healthAlliance N.Z. Limited

Financial Statements

(including the Statement of Performance)

For the year ended 30 June 2022

Released under the Official Information Act

Presented to the House of Representatives pursuant to section 150 of the Crown Entities Act 2004

Key performance measures and results

healthAlliance as an organisation, in addition delivery to Regional Service Level Agreements and the Annual Portfolio of Projects, measures itself on the achievement of our Statement of Intent which is approved by the healthAlliance Board.

	Output	Key Performance Indicator	Target	Measure Definition	Actual	Comment
SHARED SERVICE	**Health Reforms** Support the establishment of Health NZ.	Health Reform Contribution.	Deliver the agreed contributions to the transition plan, as directed by the Transition Unit and Health NZ establishment governance groups for the year ending 30 June 2022.	Deliver contributions to the transition plan, as directed by the Transition Unit and Health NZ establishment governance groups for the year ending 30 June 2022.	Achieved - hA has delivered contributions as directed by Health NZ.	healthAlliance has delivered on all requests to Health NZ, including: • Established a Board Transition Subcommittee to prepare and support the entities transition; • Development of a proposal for Shared Services Functional Amalgamation; • Prepared and submitted the legal amalgamation requirements (Representation and Management Questionnaire); • Provided ICT support to establish the HNZ Payroll function; • Provided accommodation for the CEOs and support teams for HNZ and MHA; and • Preparation of Representation Requirements to support year-end processes.
	Customer Experience Partner with our customers and deliver an improved customer experience.	Customer Satisfaction.	>80%	Percentage of customers satisfied with healthAlliance (target of >80% measured through the Customer Satisfaction Survey).	Achieved - 86.55%	healthAlliance sends a Voice of the Customer survey[1] to users of the IT service desk. The survey asks recipients of IT service desk services a targeted set of questions on their most recent interaction with the IT service desk. Overall, healthAlliance achieved an average of 86.55%[2] against a target of 80% (average of monthly results, for the 12-month period).
	Sustain ICT Performance Provision of reliable and resilient technology services.	Availability of ICT Services.	>99.80%	High availability of critical clinical systems (as defined by the Northern Region Service Level Agreement and reported monthly, target of >99.8% availability).	Achieved - 99.996%	healthAlliance has an agreed Service Level for the availability of IT services (Availability of IT services for Tier 1 & Tier 2 applications) each month. The target is to have applications with greater than 99.8% availability each month. Overall, healthAlliance achieved an average of 99.996% system availability (average of monthly results for the 12-month period).
	Efficient and Effective Delivery of shared services within agreed funding envelopes.	Delivery to Operational Budgets.	Operational Expenditure within 2%.	Variance to the approved healthAlliance operational budget (Opex within 2%).	Expenditure 0.9% above budget (adjusted for Holiday Pay Provision, Covid-19, project opex and accounting policy change)	healthAlliance prepares an Operating budget each year which is approved by the healthAlliance Board and Shareholders. The budget for FY21/22 was to break even, with actual operating expenditure of $111.9m which was 0.9% greater than the operational budget of $110.9m.
	Cyber Security Implementation of cyber capabilities to ensure systems and data remain safe and secure.	Maturity of Cyber Security Practices.	Cyber Security annual capital plan approved, and initiatives delivered as agreed through the annual budget process for the year ending 30 June 2022.	Cyber Security FY21/22 initiatives delivered as agreed through the annual budget approval process.	Achieved -implemented the agreed and funded FY21/22 initiatives.	healthAlliance in partnership with the Northern Region continues to progress the Cyber Security programme. Key initiatives completed during FY21/22 include: • Regional Cloud Risk Assessment Framework; • Regional SIEM Capacity/Capability/Enhancement; • Regional E5 Roadmap and National Strategy; and • Regional Cyber Security Training & Awareness. Multi-Year initiatives progressed during FY21/22 include: • Regional Trend initiatives; • Regional Monitoring initiatives; • Regional Cloud initiatives; and • Regional Vulnerability Management initiatives.
	Equity, Diversity and Inclusion Demonstrate diversity and inclusion, and strengthen healthAlliance's contribution towards equitable health outcomes for the region.	Equity, Diversity and Inclusion	Develop the FY21/22 work plan and deliver the agreed set of initiatives for the year ending 30 June 2022.	Equity, Diversity and Inclusion FY21/22 work plan developed, and the set of initiatives delivered.	Achieved – developed the work plan and delivered the set of initiatives.	healthAlliance continues to promote Equity, Diversity and Inclusion in the workplace. hA has delivered the Diversity and Inclusion Policy and Education workplan. The workplan is aimed at education and celebration of diversity including: • NZ Cultural/Religious Public Holidays e.g. Matariki, Waitangi; • Language Weeks e.g. Cook Island, Te Reo Maori; • Diversity Recognition Days/Weeks e.g. International Women's, Learning about bias; • Cultural Celebrations - Eid Al-Adha, Asalha Puja (Dharma Day), Diwali, Lunar New Year

1. healthAlliance uses SurveyMonkey, a cloud-based survey tool, to capture and report customer satisfaction. The survey is based on a random sample of all users of the service desk excluding tickets sourced from the portal or email (every 2nd user for Northland DHB, every 4th user for other DHBs). In the 12-month period FY21/22 there were 24,803 surveys issued, noting 2.8% are healthAlliance staff who also consume services from the IT service desk. The results are based on 2,008 responses (8.1% response rate, 2% margin of error).
2. The survey results are influenced by how the survey administrator sets up the survey parameters such as number of responses per user, when and to whom the survey link is sent, and the collation of the outcome. Limitations of the survey have been identified as participants can complete a survey more than once and results may not reflect all the completed surveys.

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	Output	Key Performance Indicator	Target	Measure Definition	Actual	Comment
REGIONAL ICT TRANSFORMATION	**Information Systems Strategic Plan (ISSP) Refresh** Refresh the ISSP to take account of Ministry of Health and Northern Region Health Plan priorities, equity considerations (including consumer strategy, and the focus on Māori and Pasifika), Covid-19 learnings and opportunities, and central government funding streams (where funding is confirmed).	Information Systems Strategic Plan (ISSP) Refresh	1. ISSP refreshed and approved. 2. 10-year IS financial plan refreshed and approved.	1.ISSP refreshed and approved. 2. 10-year IS financial plan refreshed and approved.	Progressing* 1.ISSP refreshed and approved. 2. 10-year IS financial plan refreshed and approved	1.The FY21/22 ISSP Refresh was noted by the hA Board at the June 2022 meeting. The ISSP team, working with the Health System Design Council (HSDC) undertook a refresh of the ISSP. The refresh took into account: • Progress to date with execution of the plan; • The impact of Covid (positive and negative) on the plan and work completed; • Funding availability and shortfalls; • The evolving national context; and • A refresh of the ISSP 10 Year IS Financial Plan. The ISSP Team have also provided briefings to interim Health NZ on the ISSP priorities and supported work to extrapolate cost models nationally to help inform national budgets; and are progressing the 'multi-year' work programme to update the supporting Roadmaps (including completion of the updated Radiology Roadmap). 2. The 10-year IS financial plan has been refreshed, submitted to HNZ in October 2021 and subsequently extrapolated to help inform national budgets. This was supplemented with a submission in April 2022 (as part of the FY22/23 budget submission). Note (Progressing*): The ISSP Refresh status was noted by the hA Board at the June 2022 meeting. These outcomes were also endorsed and recommended by the ISSP Design Authority at the June 2022 meeting. However, in line with HNZ budget and approvals guidance, these items were not approved by the hA Board. Instead, these items will be presented to HNZ Governance Groups once HNZ structures are in place.

	ISSP Horizon One (Foundations) Delivery
	Implement the region's ICT foundations to create a platform for transformation.
		ISSP Horizon One	Deliver the agreed ISSP Horizon One (Foundation) initiatives, as agreed through the annual budget process for the year ending 30 June 2022.	Horizon one FY21/22 initiatives delivered as agreed through the annual budget approval process.	Progressing the agreed and funded FY21/22 initiatives.	healthAlliance in partnership with the Northern Region continues to progress the agreed ISSP Horizon One (Foundation) initiatives.
						35 initiatives completed during FY21/22. Key projects to highlight include:
						• Application Stabilisation:
						  o NDHB Meddocs Upgrade Winscribe;
						  o Regional NCAMP 2021;
						  o Regional RPA (Robotic Process Automation);
						• Regional Clinical Portal
						  o Regional Clinical Portal – RCP;
						• Telco and Telehealth
						  o Regional SIP Replacement;
						• Workspace
						  o Regional Desktop Replacement FY2021; and
						  o Regional Desktop Specialised Device.
						103 multi-year initiatives progressed during FY21/22. Key projects to highlight include:
						• Application Stabilisation
						  o Regional Éclair Upgrade FY2021;
						  o Regional Epiphany Cardiology Server Upgrade;
						  o Regional NHI ePharmacy Upgrade;
						  o Regional Oncology (Raurau Ngaehe);
						• Regional Clinical Portal
						  o Regional Clinical Portal Platform Upgrade;
						• Cloud
						  o Regional ISSP IaaS;
						• Digital
						  o Regional Consumer Access HSDC;
						• EES
						  o Regional Oracle Platform Stabilisation;
						• Facilities
						  o Regional Facilities Stabilisation;
						• Infrastructure
						  o hA Software Asset Management;
						  o IAMS Identity & Access Mngt – Implementation;
						  o Regional Exadata Capacity Upgrade;
						• Workspace
						  o Regional Desktop Replacement 21-22; and
						  o Regional ISSP Workspace - Tap On/Tap Off.

	ISSP Horizon Two (Transformation) Delivery Implement ICT transformation initiatives and technology enablers to support a more joined-up, borderless and digitally-enabled health system.	ISSP Horizon TWO	Deliver the agreed ISSP Horizon Two (Transformation) initiatives, as agreed through the annual ISSP refresh and annual budget process for the year ending 30 June 2022.	Horizon two FY21/22 initiatives delivered as agreed through the annual budget approval process.	Progressing the agreed and funded FY21/22 initiatives.	healthAlliance in partnership with the Northern Region continues to progress the agreed ISSP Horizon Two (Transformation) initiatives. Key initiative progressed during FY21/22: • Regional ISSP – Telehealth Project Phase 2. Multi-Year initiative progressed during FY21/22 include: • Regional Secure Communications Platform.

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	Delivery of the Northern Region IS Financial Plan Deliver the agreed capital investment programme (healthAlliance-led initiatives).	Delivery of capital budgets	Deliver the agreed capital investment programme (healthAlliance-led initiatives). Target $59.6m[3]	Variance to the approved healthAlliance capital forecast (capex within 5%).	$54.3m	healthAlliance prepares a capital budget each year which primarily covers ICT investment. The capital budget is approved by the healthAlliance Board and Shareholders, with Board approved quarterly reprioritisations to ensure the capital programme can be adapted to changes in Shareholder and Organisational priorities. The company delivered a total of $54.3m at year end (9% variance).
	Frameworks – Capable Region Implement the foundations and enablers to support digitisation of Northern Region healthcare.	1. Mature Regional Product & Service Governance (Governance Layer)	1. Develop the Product and Service framework (including the operational playbook). Framework endorsed by the Regional IS Governance Groups and approved by the hA Board by the end of Q3 for the year ending 30 June 2022.	1. Board approved Product and Service framework (including the operational playbook) by the end of Q3 for the year ending 30 June 2022.	1. Progressing - Product and Service framework developed and presented to the hA Board. Product and Services Operational Playbook developed.	1. healthAlliance in partnership with the Northern Region continues to develop and mature the digitisation of the Northern Region healthcare systems. The Northern Region is moving from the current DHB geographically aligned delivery model to a clinical services aligned borderless model. This will continue to evolve along with the business model development within the Health System review. The Product and Service Framework has been developed and presented to the hA Board in November 2021. The Framework was a collaborative engagement between PWC, Health Services Design Council representatives and hA. The first iteration of the Playbook, operational end to end process, was developed and presented to the March 2022 Organisation Design Council. The Playbook included platform structure and overview and key roles in the model. The Playbook has also been further developed and iterated and formed part of the Platform Bootcamp event in April 2022. The iteration included Ways of Working, Types of Work e.g. scrum/Kanban, Objectives and Key Results, Agile Artefacts such as user stories and sizing, Agile Mindsets and Design Thinking.
		2. Develop Regional Digital Ways of Working (Operational layer)	2. Operationalise the Regional Clinical Portal Operating Model for approval and implementation by end of Q2 for the year ending 30 June 2022.	2. Regional Clinical Portal Operating Model approved by Q2 for the year ending 30 June 2022.	2. Achieved – Regional Clinical Portal Operational Model approved.	2. The Regional Operating Model (ROM) was piloted initially in the Regional Clinical Portal (RCP) Platform. It established an agile squad consisting of WDHB, CMHDB, hA and Orion staff, and was later expanded to include ADHB and NDHB. Utilising the Regional Clinical Portal ways of working learnings a Regional Operating Model (ROM) framework was created that brought together IS and clinical representation under a Product, Services and Platform approach.
		3. Implement targeted agile ways of working	3. Identify key initiatives to accelerate agile working and develop implementation approach for approval by end of Q2 for the year ending 30 June 2022.	3. Key initiatives identified and implementation approach developed and approved by end of Q2 for the year ending 30 June 2022.	3. Achieved - Key initiatives identified and implementation approach developed and approved.	3. Two key Clinical Domains - Laboratory and Radiology were selected to progress under the Regional Operating Model and approved by the Regional Executive Forum in December 2021. As part of the HSDC workplan, work is progressing with already established clinical governance group to facilitate the development of a regional clinical services roadmap and strategy on a page. In addition to the regional work hA has also progressed an internal change programme to transition the Workspace and Productivity and Development & Integration Platforms to an agile operating model within hA. This included introducing Platform Owner and Squad Leads. The aim is to ensure consistency in the agile delivery methodology, accelerate the cultural change, adoption of agile mindsets and new ways of working to accelerate and embed agile adoption.
	Digital Acceleration Accelerate Clinical Digital Solutions.	Deliver the Data Sharing and Interoperability Programme	Deliver the agreed core system integrations within the Data Sharing and Interoperability programme as agreed through the annual budget process for the year ending 30 June 2022.	DSI initiatives delivered as agreed through the annual budget approval process.	Achieved - implemented the agreed and funded FY21/22 initiatives.	The digital acceleration initiatives were progressed through the Data Sharing and Interoperability (DSI) programme of work. Key initiatives completed during FY21/22 include: • NDHB Whanau Tahi; • Regional DSI Increment 3; • Regional HSDC Work Plan FY20-21; and • Regional DSI revised API Gateway Establishment. Multi Year- initiatives progressed during FY21/22 include: • Regional Consumer Access HSDC; • Regional DSI FY21-22; • Regional File My Report Consumers; • Regional Health Provider Directory HPD; • Regional HSDC Workplan FY22

3. Between completing the Statement of Intent 2021-2025 and the finalisation of the capital budget unspent FY20/21 capital funding was allocated to the FY21/22 capital plan. This Board approved plan has been utilised to update the capital budget figure reported against.

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Performance against long term objectives

healthAlliance also continues to report on longer term performance metrics. healthAlliance's impact measures describe the proposed improvements and interventions healthAlliance intend to make in support of Northern Region healthcare goals over the next 4-10 years.

The performance outcomes are summarised in the table below (and the more detailed explanations of measures and commentary are included in the Statement of Service Performance section).

Impacts	Measures	Performance Outcome (for the year ending 30 June 2022)
Sustain and Simplify Today's Business • Provide a positive customer experience • Reliable and resilient technology services • Improve efficiency and effectiveness	1. Percentage of customers satisfied with healthAlliance (target of >80% measured through the Customer Satisfaction Survey). 2. High availability of critical clinical systems (as defined by the Northern Region Service Level Agreement and reported monthly, target of >99.8% availability). 3. Variance to the approved healthAlliance operational budget (Opex within 2%).	1. healthAlliance achieved an average of 86.55% against a target of 80% (average of monthly results, for the 12-month period). 2. healthAlliance achieved an average of 99.996% system availability (average of monthly results for the 12-month period). 3. The budget for FY21/22 was to break even, with actual operating expenditure of $111.9m which was 0.9% greater than the operational budget of $110.9m.
Deliver the Information Systems Strategic Plan (ISSP) to Support New Models of Care • Horizon One (Foundations): Implement the Region's ICT foundations to create a platform for transformation. • Horizon Two (Transformation): Implement ICT transformation initiatives and technology enablers to support a more joined up, borderless, and digitally enabled health system.	1. ISSP Horizon One (ICT Foundations) delivery objectives and in-year programme milestones met, as agreed through the annual financial approval processes. 2. ISSP Horizon Two (Transformation) delivery objectives and in-year programme milestones met, as agreed through the annual financial approval processes. 3. 10-year IS financial plan approved and refreshed annually.	1. healthAlliance in partnership with the Northern Region continues to progress the agreed ISSP Horizon One (Foundation) initiatives and has delivered 35 and progressed 103 multi-year initiatives in FY21/22. 2. healthAlliance in partnership with the Northern Region continues to progress the agreed ISSP Horizon Two (Transformation) initiatives and has delivered 1 and progressed 2 multi-year initiatives in FY21/22. 3. The 10-year IS financial plan has been refreshed, submitted to HNZ in October 2021 and subsequently extrapolated to help inform national budgets. This was supplemented with a submission in April 2022 (as part of the FY22/23 budget submission).
Enable Digital Healthcare • Digital ways of working. • Develop digital foundations. • Digital acceleration of clinical solutions. • Ensuring data is safe and secure.	**Mature Regional Product & Service Governance (Governance Layer)** Deliver the objectives and in-year programme milestones met, as agreed through the annual approval processes. **Develop Regional Digital Ways of Working (Operational layer)** Deliver the objectives and in-year programme milestones met, as agreed through the annual approval processes. **Deliver the Data Sharing and Interoperability Programme** Deliver the agreed core system integrations within the Data Sharing & Interoperability programme, as agreed through the annual budget approval processes.	Product and Service framework developed and presented to the hA Board. Product and Services Operational Playbook developed. Regional Clinical Portal Operational Model approved. Bringing together IS and clinical representation under a Product, Services and Platform approach. healthAlliance in partnership with the Northern Region continues to progress the agreed Data Sharing and Interoperability initiatives and has delivered 4 and progressed 5 multi-year initiatives in FY21/22

http://www.healthalliance.co.nz/publications/ha-statement-of-intent-2021-25/

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Revenue and Expenditure by Output Class – Shared Services

	Revenue		Expenditure		Net Surplus/(Deficit)	
	Actual	SPE	Actual	SPE	Actual	SPE
	$000	$000	$000	$000	$000	$000
Regional Internal Audit	2,324	2,324	1,796	2,324	528	-
Customer Services	6,767	6,767	4,870	6,767	1,897	-
Technology Services	139,666	137,783	142,126	137,783	(2,460)	-
Finance and Corporate Services	8,379	8,379	9,275	8,379	(896)	-
Transformation	8,300	8,300	11,284	8,300	(2,984)	-
Covid-19	12,061	-	13,950	-	(1,889)	-
Shared services	177,497	163,553	183,301	163,553	(5,804)	-

Actual revenue was greater than budgeted revenue due to revenue received for IT services provided for the NMF and Vaccination programmes and for funding received for additional costs incurred due to Covid wave 5.

The majority of divisions were on budget for FY21/22. Due to a refinement of structure, Technology Services and Customer Services should be considered together. The combined deficit of $563k is due to an uplift in the Holiday Pay Non-Compliance provision offset by project delays causing the operational expenditure uplift of certain initiatives to commence later than expected. Transformation was over budget due to the impact of treating certain costs associated with SAAS projects as operating expenditure. Covid-19 incurred a deficit due to certain aspects of spend not expected to be recoverable.

Explanations of major variances against budget are provided in note 29.

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Capital Spend – Regional ICT Transformation Output Class

	Expenditure Actual $000	SPE $000
healthAlliance Capital Plan	54,300	59,600
Regional Spend	5,746	-
Regional ICT Transformation	60,046	59,600

Due to project delays driven by Covid wave 5, logistical challenges and resource constraints there was a $5.300m underspend of the healthAlliance Capital Plan.

Due to uncertainties surrounding DHB funded initiatives no budget was set for this spend. In the year healthAlliance managed $5.746m of capital spend in addition of the healthAlliance Capital Plan.

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Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2022

	Notes	Actual 2022 $000	Budget 2022 $000	Actual 2021 $000
Revenue				
Revenue	2	177,272	159,425	151,943
Other revenue	3	143	4,128	346
Finance revenue	6a	82	-	68
Total Revenue		177,497	163,553	152,357
Expenditure				
Employee benefit costs	5	45,404	37,538	37,032
Depreciation and amortisation	7,8	50,363	51,500	47,363
Other expenses	4	87,105	74,515	67,535
Finance costs	6b	429	-	507
Total Expenditure		183,301	163,553	152,437
Deficit		(5,804)	-	(80)
Other Comprehensive Revenue and Expenses		-	-	-
Total Comprehensive Revenue and Expenses		(5,804)	-	(80)

The accompanying notes form part of these financial statements.
Explanations of major variances against budget are provided in note 29.

Statement of Financial Position

As at 30 June 2022

	Notes	Actual 2022 $000	Budget 2022 $000	Actual 2021 $000
Assets				
Current Assets				
Cash and cash equivalents	10	8,939	100	25,731
Debtors and other receivables	11	11,461	3,673	7,051
Prepayments	12	13,191	8,000	9,602
Total Current Assets		33,591	11,773	42,384
Non-Current Assets				
Property, plant, and equipment	7	57,269	71,735	74,399
Intangible assets	8	138,353	105,777	114,026
Debtors and other receivables	11	6,659	4,946	6,659
Prepayments	12	5,580	800	2,179
Total Non-Current Assets		207,861	183,258	197,263
Total Assets		241,452	195,031	239,647
Liabilities				
Current Liabilities				
Creditors and other payables	13	22,596	17,921	21,772
Employee entitlements	14	5,737	4,222	4,425
Provisions	15	5,551	-	3,498
Lease incentives	16	430	430	430
Revenue received in advance	17	-	100	478
Finance lease liability	25	1,561	1,561	1,455
Total Current Liabilities		35,875	24,234	32,058
Non-Current Liabilities				
Creditors and other payables	13	8,802	-	-
Employee entitlements	14	2,477	3,174	2,891
Lease incentives	16	1,289	1,288	1,718
Finance lease liability	25	3,469	3,469	5,030
Total Non-Current Liabilities		16,037	7,931	9,639
Total Liabilities		51,912	32,165	41,697
Net Assets		189,540	162,866	197,950
Equity				
Shareholders' equity	19	197,713	165,155	200,319
Retained earnings		(8,173)	(2,289)	(2,369)
Total Equity		189,540	162,866	197,950

The accompanying notes form part of these financial statements.
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Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Contributed Equity $000	Retained Earnings $000	Total $000
Equity at 1 July 2020		192,296	(2,289)	190,007
Deficit		-	(80)	(80)
Capital contributions – Class C Shares	19	8,023	-	8,023
Share buyback	19	-	-	-
Conversion of long-term receivables	19	-	-	-
Equity at 30 June 2021		200,319	(2,369)	197,950
Equity at 1 July 2021		200,319	(2,369)	197,950
Deficit		-	(5,804)	(5,804)
Capital contributions – Class C Shares	19	3,185	-	3,185
Share buyback	19	(5,791)	-	(5,791)
Equity at 30 June 2022		197,713	(8,173)	189,540

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Explanations of major variances against budget are provided in note 29.

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Statement of Cash Flows

For the year ended 30 June 2022

	Notes	Actual 2022 $000	Budget 2022 $000	Actual 2021 $000
Cash flows from Operating Activities				
Cash receipts from services		174,489	159,425	150,199
Other receipts		-	4,128	-
Cash paid to employees and suppliers		(130,757)	(108,746)	(105,159)
Cash generated from operations		43,732	54,807	45,040
Interest received		100	-	53
Interest paid		(430)	(407)	(507)
Net goods and services tax		40	-	97
Net cash flow from Operating Activities	9	43,442	54,400	44,683
Cash flows from Investing Activities				
Acquisitions of property, plant and equipment and intangibles		(54,148)	(40,774)	(37,104)
Finance lease paid		(1,455)	(1,456)	(1,357)
Net cash used in Investing Activities		(55,603)	(42,230)	(38,461)
Cash flows from Financing Activities				
Shareholder capital funding		1,160	-	3,856
Capital returned		(5,791)	(12,170)	-
Net cash flow from Financing Activities		(4,631)	(12,170)	3,856
Net increase/(decrease) in cash and cash equivalents		(16,792)	-	10,078
Cash and cash equivalents at beginning of the year		25,731	100	15,653
Cash and cash equivalents at end of the year	10	8,939	100	25,731

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Statement of Accounting Policies

Reporting Entity

healthAlliance N.Z. Limited is a company owned by the Northland, Waitemata, Auckland and Counties Manukau District Health Boards (the "Northern Region DHBs"), themselves established by the New Zealand Public Health and Disability Act 2000. healthAlliance's ultimate parent is the New Zealand Crown.

healthAlliance was incorporated on 13 November 2000.

healthAlliance is a Crown Entity in terms of the Crown Entities Act 2004 and is domiciled in New Zealand. healthAlliance is a public benefit entity as defined for financial reporting purposes and is incorporated under the Companies Act 1993.

healthAlliance's activities involve delivering support in Technology Services, Customer Services and Project and Programme Services to health sector customers. healthAlliance is also involved with delivering the Northern Region DHB's capital plan.

The financial statements were authorised for issue by the Directors on the date the Statement of Responsibility was signed.

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Basis of Preparation

The financial statements have been prepared on a disestablishment basis, and the accounting policies have been applied consistently throughout the period.

Health Sector Reforms

On 21 April 2021, the Minister of Health announced the health sector reforms in response to the Health and Disability System Review. The reforms replace all 20 District Health Boards ("DHB's") and the DHB-owned shared services agencies and the Health Promotion Agency with a new Crown entity, Health New Zealand (Te Whatu Ora), responsible for running hospitals and commissioning primary and community health services. The legislation enabling the reform the Pae Ora (Healthy Futures) Act 2022 (the "Act") took effect on 1 July 2022, formally creating Te Whatu Ora, along with two other entities – the Maori Health Authority (Te Aka Whai Ora) to monitor the state of Maori health and commission services directly, and the Public Health Authority, which resides within the Ministry of Health to lead and strengthen public health.

The Act disestablished all DHB's and the DHB-owned shared services agencies and the Health Promotion Agency and transferred healthAlliance's assets and liabilities to Te Whatu Ora on 1 July 2022. As a result, the financial statements have been prepared on a disestablishment basis.

However, because health services will continue to be provided through Te Whatu Ora, no changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements due to the disestablishment basis of preparation.

Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 1993 which include the requirement to comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with Public Sector PBE accounting standards.

Functional and Presentation Currency

The financial statements are presented in New Zealand Dollars ("NZD"), rounded to the nearest thousand dollars ("$000"). The functional currency of healthAlliance is NZD.

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Statement of Accounting Policies (continued)

Standards, Amendments and Interpretations.

There have been no new standards, amendments and interpretations issued and effective, which are relevant to healthAlliance, applied in the 30 June 2022 financial statements, aside from amendment to PBE IPSAS 2 Cash Flow Statements.

New amendment applied

An amendment to PBE IPSAS 2 Cash Flow Statements requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The new information required by this amendment has been disclosed in note 25.

Standards and amendments, issued but not yet effective, that have not been early adopted are:

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 *Presentation of Financial Statements* and is effective for the year ending 30 June 2023, with earlier adoption permitted. healthAlliance has determined the main impact of the new standard is that additional information will need to be disclosed on those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information. healthAlliance has not early adopted the standard.

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 *Financial Instruments* and is effective for the year ending 30 June 2023, with earlier adoption permitted. healthAlliance has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. healthAlliance does not intend to early adopt the standard.

March 2019 and April 2021 IFRIC Agenda Decisions related to NZ IAS 38, and therefore PBE IPSAS 31 – SaaS Accounting Treatment

As a result of two IFRIC agenda decisions in March 2019 and April 2021 Treasury issued *Accounting for Software as a Service (SaaS) Accounting guide for public sector entities, including implications on appropriations for departments* in February 2022. An analysis was completed on all assets capitalised and in Work in Progress in the period 1 July 2020 to 30 June 2022. As a result of this analysis costs of $2.948m were expensed that previously would have been capitalised. A further analysis was completed on intangible assets held at the beginning of the comparative period (1 July 2020) where it was determined that the value of assets with potential SaaS characteristics was immaterial based on Treasury guidance.

Foreign Currency Transactions

Transactions in foreign currencies are translated into NZD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated into NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Budget Figures

Before the start of each financial year, a health-related Crown entity must prepare a Statement of Performance Expectations ("SPE") and provide this in draft to the Minister of Health not later than two months before the financial year to which the SPE relates. The entity must also provide a draft Statement of Intent ("SOI") to the Minister of Health not later than two months before the start of the first financial year to which the SOI relates. Due to the disestablishment of healthAlliance this was not required for the year beginning 1 July 2022.

The budget figures have been prepared in accordance with NZ GAAP on a basis consistent with the accounting policies adopted by healthAlliance for the preparation of these financial statements.

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Statement of Accounting Policies (continued)

Financial Assets

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and call deposits with maturity of no more than three months from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of healthAlliance's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

DEBTORS AND OTHER RECEIVABLES

Short term receivables are recorded at their face value, less an allowance for credit losses. healthAlliance applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Financial Liabilities

CREDITORS AND OTHER PAYABLES

Creditors and other payables are initially measured at fair value and subsequently stated at amortised cost using the effective interest rate.

Property, Plant and Equipment

CLASSES OF PROPERTY, PLANT AND EQUIPMENT

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

- Leasehold Improvements
- Plant & Equipment
- Vehicles
- IT Equipment

OWNED ASSETS

Property, plant and equipment are stated at cost, less accumulated depreciation. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of direct overheads.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to healthAlliance and the cost can be measured reliably.

Work in progress is recognised at cost less impairment, and is not depreciated.

DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

Where an item of plant and equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sales price and the carrying amount of the asset.

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Statement of Accounting Policies (continued)

DEPRECIATION

Depreciation is recognised in the surplus or deficit using the straight line method.

Depreciation is set at rates that will write off the cost of the assets, less their estimated residual values, over their useful lives. These rates are reviewed annually. The estimated useful lives of major classes of assets and resulting rates are as follows:

CLASS OF ASSET	ESTIMATED LIFE	DEPRECIATION RATE
Leasehold Improvements	3 to 10 years	10% to 33.3%
Plant & Equipment	5 to 20 years	5% to 20%
Vehicles	5 to 8 years	12.5% to 20%
IT Equipment	3 to 8 years	12.5% to 33.3%

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at each financial year end.

The total cost of a project is transferred to the appropriate class of asset on its completion and then depreciated.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to healthAlliance and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Leases

FINANCE LEASES

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases where healthAlliance is the lessee, are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether healthAlliance will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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OPERATING LEASES

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Statement of Accounting Policies (continued)

Intangible Assets

SOFTWARE

Software that is acquired by healthAlliance is stated at cost less accumulated amortisation. healthAlliance also develops and modifies software and the cost of internal staff time is added to the value of the software where future economic benefits of service potential of this will flow to healthAlliance.

Costs associated with the development and maintenance of healthAlliance's websites are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Staff training costs are recognised as an expense when incurred.

AMORTISATION

Amortisation is recognised in the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

TYPE OF ASSET	ESTIMATED LIFE	AMORTISATION RATE
Software	2 to 10 years	10% to 50%

Work in progress is not amortised.

Impairment of Property, Plant and Equipment and Intangible Assets

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

IMPAIRMENT

The carrying amounts of healthAlliance's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amounts are estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the surplus or deficit.

REVERSALS OF IMPAIRMENT

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The reversal of an impairment loss is recognised in the surplus or deficit.

Employee Entitlements

SHORT TERM EMPLOYEE ENTITLEMENTS

Employee entitlements that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned up to but not yet taken at balance date, sick leave, long service leave and retirement gratuities.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

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Statement of Accounting Policies (continued)

LONG TERM EMPLOYEE ENTITLEMENTS

Employee entitlements that are not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff based on years of service, years to entitlement;
- the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- the present value of the estimated future cash flows.

Superannuation Schemes

DEFINED CONTRIBUTION SCHEMES

Employer contributions to KiwiSaver and other schemes in which employees are participating are accounted for as relating to defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

RESTRUCTURING

Provisions for restructuring are recognised when healthAlliance has approved a detailed and formal restructuring plan and the restructure has been publicly announced or commenced. Future operating costs are not provided for.

ACC Partnership Programme

healthAlliance belongs to the ACC Accredited Employers Programme (the “Full Self Cover Plan”) whereby healthAlliance accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, healthAlliance is liable for all claim costs for a period of two years after the end of the cover period in which the injury occurred. At the end of the two-year period, healthAlliance pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Partnership Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of employee injuries and claims that occurred up to balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on New Zealand Government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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Income Tax

healthAlliance is exempt from income tax under Section CW38 of the Income Tax Act 2007.

Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (“GST”), except for receivables and payables that are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Statement of Accounting Policies (continued)

Revenue

SERVICES RENDERED

Revenue from services is recognised, to the proportion that a transaction is complete, when it is probable that the payment associated with the transaction will flow to healthAlliance and that payment can be measured or estimated reliably, and to the extent that any obligations and all conditions have been satisfied by healthAlliance.

All services are provided on commercial terms and are considered to be exchange transactions.

INTEREST

Interest received and receivable on funds invested is recognised as interest accrues using the effective interest method, allocating the interest revenue over the relevant period.

Expenses

BORROWING COSTS

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

Equity

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

- Retained earnings; and
- Share capital.

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Critical Accounting Estimates and Assumptions

In preparing these financial statements, healthAlliance has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year discussed below.

HOLIDAY PAY PROVISION

Note 15 provides an analysis of the provision held in relation to compliance with the Holidays Act (2003) (the "Act").

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act (2003).

Work has been ongoing since 2016 on behalf of all DHBs and support entities such as healthAlliance, with the Council of Trade Unions, health sector unions and the Ministry of Business Innovation and Employment ("MBIE") Labour Inspectorate, for an agreed and national approach to identify, rectify and remediate any Holidays Act non-compliance. healthAlliance has agreed to a Memorandum of Understanding ("MOU"), which contains a method for determination of individual employee earnings, for calculation of liability for any historical non-compliance.

The remediation project associated with the MOU is a significant undertaking and work to assess all non-compliance will continue through the 2022/23 financial year. The final outcome of the remediation project and timeline to address any non-compliance will not be determined until this work is completed.

However, during the 2019/20, 2020/21 and 2021/22 financial years the review process agreed as part of the MOU has rolled out in tranches to healthAlliance. healthAlliance's readiness and availability of resources determined when the process could be commenced. healthAlliance has made progress in its review and can determine a reliable estimate of its obligation to address historic non-compliance under the MOU.

As a result healthAlliance recognises it has an obligation to address any historical non-compliance under the MOU. healthAlliance has made estimates and assumptions to determine a potential liability based on its review of payroll processes for instances of non-compliance with the Act and against the requirements of the MOU.

The liability has been estimated by:

- selecting a sample of current and former employees;
- calculating the underpayment for these employees over the full period of liability; and
- extrapolating the result across all current and former employees.

This liability amount is healthAlliance's best estimate at this stage of the outcome from this project. However, until the project has progressed further, there remain significant uncertainties as to the actual amount healthAlliance will be required to pay to current and former employees.

The estimates and assumptions may differ to the subsequent actual results as further work is completed. This may result in further adjustment to the carrying amount of the provision within the next financial year or payments to employees that differ significantly from the estimation of liability.

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Critical Accounting Estimates and Assumptions (continued)

EMPLOYEE ENTITLEMENTS

Note 14 provides an analysis of the exposure surrounding employee entitlements.

The accruals for salary and wages, annual leave and other leave are derived from the payroll system used by healthAlliance.

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. The two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. The discount rates used this year range from 3.34% (2021: 0.38%) for the first projection year to 4.30% from the 40th projection year (2021: 0.38% - 4.30%, 31st projection year). Salary inflation has been valued at 3% (2021: 2%).

ESTIMATING USEFUL LIVES OF PLANT AND EQUIPMENT AND IT HARDWARE ASSETS

At each balance date, the useful lives and residual values (if any) of the plant and equipment and IT hardware assets are reviewed. Assessing the appropriateness of the useful lives and residual values requires a number of factors to be considered such as the physical condition of the assets, expected period of use of the asset by healthAlliance, potential disposal proceeds from future sale of the asset or changes in business practice where such assets may be sold and leased back or the service provided by a third party on contract.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position. healthAlliance minimises the risk of this estimation uncertainty through a regular asset replacement programme and review of high net book value items.

ESTIMATING USEFUL LIVES OF INTANGIBLE ASSETS

At each balance date, the useful lives and residual values (if any) of the intangible assets are reviewed. Assessing the appropriateness of the useful lives requires a number of factors to be considered such as the expected period of use of the software by healthAlliance, technological changes in systems and platforms and the expected timeframe for development or acquisition of replacement systems and platforms.

An incorrect estimate of the useful life or residual value will affect the amortisation expense recognised in the surplus or deficit and carrying amount of the intangible assets in the Statement of Financial Position.

healthAlliance has a standard software life expectancy of five years unless specific terms or external evidence indicate a longer life is reasonable. There are currently no indicators that the expected lifetimes adopted will be materially different.

Critical Judgements in Applying Accounting Policies

The following critical judgements have been exercised in applying accounting policies.

CLASSIFICATION OF LEASES

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to healthAlliance.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

Refer to note 25 for further information on the deemed finance lease on private cloud assets.

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Statement of Service Performance

Cost of Service

The cost of service statements, as reported in the statement of service performance, report the net cost of services for the outputs of healthAlliance and are represented by the cost of providing the output less all the revenue that can be allocated to these activities.

Cost Allocation

healthAlliance has arrived at the net cost of service for each significant activity using the cost allocation system outlined below.

Cost Allocation Policy

Direct costs are charged directly to output classes. Indirect costs are charged to output classes based on cost drivers and related activity and usage information.

Criteria for Direct and Indirect Costs

Direct costs are those costs directly attributable to an output class. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output class.

Cost Drivers for Allocation of Indirect Costs

The cost of internal services not directly charged to outputs is allocated as overheads apportioned based on a proportion of total expenditure or on the FTE engaged in the delivery of that service, as best applied for the indirect overhead concerned.

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Notes to the Financial Statement

1. Covid-19 Impacts

Covid-19 has continued to have a global, widespread and significant general economic impact in the year ended 30 June 2022, including the New Zealand health sector. During August and September 2020 and February and March 2021, the Auckland region moved into Alert Levels 3 and 2 and other parts of the country moved into Alert Level 2. Towards the end of June 2021, the Wellington region moved into Alert Level 2 for one week. In August 2021, the Auckland Region moved into lockdown for a four-month period. As healthAlliance has been deemed an essential service, business has continued throughout all levels of lockdown, albeit with the majority of employees working remotely rather than in the Auckland office. healthAlliance has continued delivering the ISSP capital plan initiatives that were paused in FY20/21 and business-as-usual activities whilst supporting those initiatives instigated under the original Covid-19 response. In addition, healthAlliance has made material contributions to both the Northern Managed Facilities ("NMF") and Vaccination programmes of work.

The Directors considered whether there was any impact on going concern or impairment of assets as a result of Covid-19. healthAlliance has the ongoing support from the Northern Region DHBs, a strong balance sheet and forecast cash needs in the short to medium-term can still be met within cash held and existing debt facilities. There has been no significant impact on asset values or any increase in bad debts or expected credit losses. Refer to Basis of Preparation for information regarding the Health Sector Reforms.

2. Revenue

	Actual **2022** **$000**	*Actual* **2021** **$000**
Professional services to Northern Region DHBs	160,070	140,621
Other services to Northern Region DHBs	1,986	483
Professional services to other Crown health entities	3,155	3,614
Covid-19 related services	12,061	7,078
Other services to other related parties	-	147
	177,272	151,943

Revenue from shareholders, specifically the Northern Region DHBs, is disaggregated to differentiate between revenue for the provision of services contracted at the start of the year, as "professional services", and revenue for other or additional services provided, as "other services".

3. Other Revenue

	Actual **2022** **$000**	*Actual* **2021** **$000**
Other revenue	143	346
	143	346

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4. Other Expenses

	Actual 2022 $000	Actual 2021 $000
Outsourced personnel	9,783	4,448
Periodic software licencing charges	48,024	41,168
Computer hardware maintenance	4,323	5,099
Telecommunications	8,144	4,046
Infrastructure and non-clinical expenses	3,785	5,034
Write-off/impairment of capital projects	4,958	1,333
Operating expenditure component of capital projects	4,073	2,200
Other expenses	20	127
Audit fees (for the audit of the prior year's financial statements)	7	8
Audit fees (for the audit of the current year financial statements)	209	137
Assurance engagement fees	9	-
Property leases	3,594	3,726
Board member fees	111	88
Operating lease expenses	65	121
	87,105	67,535

Research and Development costs, disclosed in the current year as 'Operating expenditure component of capital projects' of $4.073m were expensed in the year (2021: $2.200m).

Related to Covid-19 is $12.061m of expenditure related to project write offs, wages and salaries, outsourced personnel, software minor hardware and other related expenses. These costs are included in notes 4 and 5.

5. Employee Benefit Costs

	Actual 2022 $000	Actual 2021 $000
Wages and salaries	43,566	35,558
Contributions to defined contribution plans	1,384	1,292
Increase in employee benefit provisions	454	182
	45,404	37,032

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Notes to the Financial Statement (Continued)

6. Finance

	Actual 2022 $000	Actual 2021 $000
6a. Finance revenue		
Interest received	82	68
	82	68
6b. Finance costs		
Interest expense	429	507
	429	507

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Notes to the Financial Statement (Continued)

7. Property, Plant and Equipment

	Leasehold Improvements $000	Plant and Equipment $000	Vehicles $000	IT Equipment $000	Work in Progress $000	Total $000
Cost						
Balance at 1 July 2020	5,964	2,509	71	126,001	13,320	147,865
Additions	-	-	-	-	15,654	15,654
Assets contributed by shareholders	-	-	-	600	-	600
Disposals	-	(38)	-	(14,453)	-	(14,491)
Transfer from Work in Progress	713	89	-	10,556	(11,358)	-
Balance at 30 June 2021	6,677	2,560	71	122,704	17,616	149,628
Balance at 1 July 2021	6,677	2,560	71	122,704	17,616	149,628
Additions	-	-	-	-	13,156	13,156
Reclassification to intangibles	-	-	-	-	(12,266)	(12,266)
Disposals	-	-	(14)	-	-	(14)
Transfer from Work in Progress	-	24	-	4,259	(4,283)	-
Balance at 30 June 2022	6,677	2,584	57	126,963	14,223	150,504
Accumulated Depreciation and Impairment Losses						
Balance at 1 July 2020	2,858	1,121	71	65,901	-	69,951
Depreciation charge for the year	653	263	-	18,329	-	19,245
Disposals	-	(38)	-	(13,929)	-	(13,967)
Balance at 30 June 2021	3,511	1,346	71	70,301	-	75,229
Balance at 1 July 2021	3,511	1,346	71	70,301	-	75,229
Depreciation charge for the year	633	268	-	17,119	-	18,020
Disposals	-	-	(14)	-	-	(14)
Balance at 30 June 2022	4,144	1,614	57	87,420	-	93,235
Carrying amounts						
At 30 June 2021	3,166	1,214	-	52,403	17,616	74,399
At 30 June 2022	2,533	970	-	39,543	14,223	57,269

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healthAlliance continues to review the life of its IT Equipment taking into consideration technological advances and moving to an As a Service model. As a result of this assessment a reduction in the accelerated depreciation provision was recognised in the year of $0.556m (2021: credit of $0.873m) giving a total provision of $0.0m (2021: $0.556m).

Work in Progress relating to IT equipment is $14.223m (2021: $17.616m). No other asset classes have assets in the course of construction.

The net carrying amount of IT equipment held under finance leases is $4.705m (2021: $6.273m). Note 25 provides further information about finance leases.

Notes to the Financial Statement (Continued)

8. Intangible Assets

	Software Assets $000	Work in Progress $000	Total Software $000
Cost			
Balance at 1 July 2020	236,871	35,093	271,964
Additions	-	19,682	19,682
Assets contributed by Shareholders	8,598	-	8,598
Transfer from Work in Progress	10,630	(10,630)	-
Balance at 30 June 2021	256,099	44,145	300,244
Balance at 1 July 2021	256,099	44,145	300,244
Additions	-	40,411	40,411
Reclassification from PPE	-	12,266	12,266
Assets contributed by Shareholders	3,993	-	3,993
Transfer from Work in Progress	30,927	(30,927)	-
Balance at 30 June 2022	291,019	65,895	356,914
Accumulated Amortisation and Impairment Losses			
Balance at 1 July 2020	158,100	-	158,100
Amortisation charge for the year	30,857	-	30,857
Impairment charge	(2,739)	-	(2,739)
Balance at 30 June 2021	186,218	-	186,218
Balance at 1 July 2021	186,218	-	186,218
Amortisation charge for the year	32,343	-	32,343
Balance at 30 June 2022	218,561	-	218,561
Carrying Amounts			
At 30 June 2021	69,881	44,145	114,026
At 30 June 2022	72,458	65,895	138,353

No impairments or accelerated depreciation have been processed in the year.

In the prior year healthAlliance reviewed the life of its Software assets taking into consideration vendor end of life support dates and progress with replacement systems. As a consequence of this review an assortment of assets had their end of life date moved to 30 June 2021, increasing the prior year amortisation charge. Consequently a reduction in the accelerated amortisation provision of $1.767m was processed in the year leaving a total of $0.0m.

The underlying assets related to a previous impairment due to outcomes of a project of work were written off in full in the prior year, decreasing the provision by $0.972m, giving an impairment provision of $0.0m.

Work in Progress relating to software is $65.895m (2021: $44.145m). No other asset classes have assets in the course of construction.

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Notes to the Financial Statement (Continued)

9. Reconciliation of Deficit for the Period with Net Cash Flows from Operating Activities

	Actual 2022 $000	*Actual* 2021 $000
Deficit for the period	(5,804)	(80)
Add back non-cash items		
Depreciation and amortisation	50,363	47,363
Lease incentive amortisation	(429)	(430)
Asset write off	4,958	1,333
(Gain)/loss on disposal	(1)	525
Movements in working capital		
(Increase) in trade and other receivables	(2,386)	(5,605)
(Increase) in prepayments	(6,990)	(3,541)
Increase in trade and other payables	1,258	4,924
Decrease/(increase) in employee entitlements	898	(43)
Increase in provisions	2,053	265
(Decrease) in revenue received in advance	(478)	(28)
Net movement in working capital	(5,645)	(4,028)
Net cash inflow from operating activities	43,442	44,683

10. Cash and Cash Equivalents

	Actual 2022 $000	*Actual* 2021 $000
Bank balances	2	2
NZ Health Partnerships Limited	8,937	25,729
Cash and cash equivalents	8,939	25,731
Bank overdrafts	-	-
Cash and cash equivalents in the statement of cash flows	8,939	25,731

The carrying value of cash at bank and term deposits with maturities less than three months approximates their fair value. healthAlliance is a party to the "DHB Treasury Services Agreement" between NZ Health Partnerships and participating health sector entities. This agreement enables NZ Health Partnerships to sweep bank accounts and invest surplus funds for the collective benefit.

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Notes to the Financial Statement (Continued)

11. Debtors and Other Receivables

	Actual 2022 $000	Actual 2021 $000
Trade receivables	6,061	6,768
Other receivables	5,400	283
Debtors and other receivables – current	11,461	7,051
Other receivables from related parties, non-commercial terms	6,659	6,659
Debtors and other receivables – non current	6,659	6,659

The carrying value of debtors and other receivables approximates their fair value.

The ageing profile of receivables at year end is detailed below:

	Gross Receivable 2022 $000	Impairment 2022 $000	Gross Receivable 2021 $000	Impairment 2021 $000
Not past due	15,540	-	8,228	-
Past due 0-30 days	625	-	1,408	-
Past due 31-90 days	941	-	799	-
Past due more than 91 days	1,014	-	3,275	-
Total	18,120	-	13,710	-

All receivables greater than 30 days in age are considered to be past due.

Provision for impairment is calculated based on a review of significant debtor balances and an assessment of all debtors for impairment using an "expected credit loss" model. The impairment assessment is based on an analysis of the debtors known likelihood to pay based on current circumstances and past collection history and write-offs.

Certain debtors as at 30 June 2022 have been considered for non-collectability and as a result no impairment has been recognised (2021: $nil).

Movements in the provision for impairment of receivables are as follows:

	Actual 2022 $000	Actual 2021 $000
Trade receivables		
Gross receivables	18,120	13,710
Individual impairment	-	-
Net total receivables	18,120	13,710

Released under the Official Information Act

12. Prepayments

	Actual 2022 $000	Actual 2021 $000
Prepayments – current	13,191	9,602
Prepayments – non current	5,580	2,179

13. Creditors and Other Payables

	Actual 2022 $000	Actual 2021 $000
Trade payables	8,291	5,794
Other payables	12,010	14,051
ACC Levy payable	438	383
GST and PAYE payable	1,857	1,544
Creditors and other payables - current	22,596	21,772
Other payables to related parties, non-commercial terms	8,802	-
Other payables to related parties, non current	8,802	-

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

14. Employee Entitlements

	Actual 2022 $000	Actual 2021 $000
Current Liabilities		
Salary and wages accrual	1,401	956
Liability for annual leave	3,621	2,967
Liability for other leave	224	134
Liability for long service leave	167	150
Liability for retirement gratuities	316	204
Liability for sick leave	8	14
	5,737	4,425
Non-current Liabilities		
Liability for long service leave	690	849
Liability for retirement gratuities	1,719	1,940
Liability for sick leave	68	102
	2,477	2,891

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Notes to the Financial Statement (Continued)

15. Provisions

	Actual 2022 $000	Actual 2021 $000
Current Liabilities		
Employee related provisions	5,551	3,498
Opening balance	3,498	3,233
Additional provisions made	2,053	265
Closing balance	5,551	3,498

Compliance with the Holidays Act 2003

healthAlliance has estimated its liability at 30 June 2022 to be $5.551m (2021: $3.498m). Refer to Critical Estimates and Assumptions for further background.

16. Lease Incentives

	Actual 2022 $000	Actual 2021 $000
Current liabilities		
Lease incentives received	430	430
	430	430
Non-current liabilities		
Lease incentives received	1,289	1,718
	1,289	1,718
Total lease incentives	1,719	2,148
Opening balance	2,148	2,578
Amortisation of balance	(429)	(430)
Closing balance	1,719	2,148

Released under the Official Information Act

17. Revenue Received in Advance

	Actual 2022 $000	Actual 2021 $000
Current portion		
Revenue in advance relating to contracts with specific performance obligations	-	478
	-	478

Notes to the Financial Statement (Continued)

18. Borrowings

Under the "DHB Treasury Services Agreement" with NZ Health Partnerships healthAlliance has access to an overdraft equal to a twelfth of the annual contracted DHB base revenue. As at 30 June 2022 the overdraft facility was not utilised (2021: $0).

19. Shareholders' Equity

Class A shares are held equally by the four shareholders, Northland, Waitemata, Auckland and Counties Manukau District Health Boards. Class C shares are of $1 each and confer no rights to appoint directors; rights as to distributions of capital or income; rights as to dividends; no voting rights, but otherwise have the same rights and privileges as other shares.

	Actual 2022 $000	Actual 2021 $000
40 Class A shares of $5,000 each uncalled	800	800
	800	800
Class C shares		
Northland DHB	21,041	20,217
Waitemata DHB	48,341	47,583
Auckland DHB	73,653	78,586
Counties Manukau DHB	53,878	53,133
	196,913	199,519
Share capital	197,713	200,319

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Class C shares have been issued as a result of IT assets transferred from each of the DHB shareholders and in relation to their contributions towards ongoing IT capital investment.

In the year ended 30 June 2022 healthAlliance completed a share buyback from Auckland DHB of $5.791m (2021: $nil).

Capital Management

healthAlliance's capital is its equity, which comprises retained earnings and share capital. Equity is represented by its net assets.

healthAlliance is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

healthAlliance has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

healthAlliance manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that healthAlliance effectively achieves its objectives and purposes while remaining a going concern.

20. Commitments

	Actual 2022 $000	Actual 2021 $000
Non-lease commitments		
Capital commitments	7,904	13,462
Non-cancellable – operating lease commitments		
Not more than one year	3,624	3,309
Later than one year and not more than five years	10,460	12,824
Later than five years	-	-
	14,084	16,133

healthAlliance leases certain IT services, with five-year terms, and office premises, the majority under a ten-year term with an option to renew at expiry, through operating leases. Finance lease liabilities are disclosed in note 25.

21. Financial Instruments

2022 Actual

	Notes	Financial assets at amortised cost $000	Financial liabilities at amortised cost $000
Debtors and other receivables	11	18,120	-
Cash and cash equivalents	10	8,939	-
Creditors and other payables (excluding taxes and revenue in advance)	13	-	(29,541)
Borrowings	18	-	-
Finance lease – current	25	-	(1,561)
Finance lease – non current	25	-	(3,469)
		27,059	(34,571)

2021 Actual

	Notes	Financial assets at amortised cost $000	Financial liabilities at amortised cost $000
Debtors and other receivables	11	13,710	-
Cash and cash equivalents	10	25,731	-
Creditors and other payables (excluding taxes and revenue in advance)	13	-	(20,228)
Borrowings	18	-	-
Finance lease – current	25	-	(1,455)
Finance lease – non current	25	-	(5,030)
		39,441	(26,713)

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21. Financial Instruments (Continued)

Credit Risk

Financial instruments, which potentially subject healthAlliance to concentrations of credit risk, consist principally of cash, short term deposits and accounts receivable.

healthAlliance is a party to the "DHB Treasury Services Agreement" between NZ Health Partnerships and all New Zealand District Health Boards as well as other approved Crown owned health sector entities. This agreement enables NZ Health Partnerships to "sweep" the participating entities bank accounts overnight and invest surplus funds on their behalf with registered banks that have a Standard and Poor's credit rating of at least A+.

Concentrations of credit risk from accounts receivable are limited due to the number and nature of the customers. The shareholders are the largest debtors. They are assessed to be low risk and high quality entities due to their nature as government funded providers of health and disability support services.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or using the expected credit loss model as set out in PBE IFRS 9.

	Actual 2022 $000	Actual 2021 $000
Counterparties with Credit Ratings		
Cash and cash equivalents and investments AA-	8,939	25,731

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21. Financial Instruments (Continued)

Liquidity risk

Liquidity risk represents healthAlliance's ability to meet its contractual obligations. healthAlliance evaluates its liquidity requirements on an ongoing basis. In general, healthAlliance generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place, through the DHB Treasury Services Agreement, to cover potential shortfalls.

The following table sets out the contractual cash flows for the principal portion of all financial liabilities which have a negative fair value or that are settled on a gross cash flow basis.

	Statement of Financial Position $000	Contractual Cash Flow $000	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000
2022							
Trade and other payables	29,541	(29,541)	(20,739)	-	(8,802)	-	-
Finance lease	5,030	(5,590)	(931)	(931)	(1,863)	(1,865)	-
	34,571	(35,131)	(21,670)	(931)	(10,665)	(1,865)	-
2021							
Trade and other payables	20,228	(20,228)	(20,228)	-	-	-	-
Finance lease	6,485	(7,453)	(931)	(931)	(1,863)	(3,728)	
	26,713	(27,681)	(21,159)	(931)	(1,863)	(3,728)	-

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, all investments and loans are on call and pricing is based on current day bank rates.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. healthAlliance's exposure to cash flow interest rate risk is limited to on-call deposits. This exposure is not considered significant and is not actively managed.

Sensitivity analysis

As at 30 June 2022, if floating interest rates had been 100 basis points higher/lower, with all other variables held constant, the deficit for the year would have been $0.085m lower/higher (2021: $0.089m) on the floating rate borrowings.

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22. Board and Key Management Personnel Compensation

Key management personnel include the Chief Executive and members of the healthAlliance Executive Team.

	Actual 2022 $000	Actual 2021 $000
Executive Leadership Team		
Total value of benefits	3,165	2,536
Board Member's Remuneration		
Clayton Wakefield (Chair)	33	33
Roger Jones	17	17
Russell Jones	17	17
Catherine Abel-Pattinson	17	17
Michael Roberts (resigned 10 September 2021)	-	-
Rosalie Percival (resigned 20 August 2020)	-	-
Andrew Brant	-	-
Michael Quirke	17	4
Nicole Anderson (appointed 16 December 2021)	10	-
	111	88
Full-time equivalent members – Executive Leadership Team	9	9
Full-time equivalent members – Board Members	7	7

Due to the difficulty in determining the full-time equivalent for Board members, the full-time equivalent figure is taken as the count of Board members. All active Board members resigned on 30 June 2022.

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year.

Board Member Rosalie Percival was an executive of Auckland DHB. Andrew Brant is an executive of Waitemata DHB. Michael Roberts was an executive of Northland DHB. They are not paid to act as Board members nor are their employing DHB's reimbursed for their costs when acting as Board members.

healthAlliance has effected Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation (2021: $nil).

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23. Transactions with Related Parties

healthAlliance is an entity wholly owned by other, wholly-owned Crown entities. These entities are the Northland, Waitemata, Auckland and Counties Manukau District Health Boards.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those it is reasonable to expect healthAlliance to have adopted in dealing with the counter-party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, other district health boards, Government departments or other Crown agencies) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Non-Commercial Balances owed by Related Parties	**Actual 2022 $000**	**Actual 2021 $000**
Related by shareholding		
Northland DHB	1,326	1,326
Waitemata DHB	534	534
Auckland DHB	4,452	4,452
Counties Manukau DHB	347	347
	6,659	6,659

The non-commercial balances owed by the DHB shareholders were for items related to uncalled share capital, certain staff entitlements owing when staff transferred to healthAlliance and for charges relating to asset transfers.

Non-Commercial Balances owed to Related Parties	**Actual 2022 $000**	**Actual 2021 $000**
Related by shareholding		
Auckland DHB	3,223	-
Counties Manukau DHB	5,579	-
	8,802	-

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24. Employee Remuneration

Remuneration Range	**2022**	**2021**
$100,000-$110,000	44	60
$110,001-$120,000	49	36
$120,001-$130,000	27	25
$130,001-$140,000	24	25
$140,001-$150,000	18	15
$150,001-$160,000	13	11
$160,001-$170,000	8	9
$170,001-$180,000	13	6
$180,001-$190,000	5	2
$190,001-$200,000	3	4
$200,001-$210,000	4	2
$210,001-$220,000	2	2
$220,001-$230,000	1	-
$230,001-$240,000	1	-
$240,001-$250,000	1	2
$250,001-$260,000	1	-
$260,001-$270,000	1	2
$280,001-$290,000	2	2
$290,001-$300,000	-	1
$300,001-$310,000	-	-
$320,001-$330,000	-	1
$330,001-$340,000	1	1
$350,001-$360,000	-	1
$370,001-$380,000	1	1
$400,001-$410,000	1	-
$460,001-$470,000	-	1
$770,001-$780,000	1	-

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healthAlliance made termination payments, or compensation to those that ceased employment during the year, to two staff for $124,500 (2021: five staff, $94,650).

25. Finance leases

On 20 May 2019, healthAlliance entered into a Participating Agency Agreement to provide certain services over a 60-month period. Certain components of this offering are deemed to represent a finance lease.

Service establishment has been deemed to have occurred on 30 June 2020. Consequently healthAlliance recognised a finance lease asset and liability of $7.842m on that date. Contractual cashflows are as follows:

2022	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	$000	$000	$000	$000
Finance lease	1,863	3,728	-	5,591
Discounting impact	(302)	(259)	-	(561)
Present value (at commencement)	1,561	3,469	-	5,030

2021	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	$000	$000	$000	$000
Finance lease	1,863	5,591	-	7,454
Discounting impact	(408)	(561)	-	(969)
Present value (at commencement)	1,455	5,030	-	6,485

There are no contingent rents or intention to sub lease the underlying asset.

Reconciliation of movement in liabilities arising from financing activities

	2022	2021
	$000	$000
Balance at 1 July	6,485	7,842
Cash outflows	(1,455)	(1,357)
New leases	-	-
Balance at 30 June	5,030	6,485

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Notes to the Financial Statement (Continued)

26. Contingent Liabilities

healthAlliance has no known potential contingent liabilities as at 30 June 2022 (2021: $nil). In the year ended 30 June 2022 healthAlliance has initiated proceedings in the High Court against third parties in relation to a licensing dispute.

27. Contingent Assets

healthAlliance has no known potential contingent assets as at 30 June 2022 (2021: $nil).

28. Subsequent Events

On 21 April 2021, the Minister of Health announced the health sector reforms in response to the Health and Disability System Review.

On 1 July 2022, the Pae Ora (Healthy Futures) Act 2022 came into force replacing the New Zealand Public Health and Disability Act 2000, and establishing Health New Zealand (Te Whatu Ora) and the Maori Health Authority (Te Aka Whai Ora). District Health Boards, and DHB-owned shared services agencies, were legally disestablished, and their assets and liabilities transferred to Health New Zealand on this date.

Covid-19 has not had a material impact on operations in the period subsequent to balance date.

The 2021/22 healthAlliance Annual Report was not completed by 31 December 2022, as required by section 156 of the Crown Entities Act 2004 (as amended by the Annual Report and Audit Time Frames Extensions Legislation Act 2021, which extended the reporting timeframe in the Crown Entities Act 2004 by two months).

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Notes to the Financial Statement (Continued)

29. Explanation of Budget Variances

Statement of Performance Expectations – Budget figures

Revenue

Total revenue for healthAlliance is greater than budget due to funding received for additional costs incurred due to Covid wave 5. In addition, revenue was received for services provided to the NMF and Vaccination programmes.

Expenditure

- Employee benefit costs were greater than budget due to an increase in resources required to deliver the NMF and Vaccination programmes of work and an increase in the Holiday Pay Non-Compliance provision of $2.1m.
- Depreciation and amortisation were lower than budget due to project delays, which resulted in later capitalisation dates. This was offset by asset transfers from two DHB's in the year.
- Other expenses were greater than budget due to additional contractor costs to deliver the NMF and Vaccination programmes of work, increased Project Opex expenditure, project write offs as a result of Covid wave 5 challenges and increased property lease costs. In addition, certain costs associated with SAAS projects were treated as operating expenditure rather than capitalised.

Assets

Current assets were greater than expected largely due to the underspend of the healthAlliance Capital Plan resulting in cash being carried forward into the next financial year and most of the proposed share repurchase not proceeding. There also was a material increase in trade receivables, largely relating to the NMF and Vaccination programmes and receivables related to Covid 19 Wave 5 reimbursement.

Fixed assets were greater than budget due to the decision to repurpose opening cash to the FY21/22 capital plan and asset transfers from DHB's. Long term prepayments increased due to longer term commercial arrangements being entered.

Liabilities

Total liabilities are greater than budget due largely to the Holiday Act provision which was further increased and not settled in the financial year and timing of the settlement of creditors and other payables. In addition, liabilities were recorded for assets transferred from DHB shareholders.

Equity

Equity is greater than budget due to the majority of the proposed share repurchase not occurring.

Cash Flows

The net cash flow from operating activities for healthAlliance were less than expected due to the operating deficit and increased investment in working capital as a result of the increase in trade receivables and prepayments.

Cash outflows from investing activities was greater than expected due to the use of opening cash balances for the FY21/22 capital plan and increased capital write offs due to Covid Wave 5.

The net cash outflows from financing activities for healthAlliance were less than budget due to the budgeted FY 21/22 share buyback not proceeding offset by funding received from the DHBs for C-Class funded initiatives.

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Statement of Responsibility

For the year ended 30 June 2022

1. The Board accept responsibility for the preparation of the Annual Financial Statements, Statement of Performance and the judgements used in them;

2. The Board accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

3. In the opinion of the Board of healthAlliance N.Z. Limited, the Annual Financial Statements and the Statement of Performance fairly reflect the financial position and operations of healthAlliance N.Z. Limited for the year ended 30 June 2022.

For on and on behalf of the healthAlliance N.Z. Limited Board

Margie Apa	Rosalie Percival
Director	Director
7 March 2023	7 March 2023

Independent Auditor's Report

To the readers of healthAlliance N.Z. Limited's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of healthAlliance N.Z. Limited (the company). The Auditor-General has appointed me, JR Smaill, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 7 to 40, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the statement of accounting policies, critical accounting estimates and assumptions, and the notes to the financial statements including a summary of other explanatory information; and
- the performance information of the company on pages 1 to 6.

In our opinion:

- the financial statements of the company on pages 7 to 40, which have been prepared on a disestablishment basis:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards; and
- the performance information on pages 1 to 6:
  - presents fairly, in all material respects, the company's performance for the year ended 30 June 2022, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

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- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 7 March 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to other matters. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures.

The financial statements have been appropriately prepared on a disestablishment basis

Page 12 outlines that the Board has prepared its financial statements on a disestablishment basis because healthAlliance was disestablished, and its functions transferred to Te Whatu Ora - Health New Zealand on 1 July 2022. There have been no changes to the values of the Group's assets and liabilities as a result of preparing the financial statements on a disestablishment basis.

Impact of Covid-19

Note 1 on page 22 to the financial statements and pages 1 to 6 of the performance information outline the impact of Covid-19 on the company.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate *the Professional and Ethical Standards and the International Standards on Auditing (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible o for preparing the disestablishment financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

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The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the disestablishment basis of accounting by the Board.

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- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 41, 44 to 46 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

During the year ended 30 June 2022, we undertook an assurance engagement relating to the Regional Collaborative Community Care procurement. Other than this assurance engagement and in our capacity as auditor, we have no relationship with, or interests, in the company.

JR Smaill
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Statistical information

The Directors of healthAlliance N.Z. Limited present the Financial Statements for the year ended 30 June 2022.

Principal Activities

The principal activity of healthAlliance during this year was the operation of shared services for District Health Boards and New Zealand health organisations.

healthAlliance's Corporate Address

Connect Business Park, 581-585 Great South Road, Penrose, Auckland

healthAlliance N.Z. Limited Board of Directors' Register of Interests as at 30 June 2022

Board Member	Involvement with Other Organisations

Clayton Wakefield	• Director, The Cooperative Bank
	• Chair, Cooperative Life Ltd
	• The Institute of Directors in New Zealand Incorporated:
	    • Auckland Branch Committee
	    • Chartered Member
	• Director, Shareholder, Walsh Financial Services
	• Director, Shareholder, Wakefield and Walsh Ltd
	• Shareholder, Commercial Information Systems New Zealand Ltd
	• Chair (Interim) Auckland Te Araroa Trust Advisory Group

Catherine Abel-Pattinson	• Counties Manukau DHB
	    • Board Member
	    • Hospital Committee Chair
	    • Audit and Risk Committee Member

Nicole Anderson	• Director, Fluid Chemicals NZ Ltd • Chair/Director, Northland Inc • Director, Northern Tyre Co Ltd • Director, PHARMAC; Chair Audit & Risk Committee • Director, Anderson Trading Co Ltd • Director, Northland Polytechnic Ltd; Member Tupuānuku Governance Committee • Director, Ngāpuhi Asset Holding Co Ltd • Director, Top Energy Ltd • Co-Chair, SCENZ (Support & Consultation Assisted Human Dying Group) • Interim Chair - Kotui Hauora • Trustee (for Nga Ngaru o Hokianga Takiwa) - Te Runanga A Iwi O Ngāpuhi; Chair Appointments Committee • Trustee, Mātai Aranui Marae • Member, Accreditation Council • Member, NZ Blood & Organ Service • Member, NZ Conservation Authority; Chair Treaty Partnerships Committee Hapu/Iwi affiliations: • Iwi: Ngāpuhi • Hapu: Te Hikutu, Ngāti Kairewa, Ngāti Kerewheti, Whānau Whero
Andrew Brant	• Deputy CEO, Waitemata DHB • Chief Medical Officer, Mercy Ascot • Director, Precision Driven Health • Director, Well Foundation • Director, HealthSource New Zealand Limited • Member of MBIE Precision Driven Health research programme
Roger Jones	• Director, Corporate Apartments Limited • Advisory Board member, Hewlett Packard Enterprise (HPE) Customer Advisory Board

Released under the Official Information Act

Statutory information

	• Chief Technology Officer, Auckland Transport • Advisory Board Member, Microsoft Services Executive Board
Russell Jones	• Director, BNZ Investments Limited • Shareholder, National Australia Bank
Michael Roberts	• Chief Medical Officer, Northland DHB • Director, Northern Region Helicopter Trust • Shareholder, Sense Medical
Michael Quirke	• Director, Auckland DHB • Chief Operating Officer, Mercy Radiology Group • Director, New Zealand Musculoskeletal Imaging Limited • Convenor and Chairperson, Child Poverty Action Group • Director of Strategic Partnerships, Healthcare Holdings LImited

Crown Entities Act 2004 Section 118 Requirements

The Crown Entities Act 2004 Section 118 places a requirement on all Crown Entities to be good employers by ensuring processes and procedures are in place for the fair and proper treatment of all employees. healthAlliance takes its responsibility as a good employer very seriously and is committed to promoting and maintaining the health, safety and wellbeing of its staff in the workplace. We acknowledge our responsibilities under the Health and Safety employment legislation. Health and Safety representatives have been appointed and trained, policies are in place and health, safety and wellbeing services are available to staff.

healthAlliance promotes and encourages equal employment opportunities. healthAlliance is proud of the diversity of its workforce and is committed to providing fair and equitable opportunities for all employees and potential employment.

Key highlights and achievements in the past year include:

- Continued to evolve our Diversity and Inclusion (D&I) programme, acknowledging and celebrating a number of significant events on our D&I Cultural Calendar including: Diwali, Ramadan, Eid, International Women's Day, Matariki, Christmas, Māori Language Week and Tongan Language Week.
- Enhanced our health, safety and wellbeing culture, including updates to our Health and Safety wellness initiatives and dedicated staff welfare support capability through Covid-19.
- Enriched our staff recognition through our PRIDE values awards and our long service milestone programme.

Released under the Official Information Act

Auditor

The Auditor-General is appointed under section 14 of the Public Audit Act 2001. Audit New Zealand has been contracted to provide these services.

Released under the Official Information Act