13 February 2008

PRIVATE AND CONFIDENTIAL LEGALLY PRIVILEGED

Peter Chemis
Partner
Buddle Findlay
WELLINGTON

Dear Peter

HAWKE'S BAY DISTRICT HEALTH BOARD GOVERNANCE

You will be aware that I have received medical advice that I must take a minimum of two weeks leave from the Hawke's Bay DHB. This is especially hard advice for me as I have never had a sick day in my life and I am conscious of the added strains this places on my immediate team.

As I will be away from the DHB at a critical time when the Board is considering its response to the 2nd draft report, I want to set out why I consider governance change is imperative in the event that you are required to represent my views in my absence.

The advice I have given the Review Panel regarding the Board stands, namely:

- inconsistent decision making
- highly personalised attacks on staff
- a toxic culture between board and management,
- a clash of values and the absence of trust
- poor judgement and an absence of strategy.

I now want to comment on recent events that further confirm that governance change is necessary. In fairness to my Board, however, I have only commented on items that I have already raised with the Board and are evidence based. My comments are in four areas, germane to the role of a Board:

- Staffing
- Resourcing and Priorities
- Accountability
- Judgement

Staffing

a) Staff Resignations – I have been separately advised by 5 of my 7 senior leadership team members, my Chief Legal Advisor and my Chair of the Clinical Board that they are considering resigning in the event there is not significant governance change, or I am forced to leave the organisation. I have strongly

counselled them against this course of action, as it will ultimately harm the organisation. Knowing my team, however, and their mounting frustration that they are unable to perform at their best, I think it is quite probable that resignations will immediately follow if the governance/organisation interface is not dramatically improved.

b) Mounting Clinical Disquiet – to date, despite the local media debate, we have been successful in keeping the Review from spreading too far into the organisation. This is proving more and more challenging and earlier this week the Minister received a letter from my Chief Medical Advisor, Director of Nursing, Chair of the Clinical Board and Associate Director of Nursing urging the Minister to resolve the issues and ensure 'good' governance at Hawke's Bay.

c) Threatened Disciplinary Action against the CEO – the Board are meeting on Wednesday 13 February 2008 to consider my written response to their letters threatening disciplinary action because I asked Dr Penny Andrew (Chief Legal Advisor) to contact Michael Wigley of the Review Panel regarding the Chairman's request to meet with my senior staff to find out what they had said in confidence to the Review Panel.

As we have discussed, the Board's threatened disciplinary action is ill advised, ill timed and intimidatory and the assertions are easily rebutted. As we have also discussed, it would be unwise to view this action in isolation from a growing pattern of closed meetings without the CEO present, requests for the CEO to provide answers to a range of issues 'in writing' and the Chairman's decision to conduct his own review into management. As you are aware the Chairman has authorised his own legal costs but has repeatedly declined to meet my own costs. Thank you for your forbearance on this matter.

Resourcing and Priorities

a) Deteriorating Financial Position – after some years on standard monitoring the DHB has been down graded to performance watch. I consider the underlying deficit to be some $10 – 11 million. A recovery plan is being considered by the Board at its February meeting. The time, energy and resources that are being expended by the Board responding to the Review is, however, at the expense of the significant financial, clinical and workforce issues we are facing. By way of example, I am typically spending around 40 hours a week simply managing the Review Process – ie 'static' from Board members, requests for information from multiple sources and maintaining motivation in the senior team. This must not be allowed to continue.

b) Ongoing Reviews and Legal Action - The Chairman advised me on 4 February 2008 at a Remuneration Committee meeting that at the completion of the review he will be recommencing his own review into management conduct (minutes of meeting still in draft and to follow). The Board first commenced its

own review of management conduct in January 2006 and it has been ongoing since then. I have advised the Chairman that a further review is not in the best interests of the organisation, will be costly and destructive and will further encourage senior staff to leave.

On 12 February the Chairman orally advised me that the Board will be legally challenging the Review now he has had the opportunity to read the 2nd draft of the Review report.

c) Resourcing the Review – My team is alarmed at the considerable financial resources the Board is committing to this review and there appears to be no end in sight particularly if the Board does proceed with further legal action. Under the DHB's Delegations Policy I am responsible for authorising all legal advice. The Chairman, however, has been authorising all legal advice relating to the Review, without reference to the CEO, despite repeated requests. The Chairman considers he has the authority as the Audit and Finance Committee has powers to seek independent advice.

Accountability

a) Political and Media Engagement– for some time I have been very concerned at the level of information that the media and some political parties have about my organisation, particularly as the DHB is appearing before the Health Select Committee in early April.

I cite in the attachments two examples of the challenges I am facing:

a) an email from **(REDACTED)**

b) last week my Chairman met with Craig Foss and Chris Tremain (local National MPs) in response to their request to discuss "progress on the Review and related matters". I offered to attend that meeting but the Chairman considered that was not necessary. Attached is a news clipping (Dominion 13 February 2008) citing the Chairman and Craig Foss commenting that proceeds from the sale of Napier Hospital may be used to break even financially and asserting that Hawke's Bay has been treated unfairly

c) I also understand that some Board members have declined to sign the confidentiality agreement regarding the release of the 2nd draft report. I can only assume this is because they are unwilling to be fettered in their contacts with third parties.

We have very clear organisational policies relating to media and political party contacts and I have often had to remind the Board of these policies.

Judgement

a) Poor Judgement – this has been a repeated theme in my advice to the Review Panel. Unfortunately I do not believe the lessons have been learned. By way of recent example I cite the December meeting of the Audit and Finance Committee that agreed to award up to $600,000 elective services to Royston Hospital without a tender, against the advice of management and independent probity advice. My concern is that the Board has exposed itself to external criticism, particularly as a number of board members were conflicted yet participated fully in the discussion if not the vote. Unfortunately I am not in a position to attach the minutes of that meeting as the Chairman and Chair of Audit rejected the minutes prepared by my Chief Legal Advisor and myself in favour of minutes drafted by my Chairman. The Audit Committee will be considering whether to adopt the Chairman's minutes at its meeting next week. The Chief Legal Advisor and I have asked that our objection to the minutes be recorded.

b) Unwillingness to Engage on Governance/Management Interface - despite repeated requests to meet with the Board to discuss board/management issues, I last had the opportunity to discuss these issues for 10 minutes in December 2006. As recently as this week I met with the Remuneration Committee who seemed more interested in finding evidence to rebut the Review Panel's assertion that staff felt ' battered, bullied and bruised" than seeking to understand what may be underlying those concerns (minutes of the meeting to follow);

Where to From Here

The Issues are beyond Facilitation - In a letter last year to the Board from the Executive Management Team we proposed a facilitated process to identify the issues and move forward. We saw this as preferable to a highly publicised debate in Parliament, which would do considerable damage to the organisation's reputation and would almost certainly see some of our clinicians engaging in the subsequent media debate. We proposed this course of action to reduce the likelihood of on going legal action by the Board which would cripple the organisation and tie up resources for a further two years.

As I explained to the Review Team at the time, in reality the issues are beyond facilitation. This would have been quickly revealed by a facilitation process. As CEO, nonetheless, I have to minimise the risk to my organisation and ensure that we can continue to do our real work. Thus the facilitation option was proposed as a way of taking some of the heat out of the debate and allowing the organisation to continue functioning rather than being torn apart by an increasingly acrimonious and expensive governance dispute.

Given that the majority of my board have been returned to office, it is critical that a facilitated process is commenced as soon as possible after governance decisions have been made.

Recovery Plan - Governance change of itself will not automatically secure financial and service sustainability and the requisite culture change. The three recent cardiac cases highlight there is much work to be done on clinical engagement and models of care, while our deteriorating financial situation is a cause of real concern to me.

I am working on a recovery plan that will hopefully involve the use of external advisors such as Graham Nahkies (on governance), Ray Naden and Ian Brown (on models of care) and a senior independent financial advisor. I am also keen to explore using these appointments to strengthen our links with Capital and Coast DHB at a governance, monitoring or advisory level.

Position of CEO - I wish to be clear – the current situation is intolerable. While I am committed to remaining the CEO of Hawke's Bay DHB beyond the completion of this review, I am also a realist. In the event there is not substantive governance change and an end to the legal processes, it will remain impossible for me to do my job and be effective. While there are many able people who can do my job, my concern is that my successor will face the same challenges my predecessor and I have both faced.

While it is for others to determine the DHB's governance, it will be my job to help 'win the peace' in a very small community, where for example the Chairman's property backs on to ours, the Chairman's brother is one of my senior clinicians and friendships date back to childhood. I know you understand the parochial, personal and political sensitivities of provincial New Zealand. I also accept, however, you may need to share this with others and I trust your judgement on this matter.

While I am now on leave and out of Hawke's Bay, I can be contacted via the office, via Karen at home (06)877 9934 or mobile (0275) 336 996

Yours sincerely

Chris Clarke
CEO
Hawke's Bay District Health Board

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Transcription

Date: 25 February 2008

The Minister of Health has threatened to sack the entire

Item code : RNZ20080221092712BC0
Job name : Comp CASUAL CLIENTS (CASC)
Radio New Zealand 21 February 2008
Nine to Noon
Time : <09:27:12 - 09:38:30>
Duration : 677 seconds

PRESENTER (KATHRYN RYAN): Well let's stay in a hospital that certainly does seem to be having its ah, issues at ah, the moment ah, which is ah, Hawke's Bay ah, Regional Hospital. As you know, the Health Minister has threatened to sack the entire board, as soon as next week. It [sic] has asked the board to write to him and tell them [sic] why it should not be sacked. Since ah, the story broke yesterday ah, local body leaders ah, other clinicians ah, the Medical Association have all come out and said the Minister has got it wrong. This morning we're starting to hear from more clinicians at the hospital saying the Minister has got it right. One of those is with me now. Dr David Grayson is clinical director of surgery at Hawke's Bay Regional Hospital. He joins us now and thank you for being with us.

DR DAVID GRAYSON (HAWKE'S BAY REGIONAL HOSPITAL CLINICAL DIRECTOR OF SURGERY): It's, that's fine Kathryn.

PRESENTER: So a whole bunch of people have said the Minister's out of kilter here ah, we've got confidence in this democratically, or partly democratically, elected ah, board. What is your view.

GRAYSON: Well it's kind of interesting because ah, I've just had a little chance to think about things ah, my flight up to Wairoa. I'm doing a clinic up here in Wairoa and I've had a bit of an epiphany really because if you look at what's happened in the ah, the quality improvement committee that ah, work that you have just been talking about, what, what [sic] we've done there, because I'm involved in that as well obviously, and, and [sic] what we've done there is, is [sic] we've acknowledged there's a problem and we've said, you know, let's be upfront and let's be open about this and what can we do about it. The issue for us here in Hawke's Bay has been going on for a very long time and it is, it is [sic] finally come to a hilt and it, and I have, up until now, I have resisted any sort of temptation to get out in the public ah, arena because I wasn't sure and I didn't think that it was appropriate for clinicians to be ah, getting involved in the politics side of things. But, unfortunately that's, that's [sic] gone and so in, I'm really, fuelled by my principles, that I have to make, make [sic] a stand and the, the [sic] issue is, comes down to this thing. We need to, we know there's a problem. We need to acknowledge that and we need to look at why that is and the big, what the bottom line is that hasn't been in the ah, public domain yet is that the real issues here are issues of governance and how things are done. How things are done in our particular DHB and this is the whole DHB, not just the hospital and it's so important that we are spending large amounts of public money, that when we're spending that money, the decision making of how that money is spent ah, has to be done in total transparency, that it can be looked at from objective point of view and from ah, independent assessors, if you like, ah, that money has been well spent and has been appropriately spent.

PRESENTER: So what is it...

GRAYSON: ...and we have a lot of ah, evidence or experience of ah, occasions where that hasn't been the case and, and I've had personal experience of ah, attempts to distort what is an open

and public ah, transparent, you know, way of um, awarding contracts, you know, and, and, because this is what we're dealing with. We're dealing with large sums of money ah, that have to be awarded appropriately and so because it's public money, it must be done in the, you know, in a fully transparent way.

PRESENTER: Are you saying that financial management and the openness of that fimanat [sic] financial management is what, at the heart of this.

GRAYSON: Course it is. Yeah. Exactly and so obviously, a lot of that is going to come out in that review ah, that has been ah, started but hasn't...

PRESENTER: This is the Director-General of health is currently doing a review into what, the awarding of one particular major contract or the process of running that.

GRAYSON: No well the review, the, the [sic] and this is where it's, again, it's, everything's been distorted and, and, and [sic] you know, there's been misrepresentation on, on, on [sic] views and, and [sic] certainly some commissions will support the status quo and, and [sic] the incumbent board but there are other clinicians who see it differently because they have had more sort of involved experience and, and [sic] in my role as a clinical director, I'm obviously a clinician and first and foremost clinician, but I am involved in that task of trying to help the management and, and we have had ah, and certainly, you know, um, experience of ah, the um, decision making has not been done in an open way and it's not being ah, transparent and has, and there's been questions asked around that for a very long time.

PRESENTER: This just about the one contract currently under scrutiny or others.

GRAYSON: No what, the issue there is that it is not just about that one contract...

PRESENTER: Uh-huh.

GRAYSON: ...and that one person. It's, it's other members of the board ah, the issues around, the questions around ah, their conflicts of interest ah, on the table as well and so that's, it's all been distorted and, and it's become political, obviously, and it's become personal. But my issue, in terms of, you know, and I respect ah, the Minister's stand because he recognises and he has a lot more information, obviously, than I do but, from what I know of, he has the information there that tells him that things are not right and that if there's going to be any sort of change to how we're doing things, any improvement, that he has to make the stand and obviously that's a huge political call for him ah, but he's standing by his principles and I, and I respect him for that.

PRESENTER: How does he have that information of whatever nature that he has that has led him to believe this is serious enough to potentially sack a board and bring in a commissioner.

GRAYSON: The ah, the draft, there has been a draft ah, report of that review that has done [sic]. I haven't seen that myself...

PRESENTER: Well he says he hasn't seen that.

GRAYSON: He won't have seen it but he will have ah, he will have, you know, had information that's ah, from that because ah, that has been ah, certainly ah, given to the, to the board and ah,

so, you know, the, the sort of content, if you like, will be ah, will be around.

PRESENTER: Are you suggesting that there are potentially matters of illegality that need to be investigated...

GRAYSON: Well...

PRESENTER: ...or improper management or what.

GRAYSON: Well I think ah, I think obviously you've seen the legality side of things come into it, definitely and again, it comes down to, this is a problem for us ah, because we are getting it, you know, increasing legal bills being sent ah, being spent um, when that money, you know, should be being spent on healthcare. And so we have to take, take a stand and stop this and ah, and I think that's, that's why I think the, the best solution, at this stage is what the ah, the Minister has done to suggest that we need to just stop having the board in, in control and have the ah, have a commissioner in, in place. Obviously it's only temporary. It's not a long term solution but I think, at the moment, it's, it's important that it's done.

PRESENTER: What impact is it having because we know that the chief executive is effectively off...

GRAYSON: Yeah...

PRESENTER: ...on, on what, on stress leave currently.

GRAYSON: Well, well as Ian Powell you see ah, from the ASMS ah, pointed out that you, you cannot run an organisation when you have a ah, ongoing standoff between your board and your management and the trouble, I, I understand, from our management's point of view, is that they feel ah, the effects of the board trying to be involved, trying to get, get involved in management issues and micro-managing them ah, and that just means they, they don't, you know, they're not acting in the true sense of good governance. And good governance is that you have your members of a board dealing with large sums of public money, making decisions that are seen to be fair and open and can be analysed and looked at and that those, those decision then, you know, are, are the right decisions with everybody's agreement.

PRESENTER: What is your position then on, on news that, that, that [sic] the board is now ah, expecting, what is it, a, something like a $7 million deficit. Was that a, a, a [sic] surprise, a shock to clinicians.

GRAYSON: Um, I think we've always known that there's certainly ah, we, we [sic] never be able to be operating ah...

PRESENTER: The $5 million cut that was proposed was never...

GRAYSON: Yeah.

PRESENTER: ...going to happen.

GRAYSON: No I think, I was, the trouble, we know that there has been a historical problem of perceived under funding but again, just throwing more money at it is not going to change, change

[sic] the way that we're doing things and that's, that's our underlying issue. We need to change the way that we do, do our work and we're not going to be doing that if we maintain the status quo.

PRESENTER: When you say change the way you're, you're doing work, are you talking about how the board functions...

GRAYSON: The board needs to change the way that it functions...

PRESENTER: ...and, and how it relates...

GRAYSON: ...likewise we, as clinicians, need to change our whole sort of attitudes and, and how we look. We need to be much more open-minded about different ways of doing things and we need to be more upfront and honest in that sense, you know, the, the work that the quality improvement committee is, is doing ah, in terms of safety issues. We need to be open and trans [sic] much more open and transparent so that the public knows and I, and that's my concern and why I've really hadn't wanted to get involved but I, I just feel now I have to because the public does not know. The public has only had a one-sided view which has all been sort of managed locally ah, and, and they don't know that the, the real underlying problems here are problems of just good governance and having, you know, ah, upfront, transparent spending of but [sic] ah, public money.

PRESENTER: The impact then on the clinicians, on the hospital floor, is there something of a siege mentality that you're describing, is there a division between clinicians.

GRAYSON: [laughs] Well there's an evolving one because, because of this ah, way that this has come out but again, you know, it's ah, the clinicians that have come out in support of the government, ah sorry of the ah, of the board, those clinicians have been, you know, ah, upfront because of their particular reasons and they would need to be able to look at themselves and say why is it that I'm actually in support of this ah, and, and though, but they are by no means representative of all the clinicians. If you wanted to have a, you know, an estimate of how many are in favour or how many are not, and I don't think that's the right thing to be doing, ah, you'd have to, you know, do a ballot poll of, of all of them and likewise the community.

PRESENTER: Are you losing some staff in this environment because of what's going on.

GRAYSON: Oh for sure. I mean, and we've, and we've had two senior clinicians recently resign because of, and, and, and [sic] if, it depends on, you know, your level of involvement with management and if you're particularly in a clinical director role, you do have ah, ah [sic] obligation to be involved with management and if your management can't function because the board ah, are getting involved in and making life difficult for you then you have the trouble.

PRESENTER: How exactly are they doing that on a day to day basis.

GRAYSON: It, it's, it's [sic] ah, they, well sometimes it'll be a matter of just ah, getting, taking, you know, ah, advice or whatever from, from other sources, ie, like from commissions and then using that information to come, come at management, you know, with a ah, conflicting view as to what the management feel is the best use of the public money and then ah, using that as a way to get around um, ah, making, you know, good fair judgements for the best use of that public money um,

and it's, and it's [sic] also, we've now seen, unfortunately we've just seen a lot of personal spats going on and ah, um, the problems that that's involving and, you know, [coughs] we have to acknowledge there's a problem. You wouldn't have the CEOs off on stress leave if there's not a problem.

PRESENTER: Is this a problem at crisis level in your view. Do you think that decision next Wednesday should be to sack the board.

GRAYSON: Well I think it's, the, the right, the right [sic] ah, decision because what's ah, and, that's why I say I respect, what the Minister has done here is identify the real crux issues and the issue of good governance and his, his understanding is it, this is not happening and ah, that he needs to do this and, and that's why yes I agree that that's, it's the right thing to do, at this stage.

PRESENTER: Thank you for being with us. That's Dr David Grayson. He's clinical director of surgery at Hawke's Bay Regional Hospital which is, it appears, really, at a management and governance level, swerving into a bit of a crisis right now.

Ends.

Comments made to the Panel

Chair

Governance and Board/Management relationship

The Chair said that he doesn't think that there is a "line" between governance and operations; he said that there is always a grey area. He said the first responsibility is to determine the delegations policy. He said that this sets the policy boundaries, for example which cheques must be sighted.

He didn't believe that the Board had overstepped into operations. He said that the Board has got involved because of a lack of skill and motivation from time to time within management.

In this current year he would have thought that their progress on the relationship with the CEO and management was superb.

He didn't believe it was appropriate for the Board to take action against Peter Hausmann.

Chris Clarke's June performance assessment is an issue. As a result of new OIA information more issues have come to light. For example, the way the Board's tendering processes were followed in relation to the CEO agreeing to the WellCare contract.

The Chair wanted to explain the context behind the Nahkies review. Relations were extremely tense between the Board and management. It was a terrible time and many of the issues were associated with a senior manager's non-performance.

The Board now has 100% confidence in the senior management team. However it still has concerns about Chris Clarke's ability to manage that team. For the past six months they have been looking for a good mentor for Chris Clarke.

The relationship with Chris Clarke had gone through phases. In the middle of 2006 it was very tense. The Chair said that approximately four times each week he would talk to Chris Clarke. He has not allowed issues to develop into dysfunction. Last year Chris Clarke received a bad performance review. Consequently, Chris Clarke achieved such a small factor of his at-risk component of his salary, which the HBDHB Board had to report to the State Services Commission. They agreed a way forward, which resulted in a 360° review, conducted by Dr Dave George. Dr George identified Chris Clarke's weaknesses as including a lack of a mentor. Chris Clarke used Ray Lind a lot. Dr George said he would help but Kevin Atkinson is not sure whether this offer has been taken up by Chris Clarke. Kevin Atkinson said he was prepared to give Chris Clarke a second chance. He said that they are still working, there are no personality issues but there's still tension.

The Board has many chats with Chris Clarke but he did not really listen. He does not follow up on his promises. There is lots of lip service.

There is a real gap between rhetoric and reality.

It was not until late that Board members would discover that certain stuff was not happening. This problem has been going on for some time.

The CEO needs a good "*smell test*", that this is instinctive. It is a lonely job, so the relationship with the Chair is crucial. Last month, critical reports weren't even read by senior managers. As recently as the last Board meeting, the Board was told of HCNZ's OIA request to which Chris Clarke said that he was intending to give information to HCNZ. The HBDHB should have given more thought to it first. It was poor that Chris Clarke could contemplate this action without regard to the Chair.

The Chair said that he was still worried that Chris Clarke was not following the Board's procurement policy. He gave the example of a yellow form which is typically attached to any procurement paperwork not being used. He gave a further example of the most recent performance review, in which the Board members were asked "*Does the Board have confidence in the CEO*": six said unsatisfactory, five said needs improvement. When asked whether the CEO has used good judgment, five Board members gave him an unsatisfactory mark. Kevin Atkinson said he wanted to demonstrate that Chris Clarke didn't deal with this last year.

Community laboratories contract

He looked at community laboratories because Ray Lind had real concerns about community laboratories. Management simply failed to give any solution to the Board to give the HBDHB any savings. The MedLab CEO made an appointment to see Kevin Atkinson to see if the HBDHB could get savings. Kevin Atkinson recalls that he said the concept was worth pursuing and suggested that there be a meeting with Chris Clarke and with Sue Peacock. He recalled suggesting that he be at the first meeting. The Board strategy was that the HBDHB retain a provider arm because not to do so would cause enormous industrial disruption. He said that they thought that they would get a community laboratory running first. Ray Lind had said that the provider arm should be given the right to tender for the work. Kevin Atkinson explained that the Board's strategy was that the provider arm was already struggling.

CEO's performance review

Kevin Atkinson said that when Win Bennett was in his office he said to him "I'm concerned with the results on Chris Clarke's M• ori Health KPIs". Kevin Atkinson said that he just raised it as an issue because he was concerned about the feedback the Board had been given in relation to KPI 1 (progress on M• ori health). Kevin Atkinson said that he told Win Bennett that Chris Clarke had received an average of one star from eleven Board members. That is the only thing he said - he was not talking about the CEO's performance. Chris Clarke was overseas at the time. He told Chris Clarke "I only spoke about the M• ori Health stuff. He said that he could not remember what Win Bennett's reaction to this was, but that it was nothing remarkable.

Board Members

The Board was struggling to make strategic decisions because it was confused about the division between operation and governance.

The Board was losing good people out of the DHB, losing strategic opportunities, and that people were scared to present to the Board because documents may make their way into the media.

With respect to the operational/governance line a Board member always talks from the governance point of view. The Board had it well separated. The Board members diligently did not cross the line.

Some members offer help when they have expertise in the area.

As a Board they had held some heated discussions. Ninety per cent of the Board members were there to do their best for the community. However, some members acquiesced to existing behaviour - most Board members just deferred to the Chair. Sometimes it feels like Kevin Atkinson and David Ritchie practise their lines before the meeting starts.

It was common for the Chair and the other Committee Chairs to go direct to management. They only go to second-line reports, not to any staff below that. Win Bennett, Warwick Frater, and Peter Read are three the Chair will go to.

A Board member said that they had never worked in an environment where people take file notes all the time, even the secretaries. However they only took file notes after having conversations with the Chair.

There was no formal, periodic Board evaluation. The Board member thought that most Boards would be interested in management's view on an annual basis at least.

Pre-meetings should not be used to criticise management. This was raised with the Chair, but he has said, "*if there is a problem with management we need to raise it openly*". The Board member felt that some situations were just not appropriate.

Management and senior clinicians

Governance

The right thing for the DHB is a new governance relationship possibly with a new CEO. The issues were: the judgment of the Board, trust, patterns of behaviour, the governance framework, the management of conflicts of interest, and the fundamental values clash between the Board and the organisation.

The Board is very operationally focussed and that the Board, including Kevin Atkinson, often goes directly to staff. Many of the Board members also try to go directly to Chris Clarke.

The Board's *modus operandi* is micro-management. They have long meetings. There are eight Advisory Committees.

The clinicians had moved a vote of no confidence in the Board nine months ago.

The Audit & Finance Committee was very powerful. It got involved in everything, at times breaching their authority. Often it was not clear where their authority came from.

Many times people would get "*chewed up*" by the Audit & Finance Committee – the meetings were horrible, managers came out "*bruised*".

The Audit & Finance Committee made managerial decisions and often the Audit & Finance Committee would make Board decisions. The Audit Chair would make a verbal report to the Board. The minutes of the Audit & Finance Committee would not go in with the main Board papers.

The Audit Committee had fiery discussions at their meetings. Some of the people had made comments that the manager felt uncomfortable with, for example, comments about Chris Clarke.

The Board was not strategic. It was very operational. If there was a strategic idea that was not Kevin Atkinson's it was very hard to get it through the Board.

Messages from the Board were hard to interpret. The Board was involved in management issues. An example is the time that management was trying to deal with a particular pharmacist. Kevin Atkinson insisted on being involved and talked to the pharmacist without management being there. It was very hard to negotiate in these circumstances.

The Board had not strayed too far on the governance/management interface but the relationship with the CEO could have been better. Around policies of delegation, Graeme Nahkies had a different view to the Board. Graeme Nahkies suggested that you give the CEO set parameters and then tell them to do what they want inside those parameters. The Board on the other hand would set the parameters and then tell management that's what they're looking into. The manager said that he preferred Graeme Nahkies' approach.

Governance needs to change, more than just in relation to clinical governance; everyone needs to take on the idea of governance. The current Board does not do this.

HBDHB Board meetings are far and away the longest in the country. The Board is trying, but they go beyond their role into management.

The HBDHB has great potential, but that they're really getting bogged down with bureaucracy.

The tone of the Board is to be quite operational; they want to get involved in the detail. For example, recently, Kevin Atkinson offered to write a memorandum of understanding for a project.

The Board is intrusive into management processes.

When a manager arrived Kevin Atkinson introduced himself and began talking about a new person, in an open office, about where they would sit in the organisation. The Board should not be intruding on management's staff.

There is a lot of emphasis by the Board on the interpretation of detail. This creates fuss and uncertainty. This is not in the interest of the organisation or of staff. It creates a climate of suspicion.

Another example was the appointment of a vascular surgeon. The HBDHB has a policy and the Board breached it. The issue was that the Board met with the surgeons to decide whether there was even a requirement for a vascular surgeon at all. There was no Board process around this and they did not involve Chris Clarke.

Another example was how the Chair met with the Union representative of the New Zealand Nurses Organisation. The Chair meets with that rep at least once per year, often three to four times each year. The CEO would only find out about these meetings afterwards and that Kevin Atkinson never invited him.

Another example is the Chair's media contact. In relation to the Deborah Houston restructuring, Chris Clarke told the Board and asked the Board to keep it quiet because he had not yet told staff. Kevin Atkinson went ahead and told the media.

Discussions with Kevin Atkinson and David Ritchie indicated that the whistleblower had brought emails to Kevin Atkinson's attention. Kevin Atkinson said, *"this isn't what I wanted"*. The document was shown to Kevin Atkinson and David Ritchie because Kevin Atkinson often wanted to see Board papers before Board meetings.

When the Board wants to "derail the process" they do it. The Board have asked for heaps of information. The Board is digging. It might be their role, but it needs to be done neutrally.

There are problems with the same Board members. Kevin Atkinson, David Ritchie, Helen Walker, and Diana Kirton were the four Board members that were difficult. Kevin Atkinson and David Ritchie would get involved in operational issues. Kevin Atkinson and David Ritchie attended electives meetings and clinical services and psych meetings. David Ritchie attends all facilities meetings since last year. They invite themselves to these meetings. David Ritchie and Kevin Atkinson always talk about facilities issues.

One of Jo-Ann Jacobson's staff members complained to Jo-Ann Jacobson three years ago about a Board member (Diana Kirton) talking to a staff member about someone in senior management.

Kevin Atkinson talks to Ashton Kirk. It's a question of why this is being done. One example was over facilities. A Board member said that a bus turning circle was wrong. David Ritchie comes to the facilities committee. They never hear issues about facilities now – it's just about having the Board members involved. David Ritchie is good because he pushes the issue of deferred maintenance to the Board.

Peter Hausmann would ring Chris Clarke about Board issues.

Another example was when the Chair got involved in day-to-day business. This seemed to be partly driven out of frustration about how long it takes.

Board/management relationship

The issues were first, cronyism, second, the whistleblower issue, third, bullying.

There is a major issue of trust between the Board and the senior management team. This is a real factor and these issues had been going on for three to three and a half years even though efforts have been made to resolve this with the Board.

Kevin Atkinson will often say to staff members "*don't tell Chris that I've talked with you*". Three managers in the CEO's office were very distressed about Kevin Atkinson's actions in Chris Clarke's absence, and that Kevin Atkinson had shared the CEO's performance review with Win Bennett, before the performance review was given to Chris Clarke.

There was concern about Board criticism of the ELT (Executive Leadership Team), the sharing of the CEO's performance review, and the request that Kevin Atkinson's conversations with the ELT not be communicated to the CEO.

The problems with the present CEO reflect almost identical behaviours by the Board with previous CEOs.

You would need an exceptional Chair to change the culture of the Board with so many of the Board likely to be returned.

The difficult aspect of the HBDHB Board was the interface between Board and management. That management often treated the Board as an irrelevancy.

Because Boards are community-elected they don't have respect for management.

The Board / management relationship made a manager's job difficult.

The Board would try to solve management positions. Generally, conflicts of interest were not managed well.

The Board seemed to have lost faith in the executive. It began to get involved in project work.

Tess Ahern explained that when Chris Clarke went away she had a very hard time with the Board. She had never previously been an issue. Kevin Atkinson was really rude and bullying at that time. Tess Ahern stressed what a terrible time it was for her. She explained that Chris Clarke had not prepared the Board for her change in title. Kevin Atkinson vented his anger about this in front of others – "*What's all this about!*". Tess Ahern explained that she left it for a bit and then made an appointment to see Kevin Atkinson. She explained that he did not deal with conflict well. Kevin Atkinson would often talk about other people in the management team with her. She said that Kevin Atkinson would often say to her "*Come to me if you're concerned about Chris Clarke*". She said her response to Kevin Atkinson was "*If I was concerned I would talk to Chris Clarke first*". Tess Ahern explained that her approach was always to deal with the person first before going over their head.

At times, the Board/Management relationship was stressful. At other times it was fine. It was as if the Board was looking at management to do wrong. Kevin Atkinson would talk to others apart from just the senior managers, this was a regular occurrence. Often it would occur without the CEO being present. Kevin Atkinson, for example, met with the Nursing Union representative.

The Board revealed itself as the "*auditors*" of management. At Board meetings they would often require five hundred pages of paper, at a trivial level of detail. You needed

many people to write this volume of paper on a monthly basis. Management was paralysed by the Board's analysis.

The clinicians decided that the CEO and the COO were coming under regular attack. They passed a motion of no confidence in the Board and said that they were going to hold a media conference.

The executive leadership team was becoming obsessed about the Board. This was becoming unhealthy and they all knew it.

It is too hard to work 80 hours each week if the work is not fun. A clear symptom of a poor relationship is a plethora of file notes. People were taking file notes at HBDHB because it is a shame and blame culture. There is inaccuracy in misrepresentation of people's positions. This has been noticed even in relation to this review enquiry. There is a constant shifting from one position to another.

Mark Flowers had experienced exactly the same problems. So much time was spent on non-constructive issues. Graeme Nahkies came in to work for them. They often asked the Board what had happened to Graeme Nahkies' recommendations.

Chris Clarke has a wonderful background and impeccable experience in health but that as an organisation they had "*missed the bus*". The Board could not work well with the CEO and lift the profile of the organisation from ho-hum to leaders. The Board had been over-demanding at times; had asked for too many reports at times. Chris Clarke was incredibly loyal to staff and to Kevin Atkinson and to the Board but was not sure that Chris Clarke had been treated as well as he could have been.

Dr Dave George's "360° Report" involved Chris Clarke and the senior management team and was very helpful. The manager was not sure the Board felt a very great need to be reviewed, that their feeling is they are reviewed at the ballot box. (para 40)

Managers didn't want to attend 8-9 hour Board meetings.

The HBDHB was in financial difficulty. There were restructuring plans on the table to save money. There were rumours that the Board did not have confidence in Chris Clarke or Ray Lind. There was a meeting about the implications of a change in leadership at that time. All at the meeting felt change at this time would be devastating. So, they wanted to convey confidence to the Board about Chris Clarke and Ray Lind. There was unanimous support from the clinical directors for this.

There were two tenders assessed by the evaluation panel. There was strong pressure, mainly by the Chair, for one of the tenders to be favoured over the other. There were strong hints about dealings by the Chair; that he was influencing the Board about the decision.

The issue is whether the Board wants to be in collaboration with management. There was lots of tension between Board and management. The Chair has a strong following on the Board.

At HBDHB there have been a number of senior medical officers go directly to the Chair or Board, e.g. to David Davidson. And the Chair's brother is an orthopaedic surgeon there.

Board members would wander around asking questions of management and clinicians.

Financial reports, good consultation, and a good outcome. He said that he thought this would be plain sailing. He said that Kevin Atkinson rang him on the Monday before the Wednesday Board meeting to say "*I've read the first few pages, I'm disappointed, it doesn't do what the Board asked you to do*". They had a Board-agreed process, an evaluation committee, and a recommendation to the Board. But that then the Board indicated, or some members did, that they wanted you to start another process. The Board's expectations were very much outside the proposal; they were not tied back to the RFP.

The picture was one of confusion, lack of clarity about what they were doing and how to get there. There was a lack of respect for process. The manager felt vulnerable being asked to do stuff that might be illegal and something that would slow down negotiations and be damaging to the reputation of the HBDHB and the relationship with the clinicians. They could have lost a pathologist due to this and the Board lacked any sensitivity around this.

The relationship between Board and management in the last six months had deteriorated a lot. The sense of trust that had been building had evaporated again. The Board had become irritable again. Previously they had been having good conversations with the Board. Now there was nit picking and irritability. The manager now had a sense of apprehension before going into Board meetings which the manager did not have 3-4 months ago.

There were conflicts with the Board and between Board and management. At times, things got particularly unpleasant. Conversations were held with people who should not have been told, for example the Board saying stuff about other people, running down staff.

Another instance was Kevin Atkinson making comments about Sue Peacock, such things that it makes the environment very difficult.

The relationship between Board and management was not ideal. Up until one manager left it was "very non-ideal". It has got better. In the run-up to the election the Board is looking for platforms and the relationship goes up and down.

The Board were "at" Chris Clarke the whole time. Chris Clarke is a good guy and that he has got the organisation at heart. It is "Mark Flowers all over again".

When they recruited Chris Clarke a huge number of people applied. They did assessment tests which were gruelling. They raved about Chris Clarke. Then something went wrong. David Ritchie's emails to other Board members are critical of Chris Clarke. However, the Board would send critical emails to Chris Clarke too. Sometimes the Board was very critical of the management team. The only Board member who was not critical was Joan Sye.

A few managers were not happy with the Board. Kevin Atkinson is a lovely guy but he opens his mouth a lot. For example, when Kevin Atkinson met with John Crowther, Kevin Atkinson told him what Chris Clarke had said about Deborah Houston.

Kevin Atkinson talked openly to other staff about other people, for example, the communications person was told by Kevin Atkinson about a protected disclosure.

The current relationship between Board and management was very difficult, very conflicted. You feel like you're on different sides. Good Boards work through the CEO in a constructive way in order to get the Board's bidding done.

The lab stuff was hideous. The PHO stuff was really difficult. The gossip stuff is terrible, for example, documents that say "*Peter Dunkerley is terrible*". Board members wander around offices, and turn up at your desk. Kevin Atkinson grabs you in the corridor for an update - it is the casual, but intense, off-the-cuff interaction that leaves you feeling like you're not doing the job the Board wants you to do.

One person had said in the Board meeting "*the answer was a no-brainer*". David Ritchie said "*we are watching the performance of this contract. No one tells me the solution is a no brainer*". He was angry and inappropriate. The level of rage was really difficult to deal with.

The relationship with the Board got to the point that managers feel considerable anxiety going into Board meetings.

The relationship between the Board and management is strained at times. The Board believes that certain things are not happening fast enough. In one committee they receive a set of figures and in another committee they get a different set of figures about the same thing. There is not enough urgency by management on things, for example, on cost blow-outs. Plans were not robust. Savings were promised but these did not transpire. The Board had reasonable worries. To look at the requests, management are not quantifying things.

Management only want to tell half the story. Consequently the Board hears the other side of the story and so questions management on it.

Board meetings were very unpleasant during the time that Kevin Atkinson was Chair; the Board members would put the financials into their own spreadsheets and would comment on the roundings.

HBDHB needed a strong Chair who expects delivery from management and deals with it if he doesn't get what he wants and a Chair who deals with the other Board members. The HBDHB does not have a strong governance Chair.

Community laboratories contract

The HBDHB set up a process to contract out lab services but that Kevin Atkinson took over this process. Kevin Atkinson introduced the DHB to the successful parties. It was a high dollar value contract. There was no RFP. Management recommended an RFP process, but no RFP happened. Kevin Atkinson negotiated the contract himself. When asked why no contestable process was undertaken, Kevin Atkinson said that he had "*rung around*".

The result of the poor Board/management relationship was that management would not do something unless sanctioned by the Board. This just meant it took longer to build the case. The laboratory services was an example. Kevin Atkinson had brokered a deal outside of management. So management had to play "*catch up*".

Kevin Atkinson got involved with the laboratory services. The word was that there was heaps of money to be saved in laboratory services. Kevin Atkinson knew some things and knew some people. He decided that the HBDHB could do something in that space. There was no RFP. It went straight to the partner. It sounded like Kevin Atkinson was doing deals, directing management on how to do it. Chris Clarke tried to slow him down, tried to get process in place.

An example was the laboratory service's contract. The Chair went out and talked to different providers and came to the view that MedLab was the only one to do the job. They offered $17M of savings.

The Chair negotiated the first labs contract, which later fell over. The only paper that went to the Board on that went under the Chair's own signature because the CEO refused to sign that paper. Kevin Atkinson may say that management were going too slow on the process but Kevin Atkinson did not tell management what he was doing. Kevin Atkinson's process was well along the way before the management team got involved. There was no authorisation from the Board for Kevin Atkinson to do this. The Commerce Commission is still investigating Kevin Atkinson's motives. They are looking into whether or not there has been a breach of the Commerce Act.

When management went to talk to Kevin Atkinson about MedLab Chris Clarke suggested that it was not appropriate for Kevin Atkinson to continue discussions with MedLab.

They had a "*really evil*" experience over the lab papers. In relation to the paper that made the recommendation, the Board kept clinicians waiting for hours. Kevin Atkinson spoke through clenched teeth. Kevin Atkinson wanted management to tell him that MedLab got the result.

CEO's performance review

Win Bennett, in January 2006, when Chris Clarke was away, attended regular weekly meetings with Kevin Atkinson. On two Thursdays in a row, Kevin Atkinson brought up the issue of Chris Clarke's performance. Kevin Atkinson said that the Board members had scored Chris Clarke very low in nearly all areas. He told Win Bennett at least some of the actual scores (on a 1-5 scale) and compared them with the previous year. Win Bennett was left with a sense of a deeply troubled relationship. Maori Health was mentioned and in particular the view of Maori members on the Board (as an example of poor performance). Kevin Atkinson also said that Chris Clarke's performance review did not just reflect Chris Clarke's performance but SMT as a whole.

An outrageous situation occurred after Win Bennett arrived. While Win Bennett was Acting CEO the Chair showed him Chris Clarke's performance review without Chris Clarke's permission. Win Bennett was appalled. This was a divide and conquer strategy involving sophisticated flattery. All of them had been subjected to innuendo that each would be better than the other.

Kevin Atkinson had spoken to Win Bennett about Chris Clarke's performance review without Chris Clarke's knowledge.

Dr George

When he met with Chris Clarke and the management team one of the issues that was raised at that time was the relationship between Kevin Atkinson and the management team. It was the management team who raised this issue. Kevin Atkinson was not clear with the management team. In those days, that issue characterised the relationship between those groups. The relationship between the two was not sound on a consistent basis. The situation did not improve for some time but it seemed that the relationship had been better in the last couple of months.

To be fair to Chris Clarke, Chris Clarke says "the positive" more than "the negative". Chris Clarke does not admit to the full brunt of the "crap" from the Board. This comes from the other managers. Chris Clarke is a sponge and he soaks up all the crap from the Board rather than 'passing it on' to his management team.

In terms of the CEO/Chair relationship, Kevin Atkinson is hands-on and concerned with details. Board members take a close interest in operations. The Board had a level of interest in managerial issues more than usual. However, Kevin Atkinson and others would say that this was necessary.

When expectations are tested all the time this does not build trust. Some people trust first and others check first and then trust. Chris Clarke was the former and Kevin Atkinson was the latter. There did not appear to be a good level of trust between Chris Clarke and Kevin Atkinson.

The way the Board seemed to talk about issues it appeared that there were two camps who were not on the same team – Board versus management. On a number of occasions Kevin Atkinson had publicly criticised Chris Clarke to the point where a manager 'had had a go' at Kevin Atkinson during a public Board meeting for doing it.

Kevin Atkinson is not always clear. He is not naturally up front when conflict is present. Kevin Atkinson finds it hard to challenge others on contentious issues.

Kevin Atkinson is not always open to feedback. Kevin Atkinson was a fraught mixture. Kevin Atkinson wants to manage risk but does not want to be blamed and so he gets defensive.

Kevin Atkinson is acting as a placatory person and is not establishing a clear position for himself. This was a political process not a leadership one.

Document D

Peter Hausmann

From: P and S Hausmann [sphausmann@xtra.co.nz]
Sent: Thursday, 12 July 2007 12:37 p.m.
To: Peter Hausmann
Subject: FW: Letter from Clinical Directors

Clinicians had to be "counselled" not to release this to the press as they were so concerned with deterioration of relationship between the board, management

Letter to Mr Atkinson 12Jun06....

-----Original Message-----
From: Dinesh Arya [mailto:Dinesh.Arya@hawkesbaydhb.govt.nz]
Sent: Monday, 12 June 2006 8:51 p.m.
To: David Davidson; David Marshall (E-mail); David Ritchie (E-mail); Diana Kirton (E-mail); Helen Walker (E-mail); Joan Sye (E-mail); Kevin Atkinson (E-mail); Peter Dunkerley (E-mail); Peter Hausmann (E-mail); Rangi Manuel (E-mail); Tom Mulligan
Subject: Letter from Clinical Directors

Please find attached a letter that Clinical Directors have prepared. The letter outlines matters that they would like to discuss with the Board on Wednesday. Kevin has very kindly agreed for the Clinical Directors to meet with the Board at 8.30am on Wednesday.

Kind regards

Dinesh

→ of clinicians.

(26)

12 June 2006

Mr Kevin Atkinson
Chairman
Hawke's Bay District Health Board
Corporate Office
McLeod Street
HASTINGS

Dear Kevin

Current Health Care Services budget position

Thank you for inviting the Clinical Directors to meet the Board on Wednesday 14th June at 8.30 in the boardroom.

As Clinical Directors we share concerns about the DHB's budget situation. We understand a list of potential savings was submitted to the Board. We are disappointed that some of these recommendations were not approved by the Board and effort is now being made to find other "additional" savings. We would urge the Board to reconsider. Even though trying to find some further savings within Health Care Services is an option, we cannot identify any other significant savings that can be made without reduction in service. We note that even with a zealous focus on fiscal minimization, the Ministry's Productivity Review was able to identify only $1 million of potential gross savings, and many of these could be achieved only by cuts in service.

We met on 8 June 2006 to consider the situation that DHB is facing and to be part of the solution. At this time when proposed management restructure is under consideration and rumours are wide spread, we were concerned to learn that doubts are being cast on the ability and competence of the Chief Executive Officer and the Chief Operating Officer. It is our collective view that the Chief Executive Officer and Chief Operating Officer are doing an excellent job of managing Health Care Services currently and they have our full support and confidence. We believe that any change in leadership at this point would seriously undermine our ability to achieve savings or indeed any of the DHB's broader goals.

We would like to see a joint approach to solving these issues between the Board, senior management and the Clinical Directors. To that end we are looking forward to meeting you and discussing these issues on Wednesday.

Yours sincerely

Dinesh Arya
Chief Medical Advisor
On behalf of Clinical Directors

Copies: *Members of the Board*
Chief Executive Officer

THE OFFICE OF CHIEF MEDICAL ADVISOR
Hawke's Bay District Health Board

Telephone 06 878-1606 Fax 06 878-1320 Email: dinesh.arya@hawkesbaydhb.govt.nz , www.hawkesbaydhb.govt.nz
Omahu Road, Private Bag 9014, Hastings, New Zealand

11 July 2007

DHB 2007 ELECTIONS

The DHB Election nominations open 27th July

I have enjoyed the challenges faced by the Board over the past 8 years that I have been involved, and I have enjoyed working with this Board.

You have all worked extremely hard we have made significant progress in many areas. I hope that many, if not all of you, will be available for election or appointment for a further three years.

In my case the Health & Disability Act prevents me from being considered by the government for a further 3 year appointment.

I have decided to consult with the local Mayors, MP's ,IWI and key health stakeholders to determine the support I would have if I decide to stand for election this year.

If I have the community support I am almost certain that I will stand for election

If I am elected I would be available to be reappointed as Chair.

I have enjoyed the responsibility of being Chair of the Board for the past 7 years and would look forward to the challenges we will face over the next 3 years. These challenges will include how the Board will spend the $20+m from the sale of Napier Hospital that it will receive on 1st April next year.

There has been considerable media attention to DHB contracting issues over recent days.

I have limited my comment to media so far as I have felt that the comments that I make should be made in front of you all so that if you wish you can also comment.

The Healthcare NZ media release indicates that the issues are due to a personality issue between Peter Hausmann and myself. I want to it clear to the Board and media present that that is absolutely incorrect.

The issue is about transparency, integrity and fairness and nothing to do with personalities.

In the media release Mr Hausmann states that I gave him approval to engage with management on contract negotiations that is also absolutely incorrect.

The only contact I authorised between Mr Hausmann and Management was regarding the development of terms of reference for due diligence on Healthcare NZ.

I considered contact on this issue was appropriate.

At all times I believe I have acted with the unanimous support of the Board and I have consulted fully with the Board on all the issues that we have faced over both the Community Services RFP that was terminated in March 2006 and Wellcare training contract.

At a special Board meeting last week it was resolved that the Board obtain a legal opinion on issues associated with the Wellcare contract. Until we receive that opinion the Board can make no further comment.

The Community Services RFP was terminated in March 2006 as the Board decided that it was unsafe to continue with the RFP process.

Using documents provided under the Official Information Act Media attention over recent days has focus on a wide range of issues including the Protected Disclosure made to the Board, the treatment of the whistleblower subsequent to that, the Boards tendering Policy, the Boards purchasing policy, Management behaviour, Board Member behaviour and management of conflicts of interest.

And yesterday the media published part of a letter the Chairman of Healthcare NZ sent our Board 5 days prior to it making the decision to terminate the RFP process.

Contents of that letter were described by the Boards lawyer as a "threatening bullying diatribe"

In ~~Our~~ light of legal advice and many other issues discovered the Board had no other option other than terminate the RFP process.

If the Board had not taken this action there was a high risk that a judicial review would have produced a similar outcome the Auckland Community Laboratory decision some 12 months later.

Document F

Peter Hausmann

From: Peter Hausmann [Peter.Hausmann@HealthcareNZ.co.nz]
Sent: Tuesday, 31 July 2007 10:11 p.m.
To: peter.hausmann@healthcarenz.co.nz
Subject: FW: re conflicts of Interest; process and integrity.

-----Original Message-----
From: Marilyn Tucker [mailto:marilyn.ken@xtra.co.nz]
Sent: Thursday, 14 June 2007 9:43 a.m.
To: Peter Hausmann
Subject: Fw: re conflicts of Interest; process and integrity.

----- Original Message -----
From: "Judith Aitken [CCDHB]" <Judith.Aitken@ccdhb.org.nz>
To: "Marilyn Tucker" <marilyn.ken@xtra.co.nz>
Cc: "Sandy Dean [CCDHB]" <Sandy.Dean@ccdhb.org.nz>; "Margot Mains [CCDHB]" <Margot.Mains@ccdhb.org.nz>
Sent: Wednesday, June 13, 2007 8:24 AM
Subject: RE: re conflicts of Interest; process and integrity.

Kia ora Ken
My conversation with the Chair of the Hawkes Bay board was not part of general discussion - on the contrary, it was between the two of us.

I am interested in your personal opinion concerning the depth of understanding on the question of public-private interests in the crown entity sector.
Arohanui
Judith

-----Original Message-----
From: Marilyn Tucker [mailto:marilyn.ken@xtra.co.nz]
Sent: Tue 6/12/2007 8:20 PM
To: Peter Hausmann
Subject: re conflicts of Interest; process and integrity.

Kia ora Peter, You are aware of the exposure that HCNZH Ltd .has received on this matter over the last few days. To say that the intent and expectation of the Co. has been so prominently called into question is disappointing and I think something of a reflection of the critically poor level of Governance understanding of the DHB sector and my expectations of the reality of the Health industry and the challenges confronting it. This afternoon I had a ph. conversation with my Chair (Judith Aitkin) during which she indicated that in a general conservation @ a DHB meeting of Chairs yesterday , the HB Chair Kevin Atkinson had , in commenting on the Dom/ Post article on CCDHB / my letter of interest etc , that you had specifically been involved in the construction of an RFP, that our CO subsequently tendered for; .

On reflection of this advice I am extremely concerned that such statements are being made by the Chair of the Board on which you are an Appointed member. I am aware of the very clear expectation of our Board on the need for the transparency and for a clear and unambiguous avoidance of conflict allegations. I am also aware that there have been a number of difficulties around this question and that those matters are now the subject of Official Information Requests from political sources. I have copied this email to Judith because of my concern of the potential for the reputation damage to HCNZHLtd. and yourself ,. Accordingly I invite your response . Further please note that I would request that this (these) matter (s) be put on the Agenda for our next Board Meet.

(2)

Regards . Ken Douglas

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HealthIntelligence eMail Filter Service

Document G

Board information leaked re: restructuring

Peter Hausmann

From: P and S Hausmann [sphausmann@xtra.co.nz]
Sent: Thursday, 12 July 2007 12:38 p.m.
To: Peter Hausmann
Subject: FW: today's hb today

-----Original Message-----
From: P and S Hausmann [mailto:sphausmann@xtra.co.nz]
Sent: Wednesday, 17 May 2006 10:50 p.m.
To: 'Chris Clarke'
Cc: 'David Davidson (E-mail)'; 'David Ritchie (E-mail)'; 'Diana Kirton (E-mail)'; 'Helen Walker (E-mail)'; 'Joan Sye (E-mail)'; 'Marshall, David (E-mail)'; 'Peter Dunkerley (E-mail)'; 'Rangi Manuel (E-mail)'; 'Tom Mulligan (E-mail)'; 'Atkinson, Kevin (E-mail)'
Subject: RE: today's hb today

Hi Chris

I'm not sure I understand your email. Can you please clarify the status of the article below.

Was this an article run by the HBT or one that we released?

There seems to be a great deal of very accurate information that I thought was privy only to the board and a very few senior management, with the article containing "direct quotation" from Kevin and yourself.

Are you indicating that this information was released prematurely to the press or worse, that someone inappropriately provided the information?

I am concerned, especially if the case is the latter, as we discussed at the last board meeting the issue of co-ordinating communication releases to the press and the need to adhere to the DHB communications policy.

This topic (public communications) seems to be a growing issue where the release of information or management of information to the public has the potential to erode public confidence in the board if poorly managed - something we can ill afford under the current circumstances. If this is another breach of the DHB communication protocol perhaps there could be value in a discussion on the topic and review of the protocol at the next pre-board session.

Peter

-----Original Message-----
From: Chris Clarke [mailto:Chris.Clarke@hawkesbaydhb.govt.nz]
Sent: Monday, 15 May 2006 2:06 p.m.
To: Atkinson, Kevin (E-mail); David Davidson (E-mail); David Ritchie (E-mail); Diana Kirton (E-mail); Helen Walker (E-mail); Joan Sye (E-mail); Marshall, David (E-mail); Peter Dunkerley (E-mail); Peter Hausmann (Board) (E-mail); Rangi Manuel (E-mail); Tom Mulligan (E-mail)
Cc: Executive Leadership Team; Karalyn Van Deursen
Subject: FW: today's hb today

Dear Board members

Unfortunately the following story will appear in today's HBT re. the staff restructuring. Unfortunately not all staff group's are briefed as yet so we will have some group's especially the doctors and some union groups learning about it for the first time in tonight's paper. The article also incorrectly states that 50 clinical and nursing staff jobs will go. We are
folllowing this up with HBT because that was definitely not said. We are
in full damage control and I will be doing a doctor's briefing tomorrow night and 5 staff

briefings on Wednesday. The remaining unions are being briefed as I write but its fair to say they are very put out to read about it in the paper. In the meantime if any board members are asked for comment would you please refer all calls to Karalyn van Deursen so we can coordinate responses

Kind regards

Chris

> -----Original Message-----
> From: Karalyn Van Deursen
> Sent: Monday, 15 May 2006 12:35 p.m.
> To: Chris Clarke; John Pine; Kathy Shanaghan; Lynette Feierabend
> Subject: today's hb today
>
> Check the mistake (in blue) I didn't say clinical and nursing staff
> would
affected - that was mainly management and administration staff!!!!!
> Will correct this misinformation via staff update. I have left a msg
> for
[redacted]dy to call me. kvd
> Dozens of hospital staff jobs hang in balance 15.05.2006 LINDY ANDREWS The future of dozens of Hawke's Bay Hospital staff is today uncertain as the D[redacted]trict Health Board struggles to make ends meet. Unnamed sources say 92 staff will be a[redacted]d to reapply for their jobs as HBDHB moves to address a $3million budget shortfall. Staffing cuts were just one of a range of cost-cutting measures put forward in the public-excluded part of last week's Board meeting, chairman Kevin Atkinson said today. The options had yet to be discussed with hospital staff. "No one has been made redundant or lost their job," Mr Atkinson said. "If there are to be positions disestablished, there will be consultation. The hospital [budget] is under pressure and it doesn't get any better next year." Mr Atkinson blamed CPI-linked Government funding for the situation. "Inflation in health is considerably more than that." The crisis comes two weeks after HBDHB revealed hundreds of Category C specialist first referrals were to be culled from its waiting list, following a directive from the Director General of Health, Karen Poutasi. Under present Government policy, patients must be seen within six months of referral to a hospital specialist. In January, Dr Poutasi gave the Board two weeks to remedy its growing list of patients who had been waiting more than six months. Initially, it was thought some 1800 low-priority patients would be sliced from the waiting list, but last week hospital chief executive Chris Clark told the board that number could be dramatically reduced. Specialists had reviewed the outstanding cases and 877 letters were sent to Bay GPs, giving them the option of managing cases themselves, or referring cases back to the hospital if their patients had deteriorated. In a later [redacted]terview, Mr Atkinson was asked whether the measure amounted to "shifting the deckchairs on the Titanic." "Well, yes, in relation to other DHBs, we're delivering an average number of assessments," he said. However, Mr Atkinson emphasised that Hawke's Bay people w[redacted]e "not disadvantaged" in relation to the rest of New Zealand. Government had r[redacted]ognised that HBDHB - whose catchment area Mr Atkinson described as having the worst health status in the country - was traditionally under-funded, while some South Island hospitals had received more than their share of the health vote. As it was unfair to rip $60 million out of South Island hospitals' budgets in a single year, the Government said it had implemented a gradual transfer of funds to address the inequity, Mr Atkinson said. Chief executive Chris Clarke said changes were likely > to affect 50 clinical and nursing staff, who would be offered retraining and/or redeployment options. Redundancies would be a last resort. "It is about strengthening nursing and clinical leadership and were are working with the New Zealand Nurses' Association to develop the concept. "We are moving into a period of consultation," Mr Clarke said. While there was "a financial imperative" attached to the restructuring, the aim was to get direct funds to the front line, rather than have it tied up in administration costs. National spokesman Tony Ryall said inflation in the health sector was running at 6 percent and HBDHB's situation was proof that hospitals around the country were continuing to struggle, despite extra Government funding. "They've put in millions and millions of dollars and the ship is still creaking," Mr Ryall said. "The National view is the problem is more than just money; there's far too much tied up in bureaucracy." Bay of Plenty DHB had already implemented structural changes
and 50 staff had been asked to reapply for their jobs.

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Peter Hausmann

From: P and S Hausmann [sphausmann@xtra.co.nz]
Sent: Thursday, 12 July 2007 12:41 p.m.
To: Peter Hausmann
Subject: FW: Closed Session : Service Changes List

Board leaks communication & senior management planned cuts to the news?

-----Original Message-----
From: Chris Clarke [mailto:Chris.Clarke@hawkesbaydhb.govt.nz]
Sent: Friday, 10 March 2006 5:45 p.m.
To: Executive Leadership Team; David Davidson (E-mail); David Ritchie (E-mail); Diana Kirton (E-mail); Helen Walker (E-mail); Joan Sye (E-mail); Kevin Atkinson (E-mail); Marshall, David (E-mail); Peter Dunkerley (E-mail); Peter Hausmann (Board) (E-mail); Rangi Manuel (E-mail); Tom Mulligan (E-mail)
Subject: Closed Session : Service Changes List

Dear Board members and ELT

The purpose of this email is to remind everyone of the absolute importance of not discussing any of the expenditure cuts that I proposed in closed session to the Board to anyone outside of the organisation. I was advised this morning that a member of a GP practice raised one of the most sensitive items with one of my staff and expressed dismay that we could be contemplating this particular course of action. You will recall that we all agreed to the utmost confidentiality re. the draft list until we can bring together the package and the communications strategy. This is very important as it may transpire that some options drop off while others are added. I am sure the "leak" was inadvertent rather than deliberate, but would ask that everyone keeps the Board discussion confidential until we have had the opportunity to plan and to talk to affected staff, unions, etc. ELT is meeting on Tuesday and will consider how to progress the work and how we involve people in the more detailed work. I expect to be able to advise you within a couple of weeks of the proposed process for communicating the need for this work. Until then, please say nothing.

Kind regards

Chris

Peter Hausmann

From: P and S Hausmann [sphausmann@xtra.co.nz]
Sent: Thursday, 12 July 2007 12:37 p.m.
To: Peter Hausmann
Subject: FW: Request

-----Original Message-----
From: Kathy Shanaghan [mailto:Kathy.Shanaghan@hawkesbaydhb.govt.nz]
Sent: Tuesday, 23 May 2006 4:41 p.m.
To: P and S Hausmann
Cc: Chris Clarke; Atkinson, Kevin (E-mail)
Subject: RE: Request

Hi Peter

s requested, please find attached a copy of the HBDHB Media Relations Policy.

Kathy

From: P and S Hausmann [mailto:sphausmann@xtra.co.nz]
Sent: Monday, 22 May 2006 09:52
To: Kathy Shanaghan
Cc: Chris Clarke; 'Atkinson, Kevin (E-mail)'
Subject: Request

Please could I be provided with the board policy/protocol for the DHB for external and internal communications.

Regards Peter

HAWKE'S BAY DISTRICT HEALTH BOARD	Manual:	Operational Policy Manual
	Doc No:	HBDHB/OPM/022
Media Relations Policy	Issue Date:	August 1994
	Date Reviewed:	March 2005
	Approved:	Executive Leadership Team
	Signature:	Chris Clarke
	Page:	1 of 2

PURPOSE

To describe the policy and procedure for releasing information to the media.

PRINCIPLES

That Hawke's Bay District Health Board (HBDHB) is seen as a good communicator with all stakeholders and particularly the community of Hawke's Bay.

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That a positive and constructive relationship is built with the media.

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That there is a controlled process of approval and distribution of media statements and information to ensure that all risks around public information and presentation are properly managed.

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SCOPE

This policy applies to all employees of the Hawke's Bay District Health Board.

PROCEDURES

Statements to the media on matters relating to policy and operations should, whenever possible, be in written form. These statements are to be released from the Chief Executive's office and are to be approved by the Chief Executive Officer, or a manager with specific delegated authority (refer HBDHB/OPM/024 - Delegation of Authority Policy).

Where verbal statements or information are required, they can only be authorised by the Chief Executive Officer or divisional managers, in consultation with the Communications Manager/Coordinator. Where such statements are made, an email summary of what was said is to be recorded, and if required, forwarded to the manager with delegated authority, and the Chief Executive's office for recording purposes.

Any staff who make media statements may only do so with specific delegated authority, and must have media experience or have completed a media training course.

PREPARATION OF MEDIA MATERIALS

All written statements should be approved by the HBDHB Communications Manager/Coordinator. They will arrange for the release of material to the media.

ACCESS

The news media and media photographers/camera crews will not have access to staff, patients, or facilities without the permission of the Chief Executive Officer and the Chief Operating Officer, as well as the patient and/or staff involved.

Where such permission is given, no staff will make statements for publication to the media without the permission of their group/service manager or person with delegated authority.

Where photographs are taken, the permissions of those photographed, staff or patient, must be sought and recorded as per the HBDHB/OPM/020 - Photograph Policy.

RESPONSIBILITY OF STAFF

It is the responsibility of staff to alert their manager of any potential media issues at the earliest opportunity. It is the manager's role to work with the Communications Manager/Coordinator.

RESPONSIBILITY OF UNIT & GROUP/SERVICE MANAGERS

Managers at unit and group/service level are required to advise divisional managers of any media interest/enquiries to their service. The HBDHB encourages a 'no surprises' approach throughout the organisation.

DISTRIBUTION

All media statements are released through the Communications Team after permission from the Chief Executive Officer.

Media statements are included into the staff notices and should be copied to every unit/department of the organisation for the information of managers and staff. Media statements are placed on HBDHB website and intranet (NETTIE) as soon as is practicable.

For further information please contact the Communications Manager/Coordinator.

DRAFT CONFIDENTIAL

Minutes of Audit and Finance Meeting
Held in the BOARDROOM of the DHB COPORATE BUILDING, OMAHU ROAD, HASTINGS
Wednesday 19 December 2007 12pm

Present	David Ritchie (Chair) Kevin Atkinson Peter Dunkerley
In attendance	Chris Clarke (CEO) Peter Reed (CFO) Satish Makam (Finance Manager) Warrick Frater (COO) Win Bennett (GM PF&P) Hugh Goulding (Internal Auditor) David Marshall Helen Walker Diana Kirton Tom Mulligan Penny Andrew (Legal Advisor) -as observer and commentator on Elective Services Tender Helen Francis (Late arrival)
Minute taker	Hugh Goulding
Apologies	CEO – for late arrival
Introductory Comment	The Chair welcomed David Marshall and Helen Walker to the meeting who were attending at his request in view of their knowledge and participation at previous A&F meetings. The meeting made a quorum although there could be voting issues. In regard to payment for those not members of the Committee, the Chair commented this would need to be investigated and felt at least mileage should be paid. He was aware the MOH may have another view but felt this should be forthcoming to allow compensation. David Marshall commented it felt good it was considered that he and Helen could add value to the meeting, provided it did not compromise anything.
Additional Agenda Items	• Elective Services Paper • Funding Envelope • Board Fees Reconciliation and Payments The Chair commented reconciliation was expected by this time and Kevin Atkinson commented the Board had not received payment for the November meeting. This was unacceptable and needs to be reviewed. The CFO commented Board payments were part of the Board Administration accountabilities. Kevin Atkinson commented the performance of Board administration at the present time was shambolic and poor. It was noted Audit NZ had raised issues in regard to board payments in the previous year. • Waipukurau situation update • MOH Meeting The Chair commented at the MOH meeting it was clear all boards were

	expected to be deficit free in the short term. If they did not achieve this, the MOH will appoint monitors. Each DHB needs to have a strategy timetable established as soon as possible outlining the direction of travel, how it would be accomplished, and where. • Audit NZ Report Comments • Conflict of Interest The Chair drew attention to the disclosure of interest commenting any changes required to be advised to the internal auditor or the Chair.
Minutes of A&F Committee 28 November 2007	It was agreed the minutes were correct
Matters Arising	Some matters required the CEOs responses and attendees present were unable to comment on his behalf.
IT Second Highest Spend in NZ	The CFO informed the Committee he had approached other DHBs to obtain an analysis between lease/buy equipment, how or where IT spend is recorded etc. so apples could be compared to apples. He also requested Waitemata's operational cost details of IT spend. The Chair commented spend is high this year and we should remove any unnecessary spending from this.
Year End Outturn	The CFO commented this would be reported later.
Emergency Department commentary and FTE Report	Actioned
Overpayment of Board Fees	The Chair reiterated the view on the lack of action on this matter and commented it would be discussed in general business when the CEO was present. The Chair further commented a simple situation had been made complex.
Business As Usual	
Springhill Trust	Diana Kirton left the meeting while the GM PF&P provided an update. He commented a consultant is developing a model of care and this should be finished at the end of January 2008. The premises situation is still being investigated and the $400k that had been repaid to MOH by Springhill Trust had been secured for the DHB use. The Chair reiterated his concern with resource consent if other premises were decided on. David Marshall requested the name of the consultant as he understood the Ministry were providing a consultant. The GM PF&P informed the Committee this was not so, and while the name of the consultant escaped him at the present time, it was a well regarded person with a long history in mental health. David Marshall requested the Springhill Trust status. The GM PF&P responded by informing the Committee, while not privy to what arrangements were made, he understood the contract for the current premises had been extended for six months.

Southern Community Laboratories (SCL)	Diana Kirton returned to the meeting at completion of Springhill discussions. The COO informed the Committee SCL had been sold to an Australian Laboratories Company (Healthscope). This had just occurred and the details were unknown. The Clinical Director Support Services had given the COO a "heads up" prior to the meeting. The view of the Committee was Australian input could be positive.
DHBNZ	The Chair commented this should be discussed by the Board as he had real concern as to what value was being received by HB from DHBNZ. The major concern was they did not obtain the best advice available for major MECA deals. The value of these negotiations required the best expertise available. The CEO arrived at the meeting at approx 12.30 and apologised for his delay.
Cranford Hospice	The GM PF&P informed the Committee Cranford had been successful in recruiting a Director, a Clinical Nursing Director plus a Senior Medical Officer Specialist and are hoping to obtain another SMO specialist. David Marshall asked who was going to pay for this, to which the GM PF&P responded by advising staff had resigned and reduction in hours by Cranford would pay for this. Sean (Cranford Hospice) would be attending the CPHAC meeting in February. The Committee asked for him to be briefed to tell it as it is, and what the community expectations of Cranford are.
Elective Services Tender	Penny Andrew was in attendance to give comment in regard to legal issues raised. Peter Dunkerley informed the Committee as he owns some shares in Wakefield, it may be inappropriate for him to sit in on this discussion. The Committee considered that as discussion would be strategic as to whether to go to tender or not and not about awarding a contract, there was unlikely to be any conflict and therefore a waiver was not necessary and Peter Dunkerley would participate in this discussion. The CEO talked to a paper had been distributed to members of the Committee reiterating that management considered that an open tender was the best policy. The results of a survey showed there was a mixture of views and responses from the public with approximately 50:50 split between those who were prepared to travel out of the region for surgery and those who were not. Probity advice had been sought from Sean McHale who favoured open tender. Management considered Elective Services should go to tender for a number of reasons. The CEO acknowledged this was being cautious but due to circumstances of the current environment, direct dealing with Royston may not look good from a probity point of view. Tender would determine the true market price; community responses would be reflected into the service. He commented price transport costs etc. would to be taken into account before accepting any tender. If a direct deal was done with Royston, it would need to be recorded and the reasons for it noted in the minutes. The legal adviser stated that it was important that if the Board decided not to tender and instead directly negotiated with Royston, it needed to be able to justify its decision and clearly document the reasons for it. Kevin Atkinson asked what impact the precedence of other DHBs negotiating

work direct with local providers would have The legal advisor commented that, in her opinion, this was irrelevant. In the survey undertaken 50 per cent of respondents said they would not travel and this was the same with those on waiting lists. The CEO stated that the intention is to allow flexibility within the tender so that potentially a number of providers could be used. so a number of providers could be used. People on the waiting list were identified and analysed independent of other public respondents. The Chair requested a copy of the survey questions asked and it was agreed Ashton Kirk's analysis of the responses be also circulated. The Committee noted the value involved was $2.645m not $3.2m.

The Chair requested when the tender was going to occur and when the business case was going to be prepared. The legal advisor commented that she had been provided with a generic business case which set out travel and accommodation costs for up to three visits outside the region, per procedure. The legal adviser said she had been informed that it would be very difficult if not impossible to prepare a detailed business case because of a number of unknown factors, for example complications. The Chair commented he needed to understand the costs. The legal advisor advised these were not to hand. The Chair commented these should be available and the Board need to know the costs. The CEO commented one of the reasons for tendering was to establish costs.

Kevin Atkinson commented the IDF could be a benchmark. He also commented 15 heart patients transferred to C&C had been contracted out to private providers and therefore why should the DHB not go private instead of the IDF tertiary system. The legal advisor commented there would probably be legal issues in relation to IDF funding and how this was spent and it would not provide justification for direct negotiation rather than a tender. Direct negotiation with private providers could be viewed as counter to public good on the grounds that public funds should be spent on operations in the public system, not private institutions. The COO commented they were endeavouring to determine the best price and tender would be the best way. Whilst submitted prices will set the price benchmark, this would not be the sole criteria for selecting the successful tender.

Kevin Atkinson commented on his calculations approximately 900 procedures would be required which means a lot of people. Any delay through tender process could prevent the DHB accessing the available $2.645m. There was further discussion on open tender and direct dealing with a provider, including the risks to HBDHB if the successful provider was outside HB. Kevin Atkinson stated one risk was our staff taking annual leave and undertaking the procedures as locums at another hospital. HBDHB need to understand the impact on local services and the impact acute volumes could have. Kevin Atkinson commented he was encouraged SMO views had been taken into account. The COO commented the aforementioned risks were fundamental to drawing up tender specifications which would include the clarification of who would do the work together with their credentials. They would also determine the maximum amount of work could be undertaken within the $2.645m while ensuring our staff were fully utilised. He commented management was requesting guidelines to tender so it could be completed by the end of January and available for presentation Feb 14. There was further discussion into the length of time to process a late tender and the impact it would have on being implemented. The Committee was informed should the $2.645m or procedures to value not be achieved, there would not be any reduction on funding but it would mean the money would be lost for this financial year. The members

	were concerned in the delay of the tender process and considered this would not be in the best interest of the public who were waiting for procedures. Helen Francis entered the meeting as an attendee. Kevin Atkinson stated that one option could be to directly negotiate with Royston Hospital for a part of the funding and the remainder go to tender. Kevin Atkinson asked the legal adviser for her opinion on this option. The legal adviser stated that she would not recommend this option and outlined her reasons for this. After further considerable discussion in regard to risks, probity, conflict of interest, quorum, the CEO commented the Board meeting in December had empowered the A&F Committee to make decisions as the next Board meeting was not until February 2008. The Committee agreed that the Board had authorised it to make a decision on its behalf and therefore a resolution would be worded to be put before the Board. It was agreed the following resolution should be put to the Board : 1. Note the amount of funding available from MOH for additional elective surgery in 2007/08 year was $2.645m. 2. The contents of the CEOs report to the Board dated 18 December 2007 be noted. 3. Management is unable to give a guarantee whether all the additional elective surgery can be completed by 30 June 2008. 4. In light of the above, management will negotiate with Royston Hospital additional elective surgery for up to $600k of the funding. 5. Approve an open tender process for the balance of the funding. 6. If management is unsuccessful in negotiating with Royston Hospital the full $2.645m will be included in the open tender. 7. The views of SMOs along with other stakeholders will be taken into account in the tender process by incorporation into the evaluation criteria and criteria weightings David Marshall and Helen Walker both requested their support for this resolution be noted, together with the urgency required. The Committee decided Kevin Atkinson and Peter Dunkerley would be required to abstain from discussions in the main Board meeting. The resolution was carried.
Royston Contract for 40 Hips	The COO informed the Committee he had recommended to the CEO to allow him to negotiate and finalise the contract. Kevin Atkinson commented Jacquie Gray of Cranford Trust had advised the difference between PVS and Royston price would be paid by them. The Chair wished the COO well for progress with the Royston contract.
Parkside	The COO updated the Committee advising Parkside rental without equipment would bet $340k per annum. This made it unviable.

MOH Meeting with Chair	The Chair reiterated the clear message from Wellington was the DHB had to manage within their means. It must take action, and if action is not taken the MOH will appoint someone to make action happen. He requested the CEO note he was on notice for a management plan to be completed. The CEO commented there was a series of plans and projects that had been undertaken during his time as CEO and these were going to be consolidated into one plan and be available for the Board in February. He further commented not all of the deficit can be dealt with by normal business as usual activities due to the underlying demographic issues.
Finance Report	The Chair commented the report gave clear evidence where the DHB was at, and requested any issues members would like discussed to be raised rather than talking through the report. Kevin Atkinson commented he supported the note in the report on page 19 where it was noted a reduced investment in assets and new services in the short term would be required to assist in reducing the underlying deficit. There was discussion in regard to the new personnel reports and some monthly variances. Both the CFO and Finance Manager commented a true comparison should be made next month after accruals have been reversed with the MECAs have currently been settled. This would give a truer picture and the months figures were distorted through back pays etc. Kevin Atkinson noted the October report in regard to electives and acutes indicated an 8% variance and this would be a challenge to the COO. The CFO commented the updated forecast was $7.8m deficit by year end. Two major contributing factors were IDF savings $1m could be at risk and this was removed from the forecast. In addition the ED and HS staffing costs were higher than anticipated. A more detailed report would be made available in January. The Chair requested commentary around unbudgeted expenses. The CEO commented not all DHBs had accrued for MECAs as HBDHB had, and many DHBs in the country would be facing a major reversal in their financial results in the next month.
Waipukurau	The Chair commented while the Board had supported plans for Waipukurau there were some outstanding issues need to be discussed. The COO commented no agreement had been made with GPs and a meeting was being held with them tomorrow. While beds, rosters, nursing staff etc had been arranged the GPs had not been involved. The COO acknowledged he did not appreciate their involvement and as such had not engaged with them. However, this non communication being the reason for the GP's not being in agreement of the plan would be conjecture. The Committee requested they be kept informed of developments. Diana Kirton also requested this. The COO apologised for having to leave the meeting at this point in time but he was required to chair another meeting
Funding Envelope	The CFO spoke to a handout provided at the meeting, commenting a more in-depth discussion would be held at the next meeting. He drew the Committee's attention to the demographic funding increase to 1.876% and commented on the financial impact figures at the bottom of the table.
Audit NZ Report	The CFO informed the Committee some minor changes were required in Audit

Comments	NZ's comments. The CEO was to have a final review of the comments tomorrow and these would be forwarded to Audit NZ on Friday morning. Changes were mainly in regard to Procurement where management wanted to demonstrate a considerable amount of work had taken place in this area since the time of the audit. The CFO advised changes would be circulated to members by email as it was anticipated these would be minor. If there are any major changes a full set of papers will be sent. The CFO would be very surprised if this was to occur.
Board Fees	The Chair reiterated his view of the poor way this matter had been handled and the poor state of affairs of board administration. Fees payable was not an issue, the issue being the reconciliation for members between what had been paid and what should have been paid. This should have been available by now, and was staggered as to how this situation had been reached. He requested the fee reconciliation be addressed and completed by Christmas. It was again noted November fees had not been received. The CEO commented the issues were not the appropriateness of the payment, but the timeliness of payment and "where to now". The Chair commented he was concerned they had signed off accounts in regard to the payments made to Board members. In view Audit NZ had alerted management of the overpayments 5-6 months ago; this should have been resolved well before this time. The CFO reiterated this matter lay with the Board administration not with Payroll or Finance. The meeting closed at approximately 2.35pm
Next meeting	23 Jan 2008

Confirmed: _____
(Chairman) **David Ritchie**

Date: _____

DRAFT MINUTES OF THE PUBLIC MEETING OF THE HAWKE'S BAY DISTRICT HEALTH BOARD HELD ON WEDNESDAY 11 JULY 2007 IN THE DHB BOARDROOM, DHB ADMINISTRATION BUILDING, MCLEOD STREET, HASTINGS FROM 10.35 AM TO 5.05 PM

Present:	Kevin Atkinson, Chairman Peter Dunkerley David Davidson Diana Kirton Tom Mulligan David Ritchie Helen Walker David Marshall Joan Sye Rangi Manuel Peter Hausmann
In Attendance:	Chris Clarke, Chief Executive Officer Win Bennett, General Manager Planning Funding & Performance Peter Reed, Chief Financial Officer Ken Foote, Acting Chief Operating Officer Elaine Papps, Director of Nursing Members of staff
Minute Taker:	Annie Quinlivan
Apologies:	There were no apologies

ATTENDANCE AT BOARD MEETING – P HAUSMANN

Peter Hausmann advised that with the recent media interest around the management of conflicts of interest by himself and the Hawke's Bay DHB Board, the media had picked up on his offer of withdrawing from any Board meetings while the review was taking place. He said he had advised the Minister of Health that he would be prepared to stand down from the Board until the MOH Review was completed, however the Minister had not responded to that offer, hence his presence at this meeting.

DISCLOSURE OF INTERESTS

Rangi Manuel
Rangi Manuel tabled a more detailed explanation around his conflicts of interest and this would then be included in the Disclosure of Interests.
Action

David Marshall advised that if there were any discussions at the meeting today around SMO negotiations he would declare his interest.

Tom Mulligan also advised the Board that he had two conflicts of interest to declare:

(i) Chair of the Oranga Poutama Committee which was part of Sport Hawke's Bay however it was noted that there was no funding contract associated with this organisation
(ii) Mr Mulligan was also involved in an ACC review group which was looking at injury prevention.

FORMAT OF MEETING

The Chairman advised that following publicity in the media last weekend, surrounding the Ministry of Health's announcement to review the HBDHB's handling of a community services request for proposal process and concerns raised over conflict of interest issues, a number of Board members had requested the opportunity to make comment. Therefore he proposed that members be given the opportunity to do so under Members Issues. Therefore item 7 "Members Issues" would follow item 5 "Chairman's Report".

MINUTES OF THE PUBLIC SESSION OF THE BOARD MEETING HELD ON WEDNESDAY 13 JUNE 2007

David Marshall requested that there be an amendment in the minutes with reference to the Reinstatement of Telelink on page 13 of the agenda. This should in fact read that the *"Mobile Surgical Services Trust reconsider providing a telelink for Wairoa ..."*

Resolution

That the **Board** confirm the minutes of the public session of the 13 June 2007 meeting as a true and correct record with the following amendment noted above.

Moved: **Peter Dunkerley**
Seconded: **David Davidson**
Carried

MATTERS ARISING FROM THE MINUTES

(a) Actions and Progress from 11 June 2007 Board Meeting

With regards to item 10 on the Actions and Progress (page 37 of the agenda) it was noted that David Grayson was to provide a verbal update to the Board around whether the survey included bullying. After discussion it was decided that as a presentation had been made to the Board and to the Health Advisory Committee (HAC) it was not necessary to have this verbal update. It was however suggested that the HDC report be circulated to Board members for their information.
Action

Item15 on the Action List – David Ritchie reminded management that the management of hazardous substances and the sign off of it by the Board needed to be completed before the financial year. This was duly noted. An update from Dinesh Arya was also tabled at the meeting on the legislative compliance for hazardous substances.
Action

(b) Outstanding Action List

Item 1 Teaching DHB – as there were some employment issues surrounding this, the Board would be updated by the CEO in the Public Excluded section of the meeting.

Item 10 – Health Innovation Awards – due to the Award ceremony being held on the same day as the October Board meeting, it was proposed that the meeting would be brought back to the 17th October 2007. The Chairman reminded the Board that the Advisory Committee meetings would be held the following week ie., Wednesday 24 October 2007.

Item 6 – Signage – David Marshall advised the Board that he and Diana Kirton had recently completed a tour of the Hastings Health Centre and commented on the outstanding signage in that building and that this should be considered when reviewing the signage in the Napier Health Centre.
Action

CHAIRMAN'S REPORT – VERBAL

The Chair provided a verbal report to the Board as follows:

(a) Protected Disclosure by Deborah Houston

A letter had been sent to the Chairman from Solicitor Max Courtney who was acting on behalf of ex-employee Board Administrator Deborah Houston. Mr Courtney enclosed with this letter a consent signed by Mrs Houston pursuant to s.19(1)(a) of the Protected Disclosures Act 2000, to her identification as the person who made a protected disclosure to the Chair on 13 January 2006 relating to the proposal for community based health services submitted by Healthcare New Zealand Limited. A copy of this consent had been forwarded to the Minister of Health and a copy of that letter had also been forwarded to the Chair for his information.

(b) Hawke's Bay District Health Board 2007 Elections

The Chairman reminded the Board that nominations for the DHB elections were due to open on 27 July 2007. He advised that he had enjoyed the challenges faced by the Board over the past eight years and enjoyed working with the Board. He commented that the Board had worked extremely hard to make significant progress in many areas and he hoped that the Board would be available for re-election or appointment for a further three years. In the Chair's case the Health and Disability Act prevented him from being considered by the government for a further three year appointment.

The Chair intended to consult with the local Mayors, MP's Iwi and key health stakeholders to determine the support he would have if he decided to stand for election in 2007. If he had the community support he would certainly stand for election and, if elected, would be available to be reappointed as Chair.

The Chair advised that he had enjoyed the responsibility of being Chair of the Board and would look forward to the challenges faced over the next three years. These challenges would include how the Board would spend the $20m+ from the sale of the Napier Hospital that it would receive on 1 April 2008.

David Marshall remarked that he was delighted to hear the Chair would be standing again at the 2007 elections, as the Chair's experience and background in the wider community would be too valuable to be lost.

David Ritchie also commented that the Chairman had served the Board extremely well in circumstances which at times, were not easy and he was pleased that the Chair was standing for another term. He believed the Chair's leadership style was engaging and all embracing in getting the best from people.

Various other Board members expressed their support for the Chair standing and making himself available to serve as Chairman for a further term.

(c) Conflicts of Interest - HBDHB

The Chair commented on the considerable media attention paid to HBDHB contracting issues over recent days. The Chair had limited his comments to the media as he felt that any comments should be made in front of the Board so that this would in turn enable the Board to make comment as well.

The Healthcare NZ Limited media release indicated that the issues were due to a personality issue between Peter Hausmann and the Chair. However the Chair wanted to make it clear to the Board and media present that that was absolutely incorrect. The issue was in fact to do with transparency, integrity and fairness and nothing to do with personalities. In the media release Mr Hausmann stated that the Chair gave him approval to engage with management on contract negotiations which was incorrect. The only contact the Chair authorised between Mr Hausmann and management was regarding the development of the terms of reference for due diligence on Healthcare NZ Limited. The Chair considered contact on this issue was appropriate.

At all times the Chair believed he had acted with the unanimous support of the Board and had consulted fully with the Board on all the issues that were faced over both the Community Services RFP that was terminated in March 2006 and the Wellcare training contract.

At a Special Board meeting held last week it was resolved that the Board obtain a legal opinion on issues associated with the Wellcare contract. Until this was received the Board would make no further comment.

The Community Services RFP was terminated in March 2006 as the Board decided that it was unsafe to continue with the RFP process.

Using documents provided under the Official Information Act media attention over recent days had focused on a wide range of issues including the Protected Disclosure made to the Board, the treatment of the whistleblower subsequent to that, the Board's tendering policy, the Board's purchasing policy, management behaviour, Board members behaviour and management of conflicts of interest.

Yesterday the media published part of a letter from the Chairman of Healthcare NZ sent to the Board five days prior to it making the decision to terminate the RFP process. The Board's lawyer had described part of the contents of that letter as a "threatening bullying diatribe".

Therefore, in light of legal advice and many other issues discovered, the Board had no other option other than to terminate the RFP process. If the Board had not taken this action there was a high risk that a judicial review would have produced a similar outcome as the Auckland Community Laboratory decision some 12 months later.

Board member Helen Walker commented that the Board consisted of people with considerable commercial and governance experience, however, the Board's integrity was constantly being challenged. From the time the Board were first alerted by Deborah Houston (the then Board Administrator), the Board was in constant contact with Ministry and it's legal representatives. Subsequently, the Board had been threatened with legal action by the Chairman of Healthcare New Zealand, in a bullying diatribe that was factually incorrect. The same tone was also apparent in the HCNZ media release issued earlier this week. Helen Walker also took exception to being emailed Healthcare New Zealand company propaganda yesterday. She commented to maintain honesty and integrity in the process the Community Services RFP proposal was cancelled and that had been allowed for in the RFP document.

Helen Walker believed that through all this process there had been very little or no support from the Ministry of Health. Ministry comment had in fact verged on criticism. The Board had been considerably let down by the Ministry and referred to the quality of the free and frank advice given by the Ministry of Health to the Minister as an example of this, particularly given all the information at their disposal. It now appeared that the Ministry had not released their documents as part of the Official Information Act request. In fact the Ministry she believed, continued to challenge the Board's governance, a Board that stood up to bullying and stood for honest and integrity.

Diana Kirton advised that she supported Helen Walker's comments and had in fact felt quite offended with some of the comments in the media insinuating that the Chair had acted inappropriately, or out of malice and reiterated that any actions surrounding this issue, the Chair fully consulted with the Board members. She concluded by saying that she gave the Chairman her 100% support.
Addendum per Board minute 8 August:
Diana Kirton referred to the previous night's headlines in the Hawke's Bay Today which described Syd Bradley as a Labour Party "confidante". She stated that the public of Hawke's Bay needed to be assured that the investigation was beyond reproach and not a matter of cronyism.

Joan Sye endorsed all those comments and also confirmed that the Chair acted with integrity in the process that he followed. She commented that the Chairman had done his darndest and had the guts to say this does not feel right.

Peter Dunkerley supported the process undertaken by the Chairman and was comfortable with the Chair's actions. He commented that this process had taken an inordinate amount of time and energy both from the Chair of the Board and the Chair of the Audit Committee. Mr Dunkerley confirmed that the Chair had his absolute and total support and had acted with clarity and total integrity. He looked

forward to the matter being resolved in a quick and timely manner so that the Board can get on with the job of looking after the health and well-being of the people in Hawke's Bay.

David Davidson advised that his stance came from an ethical viewpoint as opposed to a business background, and he believed that the Chairs of the Board and Audit Committee managed this process with the utmost of respect for what was a complex issue. He commented that he was unhappy with the terms of reference for the review.

The Chairman of the Board then acknowledged the hard work and commitment shown by the Chair of the Audit Committee – David Ritchie. His dedication to the issues had allowed him (Kevin Atkinson) to then focus on his role as Chairman of the Board and he acknowledged the enormous amount of time involved.

Tom Mulligan commented that what happens in the press reflects on the whole Board. He acknowledged the pressure the Chairman of the Board was under but reminded him that this was shared amongst all Board members and that they all fully supported him during this process. He commented that the Chair had given the Board members the opportunity to express themselves at all meetings and that the Chair supported and led this Board very well.

David Ritchie reminded the meeting that he was an experienced company director and had been a Board member for eleven years. The Board had asked it's Solicitors to look at the resolutions and recommendations from the RFP process., and it became apparent that there were four options the Board could take:

1. do nothing
2. conduct a low key enquiry
3. have the opportunity for a full investigation from the Auditor General

They had opted for a low- key investigation by solicitors and their recommendation was to cancel the rfp. Through this whole process, both he and the Chairman of the Board were aware that there was the opportunity to cancel the RFP. Peter Hausmann, through his appointment to the Board by the then Minister of Health, was welcomed to the Board and it was presumed that he had to accept it was his own responsibility as a director of Healthcare New Zealand Limited to manage his conflicts of interest – no one else on the Board could do this for him.

Mr Ritchie's concern was that the Audit Committee and the Board advised Management to be prudent around the relationship between themselves and Mr Hausmann and for no other reason other than potential conflicts of interest. There were eleven interested parties to the tender documents. Mr Ritchie also made comment on the huge amount of time and energy in collating and reviewing the documents surrounding this process. Another issue that he had difficulty with was that the Board was unaware of documents that the Ministry of Health was in possession of and which only came to light 2-3 weeks ago, and surprisingly answered some of the questions which had been raised around this whole RFP process. He was also disappointed by the criticism received from the Chair of Healthcare New Zealand both to the Board and the Minister of Health and in fact a letter had been received by the Chair as recently as Tuesday 10th July 2007 to some Board members. He considered this to be a gratuitous letter and thought the process had been corrupt by Healthcare of New Zealand.

From the documents reviewed it has become apparent that Mr Hausmann was aware of the timelines for the community service RFP and a document revealed by the Ministry of Health confirms Mr Hausmann's involvement with a Joint Venture proposal for community services prior to the release of the RFP for community services.

Mr Ritchie believed that the legislation as far as Board governance is concerned is flawed when the Minister and Ministry of Health have so much directional control over the DHB Boards. He questioned why people would put themselves forward to be directors of DHB's under this system.

In conclusion Mr Ritchie remarked that the Chairman has worked unstintingly to represent the community interests and has encouraged Board members to express their views around this process.

Rangi Manuel commented that he supported the Chairman through this process and was grateful for the leadership that he has taken over this issue. Mr Manuel was appointed to the Board to provide a voice for Maori and the people in Wairoa and his main interest was, once this review had been complete, that the Board get back to the business of reducing inequalities in Maori health. He also remarked on the advice and support that he has received from both the Board and the Chairman since his appointment to the Board.

Peter Hausmann advised that as a statement had been released from Healthcare New Zealand, it would not be appropriate for him to make any further comment.

The Chairman advised Mr Hausmann that the Board were cognisant of the pressure from the media and the impact that this whole process was having on Mr Hausmann and his company staff and advised that the Board's thoughts were with those staff.

David Marshall observed that in all the years that he has been involved with publicly elected bodies, he has never been involved in an issue that has become so time consuming. He also made comment around the impact that this huge amount of work was having on staff and he suggested that for the sake of staff, a quick review and resolution needed to occur.

Peter Dunkerley announced that he would be standing again at the next election. He also wished to put a motion of confidence in the Chairs of the Board and Audit Committee, and therefore the Chairman Kevin Atkinson, handed the Chairmanship of the meeting to Deputy Chair David Marshall to put this motion to the vote.

David Marshall assumed the Chair and after there was no discussion, put the motion to the meeting.

Resolution

That the **Board** move a motion of confidence in the Chairman of the Board Kevin Atkinson and the Chair of the Audit Committee David Ritchie.

Moved: **Peter Dunkerley**
Seconded: **David Davidson**
Carried

Peter Hausmann abstained from any discussion or voting on this item.

Kevin Atkinson then resumed the position of Chairman of the meeting.

MEMBERS ISSUES

The Chairman advised that the Minister of Health had asked the Director-General of Health to conduct an independent review of the recent allegations of conflicts of interest at the HBDHB and the management of those conflicts of interest by Peter Hausmann and the HBDHB Board.

The review would be led by Syd Bradley (Chair of Canterbury DHB) with the assistance of Michael Wigley (Wellington lawyer) and David Clarke former Chief Executive in the public health sector and an experienced director.

The Chair invited the Board members to make any comment they had around the Terms of Reference for this independent review. The Terms of Reference were as follows:

The review will examine:

- *Past and current conflicts of interest held by Peter Hausmann in his role as a member of the Hawke's Bay DHB Board*
- *The management of those conflicts of interest by Mr Hausmann and by the HBDHB Board*
- *Any other matter arising through the course of this investigation that ought to be considered.*

The review panel lead would:

- *Report the findings of the review to the Director-General of Health in a timely manner, having undertaken all inquiries necessary on which to base an informed opinion*
- *Based on these findings, recommend any improvements to the way the HBDHB Board and its members managed conflicts of interest*

The Chairman also advised the meeting that as this review was a Ministry of Health review, Mary Scholtens a QC from Wellington had advised him, that the Board did not have the ability to influence the Terms of Reference for the review. The Chairman also clarified that the Auditor General Review referred to in the NZ Herald was not a special review, but would be part of the regular Audit New Zealand annual audit process, which this year would include a focus on the management of conflicts of interest.

He then invited the Board members to make comments around this.

Helen Walker commented that she did not have any faith that this review would be balanced. She considered the DHB had been given a raw deal time and time again. As far as she was concerned, therefore, she favoured an independent inquiry.

Diana Kirton felt that it was imperative that the review was independent. She suggested that an independent inquiry carried out by the Auditor General's Office would be the most appropriate way to deal with this issue, because then the inquiry could also

investigate the wider issues beyond conflict of interest such as governance, procurement, tenders etc.

The Chairman, while respecting the Ministry of Health's review, believed that the review should be wider and include the protected disclosure, the treatment of the whistleblower, the Board's tender and purchasing policy and management and Board behaviour, rather than just focusing on conflicts of interest.

Diana Kirton considered that the circumstances surrounding the treatment of the whistleblower should be referred to the Ombudsman as well as reviewing our own protected disclosure policy.

Peter Dunkerley suggested that with all the documents already been collated, surely the inquiry could be a quick process. He commented that it was critical there was no political interference in this process. He also felt the terms of reference fundamentally disadvantaged the Board. It was made more difficult that the Prime Minister and Minister of Health had pre-judged the outcome.

David Ritchie referred to the documents to be released by the Ministry of Health. He considered the Ministry had fabricated documents in response to the documents provided by the DHB. He had no confidence that the review would be an open and transparent one. He had difficulty that an interested party can lobby and influence the Minister. The consequence of the two Official Information Act requests have provided clarification for the Board and the Audit Committee through the release of documents, however, he did comment that some of these documents were not provided when originally requested of management. He believed that the only way an open and transparent process could occur would be for the Auditor Generals Office to conduct the inquiry.

The Chief Executive Officer commented that while management supported the Ministry of Health review, he raised the issue of the amount of time that would be spent on conducting, in effect, four reviews. These being:

- Auditor General special inquiry
- Audit New Zealand regular Audit
- Ministry of Health review
- Office of the Ombudsmen review

He felt that four reviews would not achieve the outcome the Board was looking for, namely an open, transparent and timely process.

The Chair replied by saying he believed that an Audit New Zealand regular audit would be fairly straight forward as much of the documents had already been provided and were readily available.

The Chairman reiterated that his support for an Auditor General review should not be seen as dissatisfaction with the proposed Ministry of Health review, which he welcomed. He was concerned, however, that the scope of the Ministry review was too narrow and considered an Auditor General inquiry would best resolve the issues once and for all.

Resolution

That the Board supports the Minister of Health's initiated Ministry of Health review into specific Conflict of Interest issues.

That in light of the considerable public interest in:
(1) the termination of a Community Services RFP process; and
(2) the awarding of a training contract to Wellcare Education Limited and related issues;
the Board authorises the Chair in consultation with the Board's lawyers to request that the Auditor-General conduct a full inquiry under sections 16 and/or 18 Public Audit Act 2001 into issues (1) and (2). It is recommended that the Auditor –General inquire into matters including:

(i) The DHB tendering process
(ii) The DHB procurement process
(iii) Management of the Protected Disclosure
(iv) The DHB treatment of the whistleblower
(v) Management of conflicts of interest by the Board
(vi) DHB management conduct and DHB board member conduct in relation to (1) to (v).

Moved: **David Ritchie**
Seconded: **Diana Kirton**
Carried

Peter Hausmann abstained from any discussion or voting on this item.

ADVISORY COMMITTEE CHAIRS' REPORTS

Health Advisory Committee

David Marshall spoke to his report from the Health Advisory Committee workshop held on 27 June 2007 It was requested that the response to the Health and Disability Commissioner on the report arising from the investigation into the reported event at Capital & Coast DHB in 2004 be circulated to the Board for their information.
Action

Maori Relationship Board

Tom Mulligan took his report as read, however, did make comment that the Te Oranga o Te Iwi Kainga meeting scheduled to be held today on 11 July 2007 had in fact been cancelled.

Mental Health & Addiction Advisory Committee

The Chair of MHAAC Diana Kirton tabled her June report to the Board and made comment on the following:

- The recent Mental Health Commission visit had been focused on the child and youth services. The Commissioners report had not been received however informal feedback suggested things were going well.
- A new project had been launched aimed at providing school counsellors with a tool for addiction counselling.
- The Mental Health Inpatient Unit was full but running smoothly.
- A workshop is scheduled to be held on Friday 20 July 2007 from 9am – 4.30pm. The primary objective of the workshop was to confirm the project business case for the Mental Health Inpatient Unit and determine how the project would be advanced through to completion. She invited Board members to attend that workshop.

Disability & Support Advisory Committee

Helen Walker, Chair of DSAC reminded the Board that there would be no DSAC or CPHAC meetings for July however on 25 July 2007 there would be an "End of Life Workshop" to be held at the Napier RSA after the Audit & Finance Committee. All Board members were encouraged to attend. As this was the same day as the HAC meeting, it was suggested that perhaps HAC could be held at the RSA in Napier to limit travel time between the DSAC "End of Life" Workshop and HAC which commenced at 2.30pm. The Chair of HAC, David Marshall would follow this option up with the COO.
Action

Tom Mulligan requested that his apologies for all DHB meetings be noted for the period 20 – 30 July 2007.
Action

Audit & Finance Committee

The Chair of the A&F Committee, David Ritchie briefly commented on the conclusion of the financial year and how the focus would be in relationship to next years financial plan and how that would be managed.

CHIEF EXECUTIVE OFFICER'S REPORT

The CEO's report was taken as read, however the CEO made the following comments:

Industrial Action

Prior to the Board meeting commencing today, the CEO and David McDougall met with five representatives of the Service and Food Workers Union. It had been announced that agreement had been reached for all 21 DHB's that there would be a pay increase for the Service and Food Workers however there was still a dispute between the Union and Spotless who are the DHB's sub-contractors. The Union therefore had requested that the CEO seek to persuade Spotless to agree to this offer however the CEO would need to take this up with his colleagues at the Regional CEO's meeting tomorrow (12 July 2007).

In addition, the CEO requested that it be noted that he was very impressed with the way in which the local Service and Food Workers Union had managed the whole process – they had done so in a very admirable way. He illustrated his point with an account of a recent event in ZACs, where a SFWU member had demonstrated considerable leadership acumen.

Mental Health Inpatient Unit Workshop

As previously advised in Diana Kirton's Chairs report, the CEO reiterated the open invitation to all Board members to attend this workshop which was to be held on Friday 20 July 2007 from 9am – 4.30pm.

Year End Result

This would be reported on in more depth in the CFO's report, but the CEO noted that the DHB delivered well within the year end result.

CEO's Weekly News Update

For the Board's information the CEO advised that he had provided an update to all staff via the CEO Weekly News on the review in the HBDHB around conflicts of interest and the management of those conflicts of interest by Mr Peter Hausmann and the Hawke's Bay DHB board. His CEO news included comments that he welcomed the review and that he had confidence in the integrity and professionalism of the staff who had been involved in the process.

Following on from this the CEO commented that he hoped the review would address some sector wide issues. He was particularly interested in receiving advice on how best to maintain transparency and fairness when working on innovations, where the focus was on capacity and capability building or when contracting for outcomes or relationship based contracts. This would cover the issue of the Board being a public body with private sector input, processes and governance and how these all worked together.

DHB Elections

In the CEO's report there was reference to the upcoming elections. The Chair suggested that a workshop/seminar be held for potential candidates wishing to stand where current Board members could provide a practical question and answer guide to what it means to be a Board member and what it entails – the time that is involved in meeting attendances, financial implications, the large amount of reading, etc.

The CEO advised that he would investigate the possibility of this type of workshop being arranged. He did comment that DHB management teams had recently received advice on the run up to the elections and the campaigns that would be run by individual candidates.

Action

Wairoa College Clinic

The Chair advised the Board that he had recently met with Sue Ward and Jackie Olley around the formation of a Heads of Agreement document for the Wairoa College clinic. He did however have concerns that it appeared the Wairoa PHO were not taking ownership of this project, and were instead looking to the HBDHB to keep the project moving along eg., making sure the site plans were complete etc.

Joan Sye commented on the study being run by Otago University on the urban population of Maori living in Christchurch and the rural population coming from Wairoa. She questioned the assessment value when the two groups were from different regions. Tom Mulligan advised that many Maori migrated to Christchurch from Wairoa. The CEO and Director of Nursing also reassured Joan Sye that these types of research studies had rigorous levels of guidelines for the study to be carried out and in addition also

received Health Research Council funding so it could be presumed that the comparisons would be constructive and useful.

The Chair requested that the under Appendix 1, CEO and Board Member Activities, that his activities be included for the month.
Action

In light of the recent terrorist attacks in the UK by doctors, the question around recruitment of doctors and whether their political affiliations were investigated was raised at the meeting. David Marshall advised that the Medical Council would be meticulous in their checks which would include original documents being provided etc. It was suggested however, that management forward a letter to the Medical Council requesting their policies, views, and current stance on this issue.
Action

Resolution

That the Chief Executive Officer's report be received.

Moved: **Joan Sye**
Seconded: **Tom Mulligan**
Carried

CHIEF FINANCIAL OFFICER'S REPORT

The contents of the report were noted however the CFO made the following comments:

- The preliminary YTD result to the end of June was a $3.5m deficit – accruals anticipate that some of the wage settlements at levels above FFT.
- Still major issues around IDFs with Capital and Coast IDF's.
- Audit New Zealand would be visiting the HBDHB at the end of this month however the CFO advised that there were no major issues to report.
- Security – the CFO highlighted the issue of security in his report around recent break-ins to motor vehicles, theft of money, fire alarm activations and one burglary.

Resolution

That the Chief Financial Officer's report be received.

Moved: **David Ritchie**
Seconded: **Peter Dunkerley**
Carried

The meeting adjourned for lunch at 12.40 pm and reconvened at 1.05 pm.

SUSTAINABILITY – SITE PLANNING

Peter Reed introduced to the Board the consultants working on this site plan. They were:

- Wayne Wilkinson who was the consultant project managing the facility master plan,
- Aija Thomas and Maree Murphy from Silver Hanley Thomas, and
- John Bissett – consultant

The presentation was to provide the Board with an overview of the bed modelling and volume projections, the productivity/efficiency benchmarking and the master plan and the preferred option for this.

Wayne Wilkinson commenced the presentation by advising that the facility master plan was driven by:

- Improving the patient experience
- Clinical service planning
- Ministry of Health bed modelling projections
- Workflow efficiency improvements
- Australasian health facility guidelines, and
- Physical facility constraints

Recommendation to Exclude the Public

14.	**Confirmation of Public Excluded Minutes of Board Meeting – 13 June 2007**
15.	**Matters Arising from the Minutes**
16.	**Advisory Committee Chairs' Reports**
17.	**Chief Executive's Report – Public Excluded**
18.	**Sustainability: Site Planning, Productivity and Benchmarking**
19.	**Dental Graduates: Resourcing**
20.	**Chief Financial Officer's Report – Public Excluded**
22– 25	**Information Papers for Board Members**
26	**Closing Comment from the Chairman**

Moved: **Joan Sye**
Seconded: **Peter Dunkerley**
Carried

Confirmed: _____
(Chairman)

Date: _____

Document J

Discussion notes 13/12/06 – preboard 8.00am – documented 14/12/06

Peter Hausmann & Kevin Atkinson

- Kevin expressed the 'boards' concern on a behavioural matter whereby he suggested that my conduct as part of the board had to improve. He indicted that since joining the board, the issues of conflict of interest re Com serv RFP, MSD and now the Clarke review process where highly inappropriate.
- He indicated that he believed I had no right to write to the CEO or act as I had in regards providing Chris with advice re the review process.
- *I queried why he felt I did not have the right to make direct contact with the CEO and told him that I felt he had no executive authority.*
- He stated that I was incorrect in my interpretation of board conduct and that I must acknowledge the role of the chair at all times and the HBDHB code of conduct. He then stated that if I did not understand this then I would not make it on any commercial board.
- *I repeated that I felt he did not have the right to direct my activity and that in this circumstance when he was conflicted due to breaching board confidential information re Houston (note Crowther letter) then I had acted appropriately. I asked him to understand the context of the call from Chris being:*
    - *At the previous board he and David Ritchie had discussed the removal of the CEO and had to be counselled by other board members (peter, Tom, myself and others) as to process and risk.*
    - *That Chris had told me that Kevin had shared Chris's review with Winn Bennett prior to sharing it with Chris. Kevin denied this.*
    - *That Chris's interpretation of the Crowther letter was that Kevin had deliberately tried to negatively portray Chris.*
    - *That Chris was still very upset re the community services tender and MSD situations.*
    - *That Chris told me when he rang me that he was contemplating getting legal advice and had sought the advice of a fellow CEO in a manner that would not escalated matters outside of the HBDHB board.*
- He became very upset that I did not agree with the perspective that I could not contact and then write to the CEO as I contested that I had acted appropriately. He then threatened me in that if I continued to believe I had the right to make direct contact with the CEO (his express concern was about me writing to him) directly as a board member, then he would immediately contact the Minister and have me thrown off the board.
- *I told him that if he wanted to challenge me in this manner then I suggested he immediately contact the Minister and see what resulted. No phone call was made at that time.*
- He stated that he had spoken to the CEO EA, Kathy, and she had told him that I was constantly in discussion and communication with Chris.
- *I stated that this was not the case. That yes I obviously talked to Chris, but maybe every 2-3 weeks on both clarifying board matters and general industry matters as was my right.*
- *I then challenged Kevin on the issue of the inconsistency that I saw re integrity of actions around the board. I raised the issues of:*
    - *His lack of integrity in regards the Community services RFP in regards me being told that no review was occurring in regards myself and yet it did. I noted that in fact I received a letter from the DHB lawyer stating that no review in regards myself was occurring and yet it obviously was.*
        - Kevin disputed the issue and stated that I was conflicted clearly in this situation and I was negotiating a $200,000 contract. (He was

confused as he was referring to the MSD tender of which I had no part at all).

- *The fact that no direct dialogue had occurred to resolve concerns in regards perceived conflicts of interest to discuss the facts – re com services RFP and the MSD allegations, yet commentary seemed to be occurring that implied a conflict had been evident.*
- *The fact that the minutes of the audit and finance minutes re me 'better understating the issues of conflict of interest', yet not having had the opportunity to discuss and resolve the matter directly in any instance.*
- *I commented on what I regarded as Kevin's recent poor behaviour re the lab's tender where he tried to change the management and clinicians recommendation / decision and the agreed RFP process prior to the management even tabling their conclusions to the board. I asked why he was pushing the Medlab option. Kevin stated that my views were wrong and he had the right to an opinion.*
- *The fact that I believed the audit and finance committee were increasingly acting arbitrarily to the board as witnessed recently re the NGO funding decision. Kevin stated that the A&F committee was open to any board member. I commented that it was the behaviour of members, not the meetings I was commenting on*

- Kevin then raised the issue of how a lot of board members were working very hard for the board and that I was not sharing the workload.
  - *I commented that obviously this was not possible as I was based I Wgtn and could not attend meetings easily in the HBay*

The meeting ended and we joined the rest of the board where essentially the same issues were raised by Kevin with the Board minus the challenge to engage the Minister.