass technical compliance testing.

### Operational improvements

Capital Coast Health is always striving to reduce the behind-the-scenes costs of health care to free up resources on behalf of patients and taxpayers. Infrastructure support costs have fallen by \$5 million per annum over the last two years, often with an increase in the quality and reliability of service provided and additional savings for other areas of Capital Coast Health.

Examples of such achievements in 1999/2000 include:

- ⌚ reducing cleaning costs by \$180,000
- ⌚ reducing waste management costs by \$60,000
- ⌚ reducing carparking operating costs by \$35,000
- ⌚ increasing revenue from external linen contracts by \$74,000
- ⌚ saving \$55,000 from new contracts for paging and cellphones

We have commenced performance benchmarking in hospital facility management against the best Australian hospitals.

## Financial Performance

Capital Coast Health's financial result for the 1999/2000 year after payment of capital charge was a deficit of \$6,464,000 (last year: deficit of \$21,762,000).

This represents a significant \$15 million reduction in operating deficit during the 1999/2000 year, and was a result which was better than budget despite the completion of essential deferred maintenance and embarking on four major site developments. The result was achieved by the increase in revenue noted earlier together with a successful holding of costs.

The Capital Coast Health Statement of Financial Position still shows a high level of borrowing which creates its own demands upon our operating revenues. An additional \$11 million was borrowed in May 2000 to partly fund the construction of the new Mental Health facilities at Porirua. Issues related to our overall asset values and funding structure will be addressed with the government as owners in conjunction with agreeing the financing of the new regional hospital.

The Standard and Poors "A" rating and the Moody's Investor Service "AA2" rating both remain in place and unchanged over the financial year.

## Directors

In August the Minister of Health announced changes to the Board to increase its ability to reflect community perspectives and expertise in preparation for its new role as a District Health Board. Rick Bettle was reappointed as Board Chairman and Margaret Faulkner, Harley Gray, John McEnteer and Lorraine Witten were reappointed as Board members.

Four new members were appointed: Dr Beverley Lawton, a primary care doctor and Wellington School of Medicine researcher in women's and Maori health; Fa'amatuainu Tino Pereira, a communications specialist with wide experience in the Pacific peoples community; John Cody, a self-employed social worker with a background in community health activities in Porirua; and John Forman, a self-employed contractor in the health and disability sector, particularly in community mental health.

Three board members retired at that time: Warren Young, Alan Harwood and Ross Black. Subsequently, Lorraine Witten resigned from the Board in September to pursue other commitments. The new Board joins with us in thanking the retiring members for their hard work and wishes them well for the future.

## The Future

The Board has submitted to government, and government has supported a Business Plan for Capital Coast Health Ltd for the three years 2000 - 2003, showing a breakeven result in 2000 - 01. This is partly achieved by the acceptance by government agencies that Capital Coast Health has been under-funded up to now, and also to planned efficiency measures. As instructed by government, that plan made no allowance for the costs and other effects of transition into a District Health Board and the planning for a new regional hospital. Nevertheless, implementing its service strategies and achieving a breakeven result will enable those two new developments to progress smoothly.

The New Zealand Public Health and Disability Bill, currently before Parliament, is expected to become law by December 2000. It provides that the assets and liabilities of Capital Coast Health Ltd transfer at book value to the new Capital Coast DHB to be established.

The Board is submitting to government a draft business case for the construction of a new regional hospital on the Newtown, Wellington site. Government has committed to this development and the business case will be subject to public consultation before finalisation in 2001. It is hoped that new construction can be commenced early in 2002 and completed in late 2004. Associated works will continue a little longer. Many in the organisation have been involved in this planning. Significant clinical and process changes will be progressively implemented

to align clinical practice with the requirements of a new state-of-the-art facility.

Service requirements for the Porirua and Kapiti regions have been the subject of much study and consultation over the past twelve months. This work will continue; for Porirua in conjunction with the regional hospital project and for Kapiti as a further stand-alone services redevelopment project.

Progressing all of the above will prove demanding of the new District Health Board and its staff over the next few years. We are confident that all will rise to the challenge.

Capital Coast Health has improved its performance and is now well on track to meeting stakeholders' needs.

- ⌚ Patients will receive services that provide improved care, with more convenient processes, in more modern facilities.
- ⌚ Our staff will increasingly participate in an organisation that acknowledges their skills and contributions, that supports them, and that is able to provide them with satisfying careers.
- ⌚ Taxpayers will know they are receiving increasing value from the resources they entrust to us.

As always, both Capital Coast Health's accomplishments to date and our plans for the future are only possible because of the knowledge and dedication of our staff. We take this opportunity to publicly acknowledge their professionalism and hard work in often very difficult circumstances. We thank them for their dedication and efforts on behalf of the community we serve.



**Margot Mains**  
**Chief Executive Officer**

**Rick Bettle**  
**Chair**

# Capital Coast Health Limited

## Performance Measures

FOR THE YEAR ENDED 30 JUNE 2000

### FINANCIAL PERFORMANCE

	Actual	Budget
Net earnings before interest, taxation and extraordinary (EBIT) \$000s	9,209	8,912
Net operating deficit after taxation and extraordinary (NPAT) \$000s	1,408	681
Return on assets (based on EBIT)	3.8%	3.6%
Return on equity (based on NPAT)	2.0%	0.9%
Debt-to-debt-plus-equity ratio	63%	61%
Interest cover (times)	1.18	1.08
Current ratio	0.39:1	0.31:1
Value of Crown's investment \$000s	101,846	109,283
Ratio of Shareholders' funds: Total Assets	0.30:1	0.32:1

### NON-FINANCIAL PERFORMANCE

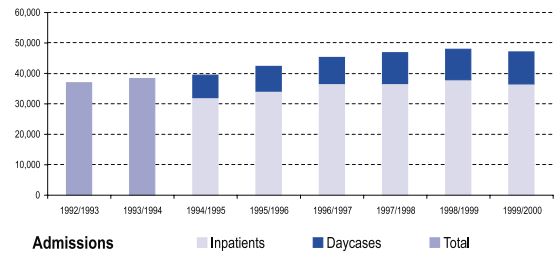
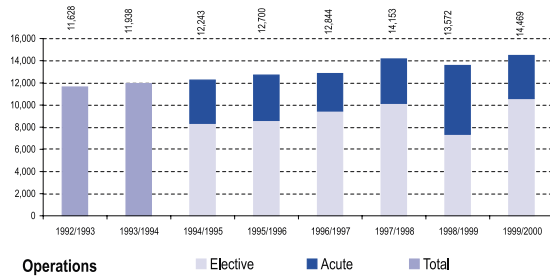
Measure	Actual	Target
Percentage occupancy for resourced beds (midnight census basis)	85%	85%
Customer satisfaction survey % "very good"	62%	60%
Average length of stay (before case mix weighting)	4.2	4.4
Day surgery as proportion of elective surgery	54%	55%
Intravenous and medication errors per inpatient day equivalent	1.1	0.6

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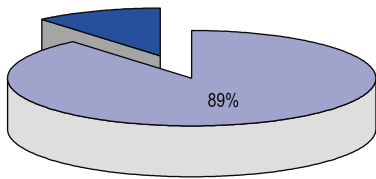
<sup>1</sup> Residual Health Management Unit (RHMU) subordinated debt is counted as debt for the purposes of the ratio

<sup>2</sup> Value of Crown's investment = Shareholders' funds + RHMU debt

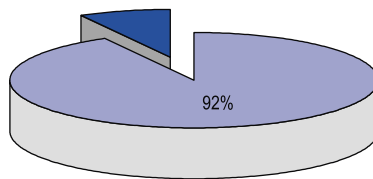
## Service Volumes



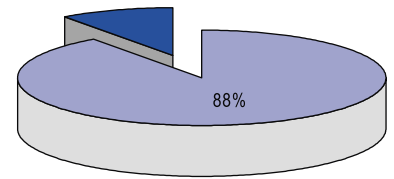
## Customer Satisfaction



*Satisfaction with treatment overall (good or very good)*



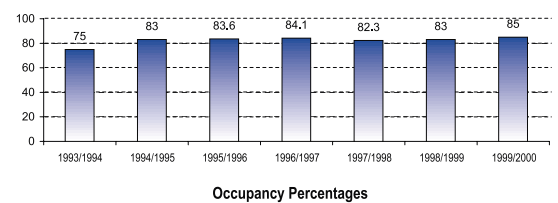
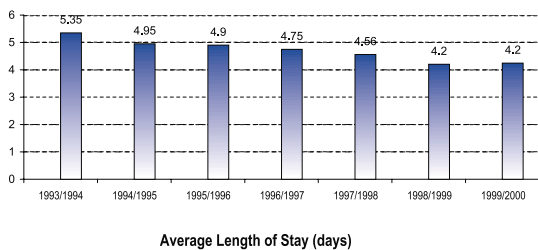
*Courtesy and friendliness of staff (good or very good)*



*Felt safe and secure in the hospital environment (good or very good)*

*Data based on CCMAU survey for quarter Apr-June 2000, Inpatient only*

## Efficiency Measures



# Capital Coast Health Limited

## Statutory Information

FOR THE YEAR ENDED 30 JUNE 2000

### DIRECTORS

The Directors of Capital Coast Health as at 30 June 2000, and those who ceased to hold office during the financial year, are set out below together with details of their remuneration, received or receivable, for the year ended 30 June 2000:

		<b>30 June 2000</b>
		<b>\$000s</b>
Rick Bettle	(Chair)	50.6
Ross Black	(appointed 10 September 1999)	22.6
Richard Bush	(retired 30 September 1999)	6.0
Margaret Faulkner QSM		26.6
Harley Gray	(appointed 30 September 1999)	25.2
Alan Harwood		26.6
John McEnteer		29.2
Lorraine Witten		26.6
Warren Young	(Deputy Chair )	32.6
		<b>\$246.0</b>

On 25 August 2000, the shareholders appointed four new Directors to the Board, and three of the abovenamed retired. The new Directors from that date are: John Cody, John Forman, Beverley Lawton and Tino Pereira. Those who retired are Ross Black, Alan Harwood and Warren Young. Subsequently, Lorraine Witten resigned at the end of September. Details of the new Board appear in the Directory section of this report.

## DIRECTORS' INTERESTS

The following items were entered in the Interests Register for the year ended 30 June 2000.

Directors	Nature of interest
Rick Bettle	Chair, New Zealand Lamb Co (North America) Ltd, Southern Health Ltd, New Zealand TAB, NZ Racing Industry Board; Director Transalta NZ Ltd, Restaurant Brands NZ Ltd., Radio Works Ltd, Southport NZ Ltd, Allied Farmers Ltd, NZ Pork, PCL Industries Ltd., Synergy International Ltd.
Ross Black	Chair, Farra Dunedin Engineering Ltd, HealthCare Otago Ltd, Health Benefits Ltd; Director Canterbury Health Ltd, Forests Otago Ltd, Health Surgery South Island Ltd, Port Otago Ltd, Southern Cardiothoracic Services: Trustee Otago Emergency Air Ambulance Trust, HealthCare Otago Charitable Trust
Margaret Faulkner	Deputy Chair, Whitireia Polytechnic
Harley Gray	Director, Gray & Yates Travel Ltd
Alan Harwood	Deputy Chair, Hutt Valley Health Corporation Limited
John McEnteer	Director, Mighty River Power Limited
Lorraine Witten	General Manager, Mobility, Telecom New Zealand Ltd; Director, Health Benefits Ltd
Warren Young	Chair, Hutt Valley Health Corporation Limited

Capital Coast Health has not extended any loans to directors.

No notices were received from directors requesting the use of company information, received in their capacity as directors, which would not otherwise have been available to them.

## DIRECTORS' INSURANCE

Capital Coast Health has arranged policies for directors' liability insurance. These, together with a Deed of Indemnity, ensure that Directors will incur no monetary loss as a result of actions undertaken by them as directors on behalf of Capital Coast Health, provided they act prudently and in the company's best interests.

## EMPLOYEE REMUNERATION

The number of employees or former employees with remuneration and other benefits totalling \$100,000 a year or more within specified \$10,000 bands was as follows:

<b>Total remuneration and other benefits</b> <b>\$000's</b>	<b>Number of employees</b>
100 – 110	19
110 – 120	15
120 – 130	15
130 – 140	20
140 – 150	14
150 – 160	10
160 – 170	11
170 – 180	6
180 – 190	6
190 – 200	4
200 – 210	2
210 – 220	2
230 – 240	2
240 – 250	1
250 – 260	1
260 – 270	1
270 – 280	1
Total	130

The Chief Executive's remuneration from her December 1999 appointment to June 2000 is in the range of \$160,000 to \$170,000, but on an annualised basis this would be in the range of \$320,000 to \$330,000. The acting Chief Executive's remuneration from July to December 1999 was in the range of \$120,000 to \$130,000, but on an annualised basis would have been in the range \$270,000 to \$280,000.

Of the total employees above, 107 are or were medical or dental employees, and 23 were not.

If the remuneration of part-time employees were grossed-up to a full time equivalent basis, the total number of employees with full time equivalent salaries of \$100,000 or more would be 197.

# Capital Coast Health Limited

## Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2000

This statement is required by Section 42 of the Public Finance Act 1989.

The Board and management are responsible for:

- preparing the annual financial statements and the judgements used herein
- establishing and maintaining the system of internal control to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of Board and management, the financial statements for the year ended 30 June 2000 fairly reflect the financial position and operations of Capital Coast Health Ltd.



**Rick Bettle**  
**Chair**  
**29 September 2000**



**Margot Mains**  
**Chief Executive Officer**  
**29 September 2000**



**Calum Laurie**  
**Director of Finance**  
**29 September 2000**

# Capital Coast Health Limited

## Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2000

### Reporting entity

Capital Coast Health Limited is a Crown entity in terms of the Public Finance Act 1989. It is wholly owned on behalf of the Crown by the two shareholding ministers, the Minister of Health and the Minister of Finance. Capital Coast Health Limited is a company registered under the Companies Act 1993.

The financial statements of Capital Coast Health have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Public Finance Act 1989.

### Measurement base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain non-current assets.

### Going concern

Reliance is placed on the fact that Capital Coast Health, or its successor organisation, will continue to receive revenue from the Health Funding Authority and other sources sufficient to maintain its services beyond the 2000/2001 financial year.

Due to its expected disestablishment following enactment of the New Zealand Public Health and Disability Bill, Capital Coast Health Ltd is not a going concern at 30 June 2000. However, as its assets and liabilities are expected to be transferred to the Capital and Coast District Health Board at net book value on 1 January 2001, no change in the measurement base of assets and liabilities is necessary.

### Accounting policies

The following accounting policies that materially affect the measurement of results and financial position have been applied.

### *Goods and services tax*

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

### *Taxation*

Income tax is charged in the Statement of Financial Performance in respect of the current year's earnings after allowing for permanent differences between reported earnings and assessable earnings for income tax purposes.

### *Donations and patient funds*

Donations and bequests received by Capital Coast Health are recognised as revenue at the point when the donation is formally acknowledged. Those donations received to which conditions are attached are acknowledged as revenue unless in the opinion of Capital Coast Health the conditions cannot be fulfilled.

Patient funds, representing cash assets, are paid into a designated trust fund account, which is recorded as an asset in the Statement of Financial Position of Capital Coast Health together with a related liability acknowledging patient ownership. To the extent that interest accrues to the trust fund account, these sums are added to the asset and liability accounts respectively.

### *Endowment and trust properties*

These properties have been acquired by Capital Coast Health in trust to either maintain a future revenue stream, or for specific purposes. Capital Coast Health has full legal title to the properties but must comply with the original gifting trust deeds. These assets are principally land holdings, but also include certain buildings.

The properties are valued annually by independent valuers and recorded at net current value.

On revaluation, movements are taken to a property revaluation reserve unless the reserve is insufficient to cover a deficit, in which case the amount of the deficit is included in the operating result.

### *Accounts receivable*

Accounts receivable are stated at expected realisable value after providing for doubtful debts and writing off uncollectable debts.

### *Inventories*

Inventories are recorded using a perpetual inventory system, from which inventories are valued. Valuation is based on the lower of cost, determined on a weighted average cost basis, or net realisable value. The valuation includes allowances for slow moving and obsolete inventories.

### *Fixed assets*

Fixed assets are recorded at historical cost. The cost of subsequent additions to buildings, plant and equipment consists of all appropriate costs of acquisition and installation including materials, labour, direct overheads, financing costs and transport costs.

Work in progress is valued at cost. The total cost of a project is transferred to freehold buildings and / or plant and equipment on its completion.

### *Depreciation of fixed assets*

Depreciation is provided on a straight line basis on all tangible fixed assets other than freehold land, at rates that will write off the cost of the assets - less their estimated residual values - over their economic or useful lives.

The lives of major classes of assets have been estimated as follows:

Buildings	5 - 60 Years
Building fitouts	5 - 25 Years
Plant and equipment	5 - 15 Years
Information technology items	3 - 8 Years

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings and / or plant and equipment on completion and then depreciated.

### *Employee benefits*

Provision is made in respect of Capital Coast Health Limited's liability for annual leave, long service leave, retirement gratuities, parental leave and conference leave.

Annual leave, conference leave and parental leave have been calculated on an entitlement basis. The long service leave and retirement gratuities provisions have been calculated on an actuarial basis.

### *Leases*

#### *Finance Leases*

Leases which effectively transfer to Capital Coast Health substantially all the risks and benefits incidental to ownership of the leased items are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over the period the company is expected to benefit from their use.

#### *Operating Leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

### *Financial instruments*

Capital Coast Health is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, investments, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

### *Statement of cash flows*

Cash represents cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Capital Coast Health invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Capital Coast Health and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the company.

Draw downs and repayments of the revolving credit facility are presented net. Provision of gross movements would not provide useful information in respect to financial performance or position and could mislead the user.

### *Foreign currency translations*

Transactions denominated in foreign currencies (other than forward contracts) are translated at the rate of exchange ruling at the transaction date.

Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in the contracts.

At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange differences arising from the translations are recognised in the Statement of Financial Performance.

### *Changes in accounting policies*

There have been no material changes in accounting policies from those adopted in the last audited financial statements. The policies have been applied on a basis consistent with other years.

# Capital Coast Health Limited

## Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2000

Budget 2000 \$000s		NOTES	30 June 2000 \$000s	30 June 1999 \$000s
	<i>REVENUE</i>			
	<b>Income received from</b>			
239,113	Health Funding Authority and other public revenue		241,694	223,905
12	Interest		67	40
(711)	Gain on sale of fixed assets		215	1,497
7,388	Funding for Capital Charge	(1)	7,388	7,388
11,509	Sundry other revenue and recoveries		12,458	11,440
<b>257,311</b>	<b>Total operating income</b>		<b>261,822</b>	<b>244,270</b>
	<i>EXPENDITURE</i>			
	Expenses incurred			
151,514	Employee costs		153,412	152,967
7,105	Rental and operating lease costs		5,766	4,513
79	Remuneration to auditors – audit fees		79	79
0	Remuneration to auditors – assurance services	(13)	0	0
222	Directors' fees		246	222
76,024	Other supplies and expenses		80,484	81,343
13,393	Depreciation		12,511	11,931
0	Assets written off		0	43
8,231	Interest		7,801	7,600
-	Bad debts written off		156	598
62	Change in provision for doubtful debts		(41)	(879)
<b>256,630</b>	<b>Total operating expenses</b>		<b>260,414</b>	<b>258,417</b>
<b>681</b>	<b>Net operating profit /(deficit) before taxation</b>		<b>1,408</b>	<b>(14,147)</b>
0	Taxation expense	(2)	0	0
<b>\$681</b>	<b>Net operating profit / (deficit) after taxation</b>		<b>\$1,408</b>	<b>\$(14,147)</b>

### Supplementary Information: Capital Charge

The cost of capital is disclosed in the Statement of Movements in Equity as a provision for distribution to owners. Refer to note 1 for further explanation of the nature of the capital charge.

Budget 2000 \$000s		NOTES	30 June 2000 \$000s	30 June 1999 \$000s
681	Net profit / (deficit)		1,408	(14,147)
(7,839)	Less capital charge	(1)	(7,872)	(7,615)
<b>\$(7,158)</b>	<b>Net (deficit) after capital charge</b>		<b>\$(6,464)</b>	<b>\$(21,762)</b>

The accompanying accounting policies and notes form an integral part of and are to be read in conjunction with these financial statements.

# Capital Coast Health Limited

## Statement of Movements in Equity

FOR THE YEAR ENDED 30 JUNE 2000

Budget 2000 \$000s		NOTES	30 June 2000 \$000s	30 June 1999 \$000s
<u>65,131</u>	<b>Equity at beginning of the year</b>		<u>65,132</u>	<u>77,179</u>
681	Net operating profit (deficit) for the year		1,408	(14,147)
0	Revaluation of assets	(4)	(585)	323
0	Reduction in Revaluation Reserve due to Disposal of assets	(4)	(286)	(608)
<u>681</u>	<b>Total recognised revenues and expenses for the year</b>		<u>537</u>	<u>(14,432)</u>
	<b>Other movements</b>			
21,143	Contributions from owners	(3)	13,882	10,000
(7,839)	Distribution to owners: Capital Charge	(1)	(7,872)	(7,615)
<u><b>\$79,116</b></u>	<b>Equity at end of the year</b>		<u><b>\$71,679</b></u>	<u><b>\$65,132</b></u>

The accompanying accounting policies and notes form an integral part of and are to be read in conjunction with these financial statements.

# Capital Coast Health Limited

## Statement of Financial Position

AS AT 30 JUNE 2000

Budget 2000 \$000s		NOTES	30 June 2000 \$000s	30 June 1999 \$000s
	<i>EQUITY</i>			
263,066	Share capital	(3)	255,805	241,923
3,729	Revaluation reserve	(4)	2,858	3,729
(187,679)	Accumulated deficit	(5)	(186,984)	(180,520)
<b>\$79,116</b>	<b>TOTAL EQUITY</b>		<b>\$71,679</b>	<b>\$65,132</b>
	<i>REPRESENTED BY:</i>			
	<i>CURRENT ASSETS</i>			
0	Cash, short term investments		352	0
30,607	Receivables and prepayments	(6)	28,982	38,895
4,031	Inventory	(7)	3,999	4,031
7,167	Donations and Patient funds	(8)	7,675	6,532
<b>41,805</b>	<b>Total current assets</b>		<b>41,008</b>	<b>49,458</b>
	<i>CURRENT LIABILITIES</i>			
136	Short-term loans		0	135
21,625	Payables and accruals	(9)	26,039	33,234
21,100	Employee entitlements	(10)	19,707	21,060
0	Restructuring Provision	(11)	500	1,599
91,786	Debt maturing within one year	(12)	58,909	38,783
<b>134,647</b>	<b>Total current liabilities</b>		<b>105,155</b>	<b>94,811</b>
<b>92,842</b>	<b>NET WORKING CAPITAL DEFICIT</b>		<b>64,147</b>	<b>45,353</b>
	<i>NON-CURRENT ASSETS</i>			
192,351	Fixed assets	(13)	190,808	181,874
12,055	Endowment / trust properties	(14)	10,871	12,055
<b>204,406</b>	<b>Total non current assets</b>		<b>201,679</b>	<b>193,929</b>
	<i>NON-CURRENT LIABILITIES</i>			
30,167	Long-term debt	(15)	64,019	81,214
2,147	Employee entitlements	(16)	1,761	2,147
134	Donations and patient funds	(8)	73	83
<b>32,448</b>	<b>Total non current liabilities</b>		<b>65,853</b>	<b>83,444</b>
<b>\$79,116</b>	<b>NET ASSETS</b>		<b>\$71,679</b>	<b>\$65,132</b>

For and on behalf of the Board



Rick Bettle  
CHAIR  
29 September 2000



Margaret Faulkner  
DIRECTOR  
29 September 2000

The accompanying accounting policies and notes form an integral part of and are to be read in conjunction with these financial statements.

# Capital Coast Health Limited

## Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2000

Budget 2000 \$000s		NOTES	30 June 2000 \$000s	30 June 1999 \$000s
	<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
	Cash received from:			
248,050	Health Funding Authority and other public revenue		253,060	223,559
15,561	Other revenue		16,127	6,121
12	Interest		67	40
<u>263,623</u>			<u>269,254</u>	<u>229,720</u>
	Cash disbursed to:			
239,894	Payments to employees and suppliers		246,306	233,920
(423)	Net GST paid (received)		(5)	(233)
8,839	Interest paid		8,068	3,746
<u>248,310</u>			<u>254,369</u>	<u>237,433</u>
<b>15,313</b>	<b>Net cash flow from operating activities</b>	<b>(17)</b>	<b>14,885</b>	<b>(7,713)</b>
	<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
	Cash received from:			
5,110	Sale of fixed assets		5,134	8,898
<u>5,110</u>			<u>5,134</u>	<u>8,898</u>
	Cash disbursed to:			
28,190	Purchase of fixed assets		23,532	16,747
<u>(23,080)</u>	<b>Net cash flow from investing activities</b>		<u>(18,398)</u>	<u>(7,849)</u>
	<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>			
	Cash received from:			
0	Bank revolving credit		0	8,700
53,000	Capital Coast Health bonds		64,000	0
0	EECA loan		38	156
21,143	Issue of share capital		13,882	10,000
<u>74,143</u>			<u>77,920</u>	<u>18,856</u>
	Cash disbursed to:			
0	Bank revolving credit		10,054	0
50,965	Capital Coast Health bonds		50,965	35
15,333	Capital charge		12,812	0
79	EECA loan		89	0
<u>7,766</u>	<b>Net cash flow from financing activities</b>		<u>4,000</u>	<u>18,821</u>
<b>(1)</b>	<b>Overall net increase in cash</b>		<b>487</b>	<b>3,259</b>
<b>(135)</b>	<b>Cash at beginning of year</b>		<b>(135)</b>	<b>(3,394)</b>
<b>(136)</b>	<b>Closing cash position</b>		<b>352</b>	<b>(135)</b>
	<b>This is represented by:</b>			
(136)	Short term investments / (Short-term loans)		352	(135)
<b>\$(136)</b>	<b>Cash at the end of year</b>		<b>\$352</b>	<b>\$(135)</b>

The accompanying accounting policies and notes form an integral part of and are to be read in conjunction with these financial statements.

# Capital Coast Health Limited

## Statement of Contingent Liabilities

AS AT 30 JUNE 2000

	30 June 2000 \$000s	30 June 1999 \$000s
Legal proceedings	922	1,395
Other claims	1,650	1,730
<b>Total</b>	<b>\$2,572</b>	<b>\$3,125</b>

*Directors are of the view that no significant loss will accrue to Capital Coast Health from the above claims.*

## Statement of Commitments

AS AT 30 JUNE 2000

	30 June 2000 \$000s	30 June 1999 \$000s
<b>Capital commitments</b>	<b>36,641</b>	<b>4,982</b>
<b>Non-cancellable operating leases</b>		
Less than one year	5,869	4,072
One to two years	4,976	3,727
Two to five years	4,327	2,539
	<u>15,172</u>	<u>10,338</u>
<b>Other non-cancellable contracts</b>		
Less than one year	10,404	8,877
One to two years	1,183	1,516
Two to five years	466	161
	<u>12,053</u>	<u>10,554</u>
<b>Total commitments</b>	<b>\$63,866</b>	<b>\$25,874</b>

# Capital Coast Health Limited

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

### 1. Capital Charge

From 1 July 1998, all Hospitals and Health Services (HHSs) were required to pay a capital charge to the Crown based on their shareholders' funds. The charge was set at 11 percent from the 1998/99 financial year.

Since the 1998/99 financial year, HHSs have been separately funded for the capital charge and the funding is included in the revenue figure in the Statement of Financial Performance. Under the Companies Act 1993, and in accordance with generally accepted accounting practice, the capital charge is a distribution to the shareholders. Accordingly, it is shown as a distribution to owners in the Statement of Movements in Equity.

### 2. Taxation expense

	30 June 2000 \$000s	30 June 1999 \$000s
Net operating profit (deficit) before taxation	1,408	(14,147)
Taxation @ 33%	465	(4,668)
(Plus)/less taxation effect of permanent differences	(2,384)	3,411
Timing differences not recognised	(3,523)	(4,347)
Capital Charge	(2,598)	(2,513)
Tax losses not recognised	8,040	8,117
<b>Taxation expense for the year</b>	<b>\$0</b>	<b>\$0</b>
<b>Deferred taxation</b>	<b>\$0</b>	<b>\$0</b>

Capital Coast Health has not recognised a deferred taxation liability on cumulative timing differences of \$6,160,049 (1999 \$4,224,863) as these are not expected to reverse in the foreseeable future. The tax effect of timing differences not recognised is \$2,032,816 (1999 \$1,394,000).

At 30 June 2000, Capital Coast Health had tax losses of \$48,960,627 (1999: \$24,598,000) available (subject to meeting the requirements of the Income Tax Act 1994) to carry forward and offset against future taxable income. The tax effect of losses available is \$16,157,007 (1999: \$8,117,000).

### 3. Share capital

	30 June 2000 \$000s	30 June 1999 \$000s
Balance at beginning of year	241,923	231,923
New share capital issued	13,882	10,000
<b>Balance at end of year</b>	<b>\$255,805</b>	<b>\$241,923</b>

At 30 June 2000, Capital Coast Health has issued 255,804,859 (1999: 241,923,000) shares which are fully paid up. All shares carry equal voting rights and the right to share in any surplus on winding up of the company. None of the shares carries fixed dividend rights.

4.	<b>Revaluation reserve</b>	<b>30 June 2000 \$000s</b>	<b>30 June 1999 \$000s</b>
	<b>Endowment and trust properties</b>		
	Balance at beginning of year	3,729	4,014
	Reduction in reserve due to sale of endowment properties	(286)	(608)
	Net revaluation during the year to estimated market value	(585)	323
	<b>Balance at end of year</b>	<b><u>\$2,858</u></b>	<b><u>\$3,729</u></b>
5.	<b>Accumulated Deficit</b>	<b>30 June 2000 \$000s</b>	<b>30 June 1999 \$000s</b>
	Balance at beginning of year	(180,520)	(158,758)
	Net operating profit (deficit) after taxation	1,408	(14,147)
		<u>(179,112)</u>	<u>(172,905)</u>
	Distribution: Capital Charge	(7,872)	(7,615)
	<b>Balance at end of year</b>	<b><u>\$(186,984)</u></b>	<b><u>\$(180,520)</u></b>
6.	<b>Receivables and prepayments</b>	<b>30 June 2000 \$000s</b>	<b>30 June 1999 \$000s</b>
	Health Funding Authority	23,174	24,475
	Other trade debtors	3,497	10,574
	Provision for doubtful debts	(255)	(299)
		<u>26,416</u>	<u>34,750</u>
	Accrued income	1,863	1,780
	Prepayments	621	387
	Debtors – fixed asset sales	82	1,978
	<b>Total receivables and prepayments</b>	<b><u>\$28,982</u></b>	<b><u>\$38,895</u></b>
7.	<b>Inventory</b>	<b>30 June 2000 \$000s</b>	<b>30 June 1999 \$000s</b>
	Pharmaceuticals	819	851
	Surgical and medical supplies	3,133	3,075
	Other supplies	47	105
	<b>Total inventory</b>	<b><u>\$3,999</u></b>	<b><u>\$4,031</u></b>

Capital Coast Health Limited has not pledged any inventories as security for liabilities.

8. Donations and patient funds

Donations and patient funds are made up of assets including cash, donations, bequests or loans for specific purposes, and funds held which belong to patients. Use of these funds is limited to the specific terms upon which the funds were provided.

	30 June 2000 \$000s	30 June 1999 \$000s
<b>Donated funds</b>		
Opening balance	6,449	2,271
Funds received	526	502
Transfer from endowment property sales	686	3,759
Endowment interest received	317	101
Other interest received	240	209
Funds spent	(616)	(393)
<b>Balance at year end</b>	<u><u>\$7,602</u></u>	<u><u>\$6,449</u></u>
<b>Patient funds</b>		
Opening balance	83	353
Funds received	24	117
Interest received	3	2
Payments made	(37)	(389)
<b>Balance at year end</b>	<u><u>\$73</u></u>	<u><u>\$83</u></u>
<b>Total donations and patient funds</b>	<u><u>\$7,675</u></u>	<u><u>\$6,532</u></u>

9. Payables and accruals

	30 June 2000 \$000s	30 June 1999 \$000s
Trade creditors and accruals	17,791	20,558
Provision for distribution to owners	2,676	7,615
Creditors – fixed asset purchases	706	339
GST and FBT payable	2,420	2,468
PAYE payable	1,565	2,229
Current portion of realised hedge gain	881	25
<b>Total payables and accruals</b>	<u><u>\$26,039</u></u>	<u><u>\$33,234</u></u>

10. Current employee entitlements

	30 June 2000 \$000s	30 June 1999 \$000s
Salary accruals	4,082	2,981
Annual leave provision	12,605	11,821
Retirement gratuities and long service leave provisions	708	861
Others	2,312	5,397
<b>Total current employee entitlements</b>	<u><u>\$19,707</u></u>	<u><u>\$21,060</u></u>

11.	<b>Movement in restructuring provision</b>	30 June 2000 \$000s	30 June 1999 \$000s
	<b>Opening Balance</b>	1,599	1,148
	Charged against the provision for the year	(1,599)	(1,148)
	Additional Provisions made during the year	500	1,599
	<b>Closing Balance</b>	<u>\$500</u>	<u>\$1,599</u>
12.	<b>Debt maturing within one year</b>	30 June 2000 \$000s	30 June 1999 \$000s
	ASB Bank revolving credit	0	23,700
	ANZ Banking Group	4,045	0
	Bank of New Zealand revolving credit	5,000	15,000
	Bond holders	19,602	0
	RHMU debt	30,167	0
	Energy Efficiency & Conservation Authority loan	95	83
	<b>Total debt maturing within one year</b>	<u>\$58,909</u>	<u>\$ 38,783</u>

Revolving Credit Facilities are in place with the ASB Bank (\$25 million) and the Bank of New Zealand (\$15 million). The average interest rate on short term funding at balance date was 6.87%.

The Residual Health Management Unit (RHMU) debt of \$30,166,955 due 20 June 2001 is subordinated to Capital Coast Health Ltd's other debt. The interest rate is currently 8.746%. Interest is payable in cash on this debt only if bank covenants are not forecast to be breached in the succeeding twelve months, otherwise it is capitalised.

All other borrowing is on an uncommitted basis.

Loan covenants provide that security cannot be given over the assets of Capital Coast Health.

**Energy Efficiency and Conservation Authority (EECA) (interest free)**

	Maturity Date	30 June 2000 \$000s	30 June 1999 \$000s
Opening balance	15/05/01	165	10
New loan raised		38	247
Debt repaid		(89)	(91)
Less term portion		(19)	83
<b>Closing balance</b>		<u>\$95</u>	<u>\$83</u>

13.	<b>Fixed assets</b>	Cost \$000s	Accumulated Depreciation \$000s	Book Value 30 June 2000 \$000s	Book Value 30 June 1999 \$000s
	Land	3,789	0	3,789	3,789
	Buildings	151,219	47,401	103,818	109,271
	Plant and equipment	96,912	42,678	54,234	44,137
	Work in progress	19,090	0	19,090	14,089
	Surplus properties	12,538	2,661	9,877	10,588
	<b>Total</b>	<b>\$283,548</b>	<b>\$92,740</b>	<b>\$190,808</b>	<b>\$181,874</b>
	<b>Total 1999</b>	<b>\$262,714</b>	<b>\$80,480</b>	<b>\$181,874</b>	

Certain assets have been identified as surplus to the business needs of Capital Coast Health. These are scheduled for sale in the future after clearance of necessary legal processes and have been classified as surplus properties.

Capital Coast Health does not have registered title to all of the Crown land it owns, but transfer is arranged if and when the land is sold. Some of the company's land is subject to Waitangi Tribunal claims. The disposal of certain properties may be subject to the provisions of s40 of the Public Works Act 1981.

The Directors consider the latest Government valuations shown below for land and buildings as at September 1998 (Porirua) or September 1999 (Wellington, Paraparaumu) are an indication of fair value. No consideration has been taken of the announcement relating to a new regional hospital.

Land	\$ 14,504,000
Buildings	\$193,161,000

Audit New Zealand provided assurance services relating to the tendering processes for proposed new facilities. The value of these services was \$56,654 and this has been treated as part of the capital cost of the facilities.

**14. Endowment/trust properties**

	Revaluation Movement \$000s	30 June 2000 \$000s	30 June 1999 \$000s
Endowment	(585)	8,448	9,632
Trust	0	2,423	2,423
<b>Total endowment/trust properties</b>	<b>\$(585)</b>	<b>\$10,871</b>	<b>\$12,055</b>

These assets were valued by E F Gordon & Co, Independent Registered Valuers, as at 30 June 2000. The values were estimated at open market value less estimated costs of disposal.

The endowment properties were originally gifted to the Wellington Hospital. These properties are subject to the restriction that when sold the equivalent capital value must be maintained to provide a future revenue stream.

Three endowment properties were sold during the financial year for \$686,624 (refer note 8). Interest earned on the proceeds from the properties sold to date was \$317,000 at 30 June 2000.

The trust properties were gifted for specific purposes.

**15. Long-term debt**

	30 June 2000 \$000s	30 June 1999 \$000s
RHMU debt	0	30,167
Capital Coast Health Notes	64,000	50,964
Energy Efficiency & Conservation Authority loan	19	83
<b>Total long-term debt</b>	<b>\$64,019</b>	<b>\$81,214</b>

Registered unsubordinated, unsecured notes with a face value totalling \$53 million were refinanced during September 1999 with local institutional investors at an interest rate of 8.08%, due 15 April 2004.

Capital Coast Health Ltd also raised registered unsubordinated, unsecured notes with a face value totalling \$11 million during May 2000 with local institutional investors at an interest rate of 7.90%, due 15 July 2005.

16.	Long-term employee entitlements	30 June 2000 \$000s	30 June 1999 \$000s
	Retirement gratuities provision	1,340	1,833
	Long-service leave provision	421	314
	<b>Total long-term employee entitlements</b>	<b>\$1,761</b>	<b>\$2,147</b>

17.	Reconciliation of net operating deficit after taxation with net cash flow from operating activities	30 June 2000 \$000s	30 June 1999 \$000s
	Net operating profit (deficit) after taxation	1,408	(14,147)
	Add back non-cash items		
	Depreciation	12,511	11,931
	Asset writedowns	0	43
	Interest added to principal	0	2,594
	Asset donations	(31)	(436)
		13,888	(15)
	Add back items classified as investment activity		
	Net gain on disposal of fixed assets	(215)	(1,497)
	Movements in working capital		
	Decrease/(increase) in receivables and prepayments	8,066	(9,936)
	Decrease/(increase) in inventories	32	93
	(Decrease)/increase in payables and accruals	(2,895)	9,803
	(Decrease)/increase in provisions	(2,838)	(1,983)
	(Decrease)/increase in patient funds	(10)	(270)
	Decrease/(increase) in restricted assets	(1,143)	(3,908)
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>\$14,885</b>	<b>\$(7,713)</b>

#### 18. Segmental reporting

Capital Coast Health operates in the health services sector in the greater Wellington geographical region.

#### 19. Interest rate, foreign currency and credit risk management

Capital Coast Health has a series of policies providing risk management for interest rates, operating and capital expenditures denominated in a foreign currency, and the concentration of credit.

##### **Interest rate risk**

Capital Coast Health Limited utilises a selection of interest rate hedging techniques to manage this exposure. At balance date there were seven hedges in place to cover the interest repricing risk. The valuation as at 30 June 2000 was a \$71,389 benefit to Capital Coast Health Ltd. Realised hedge gains taken out prior to balance date were being amortised against borrowings as of 30 June 2000. Interest rates on Capital Coast Health's borrowings are described in notes 12 and 15. Interest rates for the notes and the RHMU debt are fixed.

##### **Foreign currency risk**

Capital Coast Health Limited undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise. It is Capital Coast Health's policy to hedge any such foreign currency risks as they arise using forward and spot foreign exchange contracts to manage these exposures.

There were no foreign exchange contracts in place at balance date for either the 1999/00 or 1998/99 financial years.

##### **Concentration of credit risk**

In the normal course of its business, Capital Coast Health incurs credit risk from trade debtors and financial

institutions. Capital Coast Health Limited has a credit policy that is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance on the Health Funding Authority for 88.0% (1999 86.3%) of Capital Coast Health's revenue. However, the Health Funding Authority is not considered to be a risk, being the Government-funded purchaser of health and disability support services.

Capital Coast Health does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Cash and bank overdraft* - The carrying amount of cash and bank overdraft balances is equivalent to their fair value.

**Fair values:**

All financial instruments of the Capital Coast Health are accounted for at their fair value.

**Unused facilities:**

As at 30 June 2000, Capital Coast Health had available committed short term borrowing facilities totalling \$35,000,000 (1999: \$1,300,000) but these were offset by \$23,646,410 of uncommitted borrowings.

20. Related party transactions and information

**Government funding**

Capital Coast Health Limited received \$249,082,000 from the Government, mainly through the Health Funding Authority, to provide health services to the greater Wellington area in 1999/2000.

The amount owing to Capital Coast Health Limited by the Health Funding Authority at year end was \$23,174,000.

**Directors and officers**

During the financial year there were no related party transactions, other than disclosed in the Directors' Report.

# Report of the Audit Office

## TO THE READERS OF THE FINANCIAL STATEMENTS OF CAPITAL COAST HEALTH LIMITED FOR THE YEAR ENDED 30 JUNE 2000

We have audited the financial statements on pages 17 to 31. The financial statements provide information about the past financial performance of Capital Coast Health Limited and its financial position as at 30 June 2000. This information is stated in accordance with the accounting policies set out on pages 17 to 19.

### Responsibilities of the Board of Directors

The Health and Disability Services Act 1993, the Public Finance Act 1989 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of Capital Coast Health Limited as at 30 June 2000 and the results of its operations and cash flows for the year ended 30 June 2000.

### Auditor's responsibilities

Section 41(1) of the Health and Disability Services Act 1993 requires the Audit Office to audit the financial statements presented by the Board. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed Paul D Helm, of Audit New Zealand, to undertake the audit.

### Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Capital Coast Health Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Financial Statements Prepared on the Disestablishment Basis*

In forming our opinion, attention is drawn to the Statement of Accounting Policies, Going Concern Assumption note on page 17. This note states that the financial statements have been prepared on a disestablishment basis. The note explains that there has been no change to the measurement system used for assets and liabilities. Assets and liabilities are to be transferred to the District Health Board at net book value on enactment of the New Zealand Public Health and Disability Bill. We consider the disestablishment basis of preparation to be appropriate for Capital Coast Health Limited as the New Zealand Public Health and Disability Bill was introduced into Parliament on 2 August 2000.

We have provided other assurance services to Capital Coast Health Limited. Other than these services and in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Capital Coast Health Limited.

### Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Capital Coast Health Limited as far as appears from our examination of those records; and
- the financial statements of Capital Coast Health Limited on pages 17 to 31 :
  - comply with generally accepted accounting practice; and
  - give a true and fair view of:
    - the financial position as at 30 June 2000; and
    - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 29 September 2000 and our unqualified opinion is expressed as at that date.



Paul D Helm  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Wellington, New Zealand

# Capital Coast Health Limited

## Directory

### Board of Directors (at 15 October 2000)

Rick Bettle (Chair)

John Cody

Margaret Faulkner

John Forman

Harley Gray

Dr Beverley Lawton

John McEnteer

Fa'amatuainu Tino Pereira

### Chief Executive Officer

Margot Mains

### Director of Nursing

Anita Bamford

### Maori Health Adviser

Colleen Wineera

### Chair of Quality Care Council

Chief Medical Adviser, Dr Karen Palmer

### Director of Finance

Calum Laurie

### Director of Operations

Mark Hughes

## Clinical Groups

### MEDICINE

Business Manager - Rosemary Kennedy (from 11/99)

Clinical Director - Associate Professor Tim Maling (from 11/99)

### CLINICAL SUPPORT SERVICES

Business Manager - Trisha McFadden (from 7/00)

Clinical Director - Dr Geoff Hughes (from 11/99)

### SURGICAL SERVICES

Business Manager - Liz McLean (from 7/00)

Clinical Director - Dr Steuart Henderson (from 11/99)

### WOMEN'S AND CHILD HEALTH SERVICES

Business Manager - Bruce Jones

Clinical Director (Women's) - Dr Jackie Hawley

Clinical Director (Child) - Julia Payne

### MENTAL HEALTH

Business/ Financial Advisor - Kevin O'Neill

Clinical Director - Dr Peter McGeorge

## Registered office

Level N, Ward Support Block

Wellington Hospital

Riddiford Street

Wellington

## Postal and telephone

Capital Coast Health

Private Bag 7902

Wellington South

Tel: 04 3855999

Fax: 04 3855929

Kenepuru Hospital

Raiha Street

P O Box 50-215

Porirua

Tel: 04 3855999

Fax: 04 2376015

Paraparaumu Hospital

Warrimoo Street

Paraparaumu

Tel: 04 2986069

Fax: 04 2983213

Wellington Hospital

Riddiford Street

Private Bag 7902

Wellington South

Tel: 04 3855999

Fax: 04 3855856

## World Wide Web

[www.wnhealth.co.nz](http://www.wnhealth.co.nz)

## Bankers

Bank of New Zealand Ltd

ASB Bank Ltd

## Auditor

Audit New Zealand

On behalf of the Controller and Auditor-General

## Solicitors

Phillips Fox

Simpson Grierson

# Notes

# Notes