Canterbury
District Health Board
Te Poari Hauora ō Waitaha

CORPORATE OFFICE

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17 September 2018

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RE Official information request CDHB 9909

We refer to your email dated 3 August 2018 requesting the following information under the Official Information Act from Canterbury DHB concerning the Board's provisional year-end financial result, showing a total deficit of $63.9 million.

I note that we advised you on 7 August 2018 that we would provide correspondence from the beginning of the last quarter of the financial year (1 April) until 31 July 2018, as this will cover the most relevant period with regards to your request. And that we would decline the provision of information prior to this time on the basis that this would entail substantial collation or research. (S18(f) of the Act).

Please find our response below accordingly.

1. **All correspondence between CDHB staff and board members and Ministry of Health staff about the year-end provisional financial result.**

Please refer to **Appendix 1** (below) for commentary and forecast templates sent to the Ministry of Health in the period 1 April 2018 to 31 July 2018 that directly relate to the 2017/18 year end provisional result.

There is no other correspondence between Canterbury DHB staff and Board members and Ministry of Health staff about the year-end provisional financial result.

2. **All correspondence between CDHB staff and board members and the Minister of Health, or his office, about the year-end provisional financial result.**

There is no correspondence between Canterbury DHB staff and board members and the Minister of Health or his office about the year-end provisional financial result.

3. **Any internal CDHB correspondence about the projected deficit for the 2018/19 financial year? This is recorded as $74.5m in the 2017/18 annual plan.**

We are declining this request under section 18(d) of the Official Information Act as the 2018/19 annual plan has not yet been approved by the Minister of Health. All internal correspondence intrinsically is linked to the annual plan. Once the annual plan has been approved by the Minister of Health and able to be publicly released, we would be better able to respond to this question.

4. **Any correspondence between the Minister of Health, or his office, and the CDHB about the projected deficits in the 2018/19 and 2019/20 financial years.**

There is no correspondence between the Minister of Health, or his office, and the Canterbury DHB about the projected deficits in the 2018/19 and 2019/20 financial years.

5. **Any correspondence between the Ministry of Health and the CDHB about the projected deficits in the 2018/19 and 2019/20 financial years.**

We are declining this request under section 18(d) of the Official Information Act as the 2018/19 annual plan has not yet been approved by the Minister of Health. All internal correspondence intrinsically is linked to the annual plan. Once the annual plan has been approved by the Minister of Health and able to be publicly released, we would be better able to respond to this question.

Please note that this response, or an edited version of this response, may be published on the Canterbury DHB website after your receipt of this response.

Yours sincerely

Carolyn Gullery
Executive Director
Planning, Funding & Decision Support

Appendix 1

March 2018 sent
April 2018

Monthly Financial Forecast Template - Please select your DHB

Canterbury

	Year to date			Full Year			
	Actual	Plan	Variance	Forecast	Plan	Variance	Variance /Recovery explanation
Revenue - usual signage negative							
Devolved Funding	(1,096,287)	(1,100,235)	(3,948)	(1,461,716)	(1,467,014)	(5,298)	Variance is due to lower pay equity expenditure.
Non-Devolved Contracts	(41,582)	(42,463)	(781)	(55,575)	(56,567)	(991)	The overall variance is largely EQ opex underspend (offset by R&M underspend in infrastructure costs below), as well as classification.
Inter-DHB & Internal Revenue	(100,509)	(102,888)	(2,379)	(134,012)	(137,186)	(3,174)	
Other Revenue	(64,882)	(63,891)	991	(87,509)	(86,161)	1,348	
Total Revenue	(1,303,360)	(1,309,477)	(6,117)	(1,738,813)	(1,746,928)	(8,115)	
DHB Provided Expenditure - usaul signage positive							
Personnel	555,651	553,711	(1,940)	746,068	745,725	(343)	We have built in our 2% budgeted impact of the expected nurses MECA;
Outsourced Personnel & Support	17,796	15,818	(1,978)	23,728	21,204	(2,524)	settlement at a higher rate is very likely.
Outsourced Clinical Services	3,828	2,871	(957)	5,104	3,828	(1,276)	Main driver is outsourced radiology (mainly MRI's) due to higher demand.
Clinical Supplies	110,499	109,917	(582)	147,722	148,168	446	
Infrastructure & Non-Clinical Supplies	143,091	147,091	4,000	192,788	197,269	4,481	Largely EQ opex underspend offset by lower EQ revenue drawdown above.
Total DHB Provided Expenditure	830,865	829,408	(1,457)	1,115,410	1,116,194	784	
Other Providers							
Personal Health	277,726	281,902	4,176	375,771	378,829	3,058	Additional outsourcing to meet ESPI compliance and acute demand as a result of the construction delays in the link corridor. Offsetting this is community pharmaceutical spend expected to be favourable to budget at year end.
Mental Health	34,091	33,989	(102)	45,803	45,305	(498)	
Public Health	2,883	3,392	509	4,428	4,521	93	
DSS	165,101	164,087	(1,014)	219,164	218,551	(613)	Pay equity under spend, offset by increased spend in ARC rest homes influenced by a larger number of individuals meeting the eligibility criteria.
Maori Health	1,412	1,531	119	1,890	2,041	151	
IDFs	26,207	26,343	136	34,983	35,131	148	
Total Other Providers	507,420	511,244	3,824	682,038	684,378	2,340	
Total Expenditure	1,338,285	1,340,652	2,367	1,797,448	1,800,572	3,124	
Total Consolidated Result	34,925	31,175	(3,750)	58,635	53,644	(4,991)	Our elective surgery procedures have been impacted by the delays in the turnover of 2 theatres involved in the MoH led ASB Link project, resulting in additional outsourcing requirements as well as postponement of surgeries. Our forecast year end result includes estimated additional outsourcing to meet ESPI compliance and acute demad.
Key Action Savings			0			0	
Capital & Cash							
Total Capital Expenditure	28,654	31,320	(2,666)	36,205	41,762	(5,557)	Largely as a result of the capital spend programme behind schedule. This is our best estimate, but does vary depending on when capital building projects commence.
Equity Injections - Capital	(9,259)	(10,000)	741	(9,259)	(10,000)	741	
Cash (assuming no equity for deficit support)	(19,310)	24,309	(43,619)	(65,700)	(2,250)	(63,450)	Forecast assumes no 16/17 deficit funding is received, whilst the plan assumed deficit funding would be received. Allowance has been made for approx a 2% Nurses MECA settlement; any settlement above this is not factored in. This forecast is consistent with the forecast sent to NZHPL.
YTD Average Full Time Equivalents	8,178	8,083	(95)	8,207	8,168	(39)	

Notes:

To be completed and returned monthly to the Ministry datateam email. Due at the same time as the monthly reporting template.

Provide explanations for any material variances between budget and forecast, and between forecast and year to date trends, ie if forecast is to turn around current adverse trends then please note how that is to be achieved.

April 2018 sent
May 2018

Monthly Financial Forecast Template - Please select your DHB

Canterbury

	Year to date			Full Year			
	Actual	Plan	Variance	Forecast	Plan	Variance	Variance /Recovery explanation
Revenue - usual signage negative							
Devolved Funding	(1,218,085)	(1,222,497)	(4,412)	(1,461,702)	(1,467,014)	(5,312)	Variance is due to lower pay equity expenditure.
Non-Devolved Contracts	(46,173)	(47,168)	(995)	(55,408)	(56,567)	(1,159)	
Inter-DHB & Internal Revenue	(111,557)	(114,320)	(2,763)	(133,868)	(137,186)	(3,318)	The overall variance is largely EQ opex underspend (offset by R&M underspend in infrastructure costs below), as well as classification.
Other Revenue	(72,376)	(71,237)	1,139	(87,851)	(86,161)	1,690	
Total Revenue	(1,448,191)	(1,455,222)	(7,031)	(1,738,829)	(1,746,928)	(8,099)	
DHB Provided Expenditure - usaul signage positive							
Personnel	620,676	617,889	(2,787)	747,011	745,725	(1,286)	We have built in our 2% budgeted impact of the expected nurses MECA;
Outsourced Personnel & Support	19,433	17,518	(1,915)	23,920	21,204	(2,716)	settlement at a higher rate is very likely.
Outsourced Clinical Services	4,307	3,190	(1,117)	5,268	3,828	(1,440)	Main driver is outsourced radiology (mainly MRI's) due to higher demand.
Clinical Supplies	122,773	121,963	(810)	148,068	148,168	100	
Infrastructure & Non-Clinical Supplies	159,007	163,820	4,813	192,608	197,269	4,661	Largely EQ opex underspend offset by lower EQ revenue drawdown above.
Total DHB Provided Expenditure	926,196	924,380	(1,816)	1,116,875	1,116,194	(681)	
Other Providers							
Personal Health	309,234	313,873	4,639	375,767	378,829	3,062	Additional outsourcing to meet ESPI compliance and acute demand as a result of the construction delays in the link corridor. Offsetting this is community pharmaceutical spend expected to be favourable to budget at year end.
Mental Health	37,773	37,750	(23)	45,325	45,305	(20)	
Public Health	3,188	3,769	581	4,383	4,521	138	
DSS	183,174	182,099	(1,075)	219,456	218,551	(905)	Pay equity under spend, offset by increased spend in ARC rest homes influenced by a larger number of individuals meeting the eligibility criteria.
Maori Health	1,550	1,701	151	1,835	2,041	206	
IDFs	29,177	29,270	93	35,027	35,131	104	
Total Other Providers	564,096	568,462	4,365	681,793	684,378	2,585	
Total Expenditure	1,490,292	1,492,842	2,550	1,798,668	1,800,572	1,904	
Total Consolidated Result	42,101	37,620	(4,481)	59,839	53,644	(6,195)	Our elective surgery procedures have been impacted by the delays in the turnover of 2 theatres involved in the MoH led ASB Link project, resulting in additional outsourcing requirements as well as postponement of surgeries. Our forecast year end result includes estimated additional outsourcing to meet ESPI compliance and acute demand.
Key Action Savings			0			0	
Capital & Cash							
Total Capital Expenditure	31,022	34,800	(3,778)	36,226	41,762	(5,536)	Largely as a result of the capital spend programme behind schedule. This is our best estimate, but does vary depending on when capital building projects commence.
Equity Injections - Capital	(9,259)	(10,000)	741	(9,259)	(10,000)	741	
Cash (assuming no equity for deficit support)	(9,256)	22,021	(31,277)	(25,250)	(2,250)	(23,000)	Forecast assumes 16/17 deficit funding is received at the approved amount of $35M. Allowance has been made for approix a 2% Nurses MECA settlement; any settlement above this is not factored in. This forecast is consistent with the forecast sent to NZHPL.
YTD Average Full Time Equivalents	8,162	8,121	(42)	8,207	8,168	(39)	

Notes:

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Provide explanations for any material variances between budget and forecast, and between forecast and year to date trends, ie if forecast is to turn around current adverse trends then please note how that is to be achieved.

APPENDIX: DHB Monthly Reporting Commentary Template

DHB – Monthly Reporting Template
Commentary on results

DHB	**Canterbury DHB**
Period Ending	**31 May 2018**

Canterbury DHB has reported a deficit of $12.814M for May, which is $3.920M unfavourable to our annual plan deficit for the month; our YTD position is a $54.915M deficit, which is unfavourable by $8.401M against the YTD plan of $46.514M.

Funder arm

The Funder arm reported a $2.317M favourable variance for the month and a favourable YTD variance of $1.186M. Virtually all of the month variance relates to an additional PHARMAC rebate accrued of $2.4M as a result of recent PHARMAC advice.

The main unfavourable YTD expenditure variance was in Aged Related Residential Care (ARRC) expenditure excluding Pay Equity, which was $1.022M unfavourable for the month, and $4.489M YTD. The unfavourable ARRC variance was offset by favourable variances in Pharmaceuticals of $0.899M (in addition to the $2.4M rebate noted above) and Immunisations of $0.317M.

Revenue was $0.093M unfavourable for the month; YTD $4.143M unfavourable.

Pay equity revenue for ARRC is recognised to match all pay equity expenditure we are incurring. Both revenue and expenditure are $4.217M less than budget YTD. Pay equity revenue for Home Based Support Services is recognised in line with the advance interim payments paid to providers.

Total Funder expenditure was on budget for the month, with the additional PHARMAC rebate on top of this; whilst YTD expenditure is favourable at $5.329M. The external provider's expenditure was $6.861M favourable YTD (primarily pay equity expenditure and PHARMAC rebate).

The forecast for IBT revenue (excluding the 16/17 washup variance) is expected to be an unfavourable variance of $0.700M, which we have accrued for. In addition, total IBT expenditure in FY18 is expected to be $0.620M above budget.

The impacts of losing 20 days of operating across two operating theatres due to construction delays with the links corridor to ASB has impacted on elective outsourcing. These construction delays resulted in further outsourcing required to deal with our volumes such as for non-deferrable cancer surgery. We anticipate additional outsourcing that will occur before the end of the year will bring the full year electives expenditure to $0.500M above budget. Additional outsourcing is planned in spinal and bariatric surgeries, as well as additional outplacing of surgeries to private hospitals in order to free up capacity for acute cases at Christchurch Hospital. Case weights on procedures done under the base outsourced contracts have been a little lower than budgeted, which has helped reduce the impact of additional outsourced volumes.

We are reviewing if further outsourcing is needed to meet ESPI compliance and the national health targets.

We have assumed that we will meet the criteria to retain our full allocation of elective funding, and have accrued this revenue on this basis. There is a risk that these targets may not be met, and an unfavourable revenue washup may need to be allowed for in coming months.

IDF revenue flows are currently behind budget, partly due to coding. We estimate a potential unfavourable washup of well over $1M at year end if actual flows are not in-line with current forecast flows, and this has not been accrued for at this point. This would impact on the current year end forecast if this risk materialises.

ARRC expenditure (Hospital and Rest Home Level, excluding Pay Equity) was $0.738M above budget in May, which represents a 5.5% variance to budget. The budget for ARRC Rest Home anticipated a 3% decrease on FY17 actual expenditure, due to decreasing occupancy volumes experienced over the last few years. However, actual bed day volumes for the year to date show a 2.4% increase on prior year volumes for the same period. This is driven primarily by increasing bed day volumes of Dementia level care. The May 2018 ARRC Rest Home YTD expenditure of $55.801M is $3M (or 5.7%) higher compared with last year's May 2017 YTD spend of $52.772M.

Provider arm

The Provider arm has reported a $6.223M unfavourable variance for the month; the YTD variance is $8.010M unfavourable. The primary contributing factor of the month's variance is the recognition of the impact of the latest nurses MECA offer, which is approximately $4M higher than CDHB's budget allowance of net 2% for the settlement.

We continued to have high Emergency Department attendances, as well as high ICU volumes, and theatre discharges were the highest this financial year on our Christchurch campus.

May revenue was $0.821M favourable reducing the YTD variance to $0.705M unfavourable. Increased ACC revenue has resulted from increased volume and better contract management. May included one large treatment injury claim.

The YTD cost recovery from the MoH for earthquake repairs is now $3.958M YTD lower than originally planned (noting that this is offset by lower repair costs of an equal amount to be claimed, so is cost neutral to the end result).

Our budget reflects the expected increase from an ACC spinal contract that has not yet been agreed upon – we have accrued revenue based upon the last contract negotiated. This has an impact on our cashflow of $5M - $6M.

Personnel costs including outsourced personnel are $6.526M over budget for the month with YTD being $10.308M unfavourable.

Medical costs include the impacts of additional steps and new rates in the SMO contract which was settled post Annual Plan submission, as well as additional RMOs as part of ongoing roster compliance process. Additionally, we incurred some backpay costs in relation to some SMO's whom were placed on the wrong step when they joined.

We have also been running additional acute theatres on weekends, resulting in higher payroll costs.

We have 53 NETP Nursing graduates above the overall Nursing establishment. In addition, we are increasing operating theatre graduates as part of our ASB readiness.

Additional Management / Admin expenditure is partly due to being prepared for the SI PICS roll out.

The current month includes an accrual for the estimated costs to 31 May of the Nursing MECA offer (ie the $2k per FTE component). This is approximately $4M over the 2% base accrual we have been accruing to date. Further offer costs are expected to be incurred in June. In addition, any flow on impact on pay equity calculations have not been factored in.

As part of ASB readiness, we are increasing resource capacity (some of this is a timing issue i.e. some recruitment is ahead of what was anticipated for the high level budgeting).

Training is underway for the roll out of the South Island PICS (Patient Information Care System) that is expected to be rolled out to our Christchurch Campus and Rural Hospitals in mid June.

We are yet to assess the full implication of potential minimum wage increments, including the timing that is proposed for these, and the relativity impacts that this will create on other workforce groups that are not otherwise directly impacted.

The number of patients requiring one to one sitters have increased with up to 20 sitter shifts being required daily on our Christchurch campus.

Outsourced clinical services continue to run over budget, partly due to the continued requirement for outsourced radiology, and well as gastroenterology.

We had high implant costs in orthopaedics (patients with metastatic spinal disease as well as acute volumes).

Facilities costs continue to be favourable primarily due to earthquake repair expenditure lower than expected; YTD we have a favourable variance of $3.958M.

Balance Sheet

The sweep account was overdrawn at the end of May with a balance of $1.611M (this is approximately $19M adverse to our budget). Our closing forecast for June 2018 is for an overdrawn position. We expect our calendar year end forecast to be approximately $90M overdrawn (excluding 17/18 deficit funding). This is on the cusp of the maximum facility that we have available to us under the OPF of circa $89M. With our 17/18 annual plan recently approved by joint Ministers, we will be requesting 17/18 deficit funding as soon as practicable. It is imperative that this funding is received prior to calendar year end to ensure we are not in a position that we need to withhold supplier and staff payments past their due date. As with any forecast, there is expected to be variability, including unexpected expenditure, so a small but reasonable buffer needs to be maintained. The cash forecast allows for estimated payments that will be required for

the latest Nurses MECA offer. If the actual settlement is in excess of this it will further exacerbate our tenuous cash position.

Summary

Our expected bottom line forecast for the year remains the same as reported last month, except for the additional $4M (approx.) costs we have accrued for the latest Nurses MECA offer. The $4M represents the indicative amount which is over and above our Annual Plan assumption. Our forecast including this additional accrual is for a deficit of $63.881M.

As noted in prior months, the pressure on the Canterbury Health system continues as a direct result of earthquakes and rapid population increases. We are still seeing the continued pressure on the Canterbury Health system which now has no flex left.

Ongoing delays with MOH facility deliverables including outpatients, ASB and Grey Hospital are creating major issues with planning, resourcing and balancing just where care is able to be provided. These external factors are placing additional facility and fiscal pressure into the Canterbury Health system which has no flex left to be able to deal with further disruptions. Some of those impacts such as loss of 20 operating days due to construction delays with the links corridor development resulted in further outsourcing, resulting in another major impact on an already stretched system.

Other services such as adult mental health inpatient services continue to run well above capacity with sleepovers now part of the overall clinical management response to keep patients “safe”. This same scenario is being evidenced in many parts of the Canterbury Health system including NICU and ICU. In addition, national changes to the spinal impairment cord pathway are now seeing increased pressures on theatre resources with the impact of increased acute theatre capacity having been added just to deal with the increased patient load.

Monthly Financial Forecast Template - Please select your DHB

Canterbury

May 2018 sent
June 2018

	Year to date			Full Year			
	Actual	Plan	Variance	Forecast	Plan	Variance	Variance /Recovery explanation
Revenue - usual signage negative							
Devolved Funding	(1,340,167)	(1,344,759)	(4,592)	(1,462,312)	(1,467,014)	(4,702)	Variance is due to lower pay equity expenditure.
Non-Devolved Contracts	(50,935)	(51,873)	(938)	(55,467)	(56,567)	(1,100)	The overall variance is largely EQ opex underspend (offset by R&M underspend in infrastructure costs below), as well as classification.
Inter-DHB & Internal Revenue	(122,928)	(125,752)	(2,824)	(133,886)	(137,186)	(3,300)	
Other Revenue	(80,628)	(78,683)	1,945	(87,958)	(86,161)	1,797	
Total Revenue	(1,594,658)	(1,601,067)	(6,409)	(1,739,624)	(1,746,928)	(7,304)	
DHB Provided Expenditure - usaul signage positive							
Personnel	691,668	682,369	(9,299)	755,447	745,725	(9,722)	We have increased the Nurses MECA forecast to reflect the estimated impact of the latest settlement offer., which is approx $4M over our AP assumption.
Outsourced Personnel & Support	21,471	19,345	(2,126)	23,423	21,204	(2,219)	
Outsourced Clinical Services	4,763	3,509	(1,254)	5,196	3,828	(1,368)	Main driver is outsourced radiology (mainly MRI's) due to higher demand.
Clinical Supplies	136,646	135,144	(1,502)	149,068	148,168	(900)	
Infrastructure & Non-Clinical Supplies	175,296	180,624	5,328	191,632	197,269	5,637	Largely EQ opex underspend offset by lower EQ revenue drawdown above.
Total DHB Provided Expenditure	1,029,844	1,020,991	(8,853)	1,124,766	1,116,194	(8,572)	
Other Providers							
Personal Health	338,467	346,273	7,806	371,683	378,829	7,146	Additional outsourcing to meet ESPI compliance and acute demand as a result of the construction delays in the link corridor. Offsetting this is community pharmaceutical spend expected to be favourable to budget at year end.
Mental Health	41,582	41,544	(38)	45,358	45,305	(53)	
Public Health	3,513	4,145	632	4,390	4,521	131	
DSS	202,363	200,560	(1,803)	220,440	218,551	(1,889)	Pay equity under spend, offset by increased spend in ARC rest homes influenced by a larger number of individuals meeting the eligibility criteria.
Maori Health	1,692	1,871	179	1,835	2,041	206	
IDFs	32,112	32,197	85	35,033	35,131	98	
Total Other Providers	619,729	626,590	6,861	678,739	684,378	5,639	
Total Expenditure	1,649,573	1,647,581	(1,992)	1,803,505	1,800,572	(2,933)	
Total Consolidated Result	54,915	46,514	(8,401)	63,881	53,644	(10,237)	Our forecast remains the same as reported last month, except for the additional $4M (approx.) costs we have accrued for the latest Nurses MECA offer. The $4M represents the indicative amount which is over and above our AP assumption.
Key Action Savings			0			0	
Capital & Cash							
Total Capital Expenditure	33,451	38,280	(4,829)	36,492	41,762	(5,270)	Largely as a result of the capital spend programme behind schedule. This is our best estimate, but does vary depending on when capital building projects commence.
Equity Injections - Capital	(9,259)	(10,000)	741	(9,259)	(10,000)	741	
Cash (assuming no equity for deficit support)	1,053	22,021	(20,968)	(25,250)	(2,250)	(23,000)	$35M 16/17 deficit funding was received in May, $16M less than planned.
YTD Average Full Time Equivalents	8,250	8,153	(97)	8,238	8,168	(70)	

Notes:

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Provide explanations for any material variances between budget and forecast, and between forecast and year to date trends, ie if forecast is to turn around current adverse trends then please note how that is to be achieved.

APPENDIX: DHB Monthly Reporting Commentary Template

DHB – Monthly Reporting Template
Commentary on results

DHB	**Canterbury DHB**
Period Ending	**30 June 2018**

Canterbury DHB has reported a deficit of $9.043M for June, which is $1.913M unfavourable to our annual plan deficit for the month; our full year position is a $63.958M deficit (subject to audit), which is unfavourable by $10.314M against the full year plan of $53.644M.

Funder arm

The Funder arm reported a $4.867M unfavourable variance for the month and an unfavourable full year variance of $3.681M. $2.419M of the month variance relates to an additional PHARMAC refund accrued in the Funder in May that has been transferred to the Provider in June.

The main unfavourable full year expenditure variance was in Aged Related Residential Care (ARRC) expenditure excluding Pay Equity, which was $0.063M unfavourable for the month, and $5.552M for the full year. The unfavourable full year ARRC variance was offset by favourable variances in Pharmaceuticals of $5.198M.

Revenue was $0.306M favourable for the month; full year $3.837M unfavourable. $1.7M was recognised for Mental Health & Addiction workers pay equity settlement.

Pay equity revenue for ARRC is recognised to match all pay equity expenditure we are incurring. Both revenue and expenditure are $2.394M less than budget for the full year. Pay equity revenue for Home Based Support Services is recognised in line with the advance interim payments paid to providers.

Total Funder expenditure was $5.173M over budget for the month, with the transfer of the PHARMAC rebate accounting for $2.419M of this; whilst full year expenditure is favourable at $0.156M. The external provider's expenditure was $1.690M favourable for the full year.

Total full year IBT expenditure is $0.654M above budget.

The impacts of losing 20 days of operating across two operating theatres due to construction delays with the links corridor to ASB has impacted on elective outsourcing. These construction delays resulted in further outsourcing required to deal with our volumes such as for non-deferrable cancer surgery.

We have assumed that we have met the criteria to retain our full allocation of elective funding, and have accrued this revenue on this basis. There is a risk that these targets may not be met, and an unfavourable revenue washup may need to be allowed for in coming months.

IDF revenue flows are behind budget, partly due to coding, and revenue has been adjusted down in June accordingly.

ARRC expenditure (Hospital and Rest Home Level, excluding Pay Equity) was above budget in June. The budget for ARRC Rest Home anticipated a 3% decrease on FY17 actual expenditure, due to decreasing occupancy volumes experienced over the last few years. However, actual bed day volumes for the year to date show an increase on prior year volumes for the same period. This is driven primarily by increasing bed day volumes of Dementia level care.

Provider arm

The Provider arm has reported a $2.761M favourable variance for the month; the full year variance is $5.249M unfavourable. The month's variance includes $2.419M of PHARMAC refund (transferred from the Funder – see above), as well as $1.582M of PHARMAC hospital rebates over the amount we estimated for the year.

Our full year position includes an estimation of the impact of the latest nurses MECA offer (now rejected), which is approximately $4M higher than CDHB's budget allowance of net 2% for the settlement. There has been some comments made that additional Crown funding will be made available; however, there has been no formal notification of this, so we have not accrued any additional revenue at this stage. Should additional funding be recognised, our reported deficit would fall below a $60M deficit as previously forecast.

Additionally, we have not made any provision for Holidays Act compliance issues that the Sector is currently working through. The impact for CDHB is at this stage unquantifiable, given the complexity of the current interpretation in regard to the sector.

We continued to have high Emergency Department attendances, as well as high ICU volumes.

May revenue was on budget. We have recognised additional ACC revenue for the pending finalisation of our spinal contract, taking our year end debtor accrual to over $8M for this contract.

The full year cost recovery from the MoH for earthquake repairs is now $4.560M lower than originally planned (noting that this is offset by lower repair costs of an equal amount to be claimed, so is cost neutral to the end result).

Personnel costs including outsourced personnel are $1.834M over budget for the month with the full year being $12.142M unfavourable.

We have been running additional acute theatres on weekends, resulting in higher payroll costs.

We have 53 NETP Nursing graduates above the overall Nursing establishment. In addition, we are increasing operating theatre graduates as part of our ASB readiness.

As part of ASB readiness, we are increasing resource capacity (some of this is a timing issue i.e. some recruitment is ahead of what was anticipated for the high level budgeting).

We are yet to assess the full implication of potential minimum wage increments, including the timing that is proposed for these, and the relativity impacts that this will create on other workforce groups that are not otherwise directly impacted.

Outsourced clinical services continue to run over budget, partly due to the continued requirement for outsourced radiology, and well as gastroenterology.

Facilities costs continue to be favourable primarily due to earthquake repair expenditure lower than expected; we have a favourable variance of $4.560M for the full year.

Depreciation is high with a number of WIP projects closed off in preparation for year end.

We have absorbed the impact of impairment of the NZHPL Change Management and Supply Chain as recommended by NZHPL ($0.501M), as well as an additional $0.248M impairment we have assessed due to budgeting, forecasting, and reporting being descoped from the National Oracle Solution (NOS).

Additionally, we are one of the Wave 1 DHBs that have migrated on to the NOS solution, with the new system operating from 2 July. As with any new implementation, there are a number of issues arising, and these are being worked through.

Balance Sheet

The sweep account was overdrawn at the end of June with a balance of $17.376M (this is approximately $15M adverse to our budget). We expect our calendar year end forecast to be approximately $85M overdrawn (excluding 17/18 deficit funding). This is on the cusp of the maximum facility that we have available to us under the OPF of circa $89M. With our 17/18 annual plan recently approved by joint Ministers, we will be requesting 17/18 deficit funding as soon as practicable. It is imperative that this funding is received prior to calendar year end to ensure we are not in a position that we need to withhold supplier and staff payments past their due date. As with any forecast, there is expected to be variability, including unexpected expenditure, so a small but reasonable buffer needs to be maintained. The cash forecast allows for estimated payments that will be required for the latest Nurses MECA offer. If the actual settlement is in excess of this it will further exacerbate our tenuous cash position should additional funding not be made available.

Summary

We have achieved our expected bottom line forecast for the year, except for the additional $4M (approx.) costs we have accrued for the latest Nurses MECA offer. The $4M represents the indicative amount which is over and above our Annual Plan assumption.

As noted in prior months, the pressure on the Canterbury Health system continues as a direct result of earthquakes and rapid population increases. We are still seeing the continued pressure on the Canterbury Health system which now has no flex left.

Ongoing delays with MOH facility deliverables including outpatients, ASB and Grey Hospital are creating major issues with planning, resourcing and balancing just where care is able to be provided. These external factors are placing additional facility and

fiscal pressure into the Canterbury Health system which has no flex left to be able to deal with further disruptions. Some of those impacts such as loss of 20 operating days due to construction delays with the links corridor development resulted in further outsourcing, resulting in another major impact on an already stretched system.

Other services such as adult mental health inpatient services continue to run well above capacity with sleepovers now part of the overall clinical management response to keep patients “safe”. This same scenario is being evidenced in many parts of the Canterbury Health system including NICU and ICU. In addition, national changes to the spinal impairment cord pathway are now seeing increased pressures on theatre resources with the impact of increased acute theatre capacity having been added just to deal with the increased patient load.