

MIDCENTRAL DISTRICT HEALTH BOARD

Minutes of the MidCentral District Health Board meeting held on 19 July 2011 at 10.00 am
at MidCentral District Health Board Offices, Board Room, Gate 2, Heretaunga Street,
Palmerston North

PRESENT

Phil Sunderland (Chair)
Diane Anderson
Lindsay Burnell
Ann Chapman
Jack Drummond

Kate Joblin
Pat Kelly
Karen Naylor
Richard Orzecki

IN ATTENDANCE

Murray Georgel, Chief Executive Officer
Mike Grant, General Manager, Funding Division (and Acting General Manager, Corporate Services)
Heather Browning, General Manager, Enable New Zealand
Jill Matthews, Principal Administration Officer
Dennis Geddis, Communications Officer
Lyn Horgan, Operations Director, Hospital Services
Muriel Hanratty, Director, Patient Safety & Clinical Effectiveness

Public (1)
Media (1)

1. APOLOGIES

An apology was received from Barbara Robson, Board Member. Mavis Mullins was absent.

2. LATE ITEMS

The CEO requested the board accept a late item being the "Transfer of District Health Board New Zealand's (DHBNZ) functions to Central Region's Technical Advisory Service (TAS)". He advised this item had come to hand after the agenda for the Board's meeting had been finalised. The timeframe for the proposed transfer was such that offers of employment were to be made to staff in the week beginning 27 July 2011.

A brief paper regarding this item was tabled.

It was resolved:

that the "transfer of DHBNZ functions to TAS" be accepted as a late item under agenda item 9.

3. CONFLICT AND/OR REGISTER OF INTERESTS UPDATE

3.1 Amendments to the Register of Interests

Richard Orzecki advised his directorship of Horowhenua Primary Health Organisation had ended as this entity was now defunct.

3.2 Declaration of Conflicts in Relation to Today's Business

No conflicts were identified.

4. MINUTES OF PREVIOUS MEETING

John Bent, member of the public addressed the meeting. He referred to the minutes of the Board's previous meeting and the presentation made by the Central Primary Health Organisation. Mr Bent suggested that as the Central PHO was district-wide, it was no longer appropriate for it to make presentations at the Board's public forums. Instead, if it wished to make a presentation this should be directed to the Community & Public Health Advisory committee which was responsible for that area of the Board's operations.

Mr Bent further suggested that appointed members of the Board's committee be invited to attend the public forum scheduled to be held in Horowhenua in August, or other such forum, to introduce themselves to the community.

4.1 Minutes

It was resolved:

that the minutes of the previous meeting held on 21 June 2011 be confirmed as a true and correct record.

4.2 Matters Arising from the Minutes

4.2.1 Horowhenua Health Shuttle

The General Manager, Funding Division advised that an agreement had been reached between MidCentral DHB and the Horowhenua Shuttle Trust in relation to support for its ongoing operations and to assist with the passage of renal patients over the weekend. From an examination of the Trust's financial statements there appeared to be no short term financial risk. Regarding the sustainability of volunteer workforce for the shuttle's operations, Mr Grant was unable to comment at this time. He stated that a full update would be provided to the Board's Community & Public Health Advisory Committee, including the financial and volunteer workforce risk profile.

5. BOARD COMMITTEES

5.1 Group Audit Committee

It was resolved:

that the unconfirmed minutes of the meeting of the Group Audit Committee held on 21 June 2011 be received and the recommendations contained therein approved.

5.2 Matters Arising

5.2.1 IT Systems and Services in the Event of a Disaster

The Acting General Manager, Corporate Services advised the work noted in the minutes formed part of the Central Region's Information Systems Plan (CRISP). He further advised that an update on IT business continuity planning was scheduled for a future meeting of the Group Audit Committee.

5.3 Community & Public Health Advisory Committee

It was resolved:

that the unconfirmed minutes of the meeting of the Community & Public Health Advisory Committee held on 5 July 2011 be received and the recommendations contained therein approved.

5.4 Matters Arising

There were no matters arising from the minutes.

5.5 Hospital Advisory Committee

It was resolved:

that the unconfirmed minutes of the meeting of the Hospital Advisory Committee held on 5 July 2011 be received and the recommendations contained therein approved.

5.6 Matters Arising

5.6.1 Transitional Steering Group

The General Manager, Funding Division advised that the DHB had established District Management Group to oversee planning and implementation of its disease state plans. With the establishment of clinical networks, a Transitional Steering Group had been created to oversee such networks. It had a large clinical membership. In time, the Group's responsibilities would transfer to the Clinical Council.

It was noted that the Transitional Steering Group's membership also included Manawhenua Hauora and Primary Health Organisation representation.

5.6.2 Volunteer Workforce

The CEO confirmed that the valuable contribution of the hospital's volunteer workforce was formally recognised at an annual event.

5.7 Disability Support Advisory Committee

It was resolved:

that the unconfirmed minutes of the meeting of the Disability Support Advisory Committee held on 5 July 2011 be received and the recommendations contained therein approved.

5.8 Matters Arising

5.8.1 Health Passport

The Committee Chair drew members' attention to this initiative.

6. STRATEGIC MATTERS

6.1 2010/11 District Annual Plan: Update re Corporate/Governance Initiatives

6.1.1 Asset Management

Management advised that the recent Grant Thornton report regarding MidCentral DHB's asset

plan outlined future expected capital expenditure. Major items included CRISP, site redevelopment of Palmerston North Hospital, and replacement of a suite of linear accelerators.

As part of the 2011/12 Annual Plan, an Investment Plan was to be developed. The first draft of this would be presented to the Board in November/December 2011 and would likely take a further year to finalise. This would identify the major capital and operational investments.

It was noted that the DHB's improved financial position would enable the Board to make such investment decisions.

It was further noted that the approval process for major investment could be lengthy and that was why the DHB was re-commencing the site redevelopment planning process now. The CEO advised the approval process would require a strong regional aspect and support.

MidCentral DHB's 2011/12 Annual Plan signalled the proposed \$50m investment for site redevelopment works, and the DHB's intention to free-cash flow that.

It was resolved:

that the report be received.

7. OPERATIONAL REPORTS

7.1 CEO's Report

7.1.1 In Good Hands

The CEO advised that the proposed staff survey to assess the strength of clinical leadership within DHBs' provider arms would take place, but not within expected timeframes. The standardised survey was still to be finalised. He noted that once in place, the survey would be extremely useful.

7.1.2 Seismic Risk of Hospitals

The CEO advised that MidCentral DHB would be undertaking lower level assessment work to provide comfort that it was not exposed to any undue risk.

7.1.3 Regional Services Plan

The CEO advised that the Minister of Health had given conditional approval of the Regional Services Plans. Details of the conditions were not specified, however there was an expectation Regional Services Plan would continue work in priority areas, clinical leadership, infrastructure and regional governance capability.

Notice of the approval had only been received at MidCentral DHB on 18 July 2011.

7.1.4 Annual Plan 2011/12

The CEO reported that advice of the Minister of Health's approval of MidCentral DHB's 2011/12 annual plan had been received on 18 July. He had "approved and signed the plan for three years". It was noted that while the approval was for three years, DHBs would be expected to furnish a new annual plan next year.

The CEO advised that publication and distribution of the Annual Plan would now occur as quickly as possible. Discussions had already taken place with Clinical and Operational Directors in this regard.

A brief summary of the Plan had been prepared for staff and clearly showed that MDHB's initiatives for 2011/12 were aligned with the Minister of Health's letter of expectations.

7.1.5 Capital Charge

The new capital charge regime was noted. The CEO advised that the Ministry of Health had yet to determine how the new system would be enacted in terms of health funding. DHBs were funded on a population basis and consideration would need to be given as to how any increase or reduction in funding based on specific DHBs' revaluation of assets would be accommodated.

7.1.6 Integrated Family Health Centre, Feilding

The CEO advised that the Community Trust expected to present a proposal to the Board by September. All parties were aware that MidCentral DHB may need to seek Ministerial approval for certain aspects of any proposal, eg a long term lease. This process could take some time.

During the 2011 general election process, the Government would not be making decisions. All parties wished to ensure any application by MidCentral DHB preceded this period, hence the September timeframe.

The CEO advised that MidCentral DHB had offered to look through the Trust's draft financial model if this would be useful.

7.1.7 Maori Services Plan

Ministry of Health approval of this document was noted. Richard Orzecki requested a hard copy of the Plan.

7.1.8 Financial Position

The CEO advised that the year end forecast had been amended to \$9.6m surplus. This was better than expected. This improvement was mainly due to positive one-off contributions, particularly within the Funding Division. These were unlikely to re-occur in 2011/12. Already, management was aware of two factors:

- cardiothoracic surgery levels. While MidCentral Health had exceeded its elective target in 2010/11, cardiothoracic levels were down to the value of \$1.5m to \$2m. With MCH's increased capacity, referrals to Capital & Coast DHB were expected to increase in 2011/12.
- expenditure on high cost pharmaceuticals had been low. Next year, this was expected to be around \$450k to \$500k.

All divisions of the DHB had generated a positive financial position. Enable New Zealand had ended the year \$200k better than budget, and MidCentral Health had achieved a small surplus of around \$2m – the first surplus for many years.

The Board recorded its appreciation of the great effort on the part of management and others over the last 18 months.

A member noted that one-off benefits were just that and should not create an expectation of being repeated in following years.

7.1.9 Debt

Management's recommendation to roll-over two tranches of debt totalling \$13m which were due to expire in November 2011 was discussed in full. Key issues raised:

- management's recommendation to roll-over debt was in line with previous Board consideration of this matter, and was based on retaining a debt facility to finance future major capital works and projects;

- the cost of capital was higher than the cost of debt;
- management recommended roll-over dates of between 2019 and 2021 to align to capital works and expenditure, and, to spread debt so it was not weighted to any particular timeframe;
- interest rate forecasts were based on advise from the Crown Health Financing Agency (CHFA) and other financial institutions;
- the DHB's net debt position was \$17m;
- repayment of the debt would generate a saving of around \$400k per annum;
- current debt levels together with the Board's surplus were not sufficient to fund future capital investment;
- capital expenditure generated operating costs (rough calculation – for every \$50m capital spend generated operating costs of around \$10m) which had to be met from surpluses;
- the next tranche of debt was due to expire in April 2013 and this mitigated the DHB's risk exposure as it could look to repay debt at that time;
- the risk that MidCentral DHB may not be able to access funding in future should it pay back debt now was based on the Government's total indebtedness and the fact that the DHB capital pool was oversubscribed;
- Ministry of Health and CHFA advise was not to repay equity and debt; and,
- the current costing for the site redevelopment of MidCentral DHB was an estimate and further work was planned over the next year to review what was required and associated costs

It was resolved:

that the report be received, and,

that debt maturing in November 2011 be rolled over to 2019-2021.

Karen Naylor recorded her vote against the motion.

7.2 Manawhenua Hauora Minutes

The hui with Manawhenua Hauora which was to be held at the conclusion of the Board meeting was noted.

Richard Orzecki, Chair, Manawhenua Hauora noted: the re-involvement of Kahungunu in Manawhenua Hauora activities; Stephen Paewai's appointment to the DHB's Hospital Advisory Committee; engagement with Central PHO's Maori Director; and the recent Health Needs Assessment update as regard Maori morality rates.

It was noted that the comment in the minutes regarding the aged residential care workforce was the view of a member of Manawhenua Hauora.

It was resolved:

that the minutes be received.

7.3 Clinical Council

Heather Browning left the meeting.

The CEO advised that the Council's terms of reference and membership was currently under review with the aim of increasing its strategic and advisory role. It was intended the Council would be a key contributor to the development of strategy and annual plans and would do this in a proactive manner.

It was intended to increase the Council's membership to include other groups such as pharmacies and aged residential care.

The Council would be an influential group within the DHB.

It was resolved:

that the report be received.

8. GOVERNANCE ISSUES

8.1 Delegations Policy

Heather Browning re-entered the meeting.

It was noted that delegations were assigned to a position and not a person. It was further noted that honorary staff status was not aligned to long service.

It was resolved:

that the delegations policy be approved and forwarded to the Minister of Health for final approval.

8.2 2011/12 Work Programme

The CEO noted that the key report for the Board's consideration at its next meeting was the business case for the Central Region's Information System Plan. This document had been finalised and was now being submitted to each of the six DHBs within the region.

It was resolved:

that the updated work programme for 2011/12 be noted.

9. LATE ITEMS

9.1 Transfer of District Health Board New Zealand's (DHBNZ) functions to Central Region's Technical Advisory Service (TAS)

The CEO presented this matter which was discussed fully. Key points noted were:

- DHBNZ's functions had been reduced as new agencies, such as Health Benefits Limited, Health Workforce New Zealand, and the Health Quality & Safety Commission took up their new roles;
- DHBNZ now had three key functions being:
 - national ER capacity to support the national Multi Employer Collective Agreements
 - national contracts such as aged residential care, community pharmacies, and primary health organisations

- secretariat support for executive groups, such as DHBs' Chief Medical Officers and Chief Executive Officers.
- the size of DHBNZ's remaining functions did not require an entity or organisation so DHBs had agreed to end its incorporate society status;
- it was proposed that DHBNZ's functions be hosted by TAS, forming a National Arm;
- the National Arm would be led by a Unit Manager
- DHBNZ staff would need to be employed by TAS
- the Unit Manager would be accountable to the CEO Executive of DHBs as was the case under the DHBNZ structure;
- the decision to host DHBNZ functions was considered a "major transaction" in respect of the Companies Act and required the support of TAS's six shareholding DHBs, including MidCentral;
- TAS did not wish to expose itself to risk as a result of this transaction (reputational, financial or other risk) and contractual arrangements would be put in place;

It was resolved:

that the Chief Executive Officer be authorised to enter into the transaction to transfer the functions of District Health Boards' New Zealand to Central Region's Technical Advisory Service (TAS), subject to the Chair and General Manager of TAS being satisfied as to the final details of the Agreement.

10. DATE OF NEXT MEETING

Tuesday, 16 August 2011, Council Chambers, Horowhenua District Council, 126-148 Oxford Street, Levin.

11. EXCLUSION OF PUBLIC

It was resolved:

that the public be excluded from this meeting in accordance with the Official Information Act 1992, section 9 for the following items for the reasons stated:

<i>Item</i>	<i>Reason</i>	<i>Ref</i>
<i>"In Committee" Minutes of the Previous Meeting</i>	<i>For reasons stated in the previous agenda</i>	
<i>"In Committee" Minutes of Committee Meetings:</i>		
<ul style="list-style-type: none"> • <i>Community & Public Health Advisory Committee, 5 July 2011</i> • <i>Hospital Advisory Committee, 5 July 2011</i> • <i>Disability Support Advisory Committee, 5 July 2011</i> 	<ul style="list-style-type: none"> <i>For the reasons set out in the Committee's order paper of 5.7.2011 meeting held with the public present</i> <i>For the reasons set out in the Committee's order paper of 5.7.2011 meeting held with the public present</i> <i>For the reasons set out in the Committee's order paper of 5.7.2011 meeting held with the public present</i> 	
<i>Operational Matters</i>		
<ul style="list-style-type: none"> • <i>CEO's Report: HBL Contracts & Annual</i> 	<i>Under negotiation</i>	<i>9(2)(j)</i>

<i>Plan</i>		
• <i>Shared Commercial Banking & Treasury Service Contract</i>	<i>Under negotiation</i>	9(2)(j)
• <i>centralAlliance</i>	<i>Under negotiations</i>	9(2)(j)

Karen Naylor left the meeting.

Confirmed this 16th day of August 2011.

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Chairman