

CORPORATE OFFICE

Level 1
32 Oxford Terrace
Christchurch Central
CHRISTCHURCH 8011

Telephone: 0064 3 364 4160
Fax: 0064 3 364 4165
Ralph.lasalle@cdhb.health.nz

26 November 2020

9(2)(a)

RE Official information request CDHB 10459

I refer to your email dated 28 October 2020 requesting the following information under the Official Information Act from Canterbury DHB. Specifically:

1. All board reports relating to the DHB deficit since 1 January 2019.

We are declining this question pursuant to section 18(d) of the Official Information Act.

All board reports are publicly available on the Canterbury DHB website: <https://www.cdhb.health.nz/about-us/board-committees/>

However, we have responded to numerous Official Information Act (OIA) requests recently regarding CDHB Board reports/Minutes and including Public Excluded Minutes and these are also publicly available on the Canterbury DHB website:

https://www.cdhb.health.nz/about-us/document-library/?_sft_document_type=official-information-act-response

I refer you specifically to OIAs CDHB 10404 (19/3/2020 and 16/7/2020), CDHB 10422 (16/7/2020) and CDHB 10440 (August and September 2020 Board meetings).

2. All correspondence with the Ministry of Health since 1 January 2020.

To provide you with all correspondence between Canterbury DHB Executive Management Team (EMT) members and the Ministry of Health since January 2020 would require a substantial amount of time and resource, i.e. we would need to look through former and current EMT members emails, collate and consider each email/document against the parameters of the Official Information Act. We are therefore declining to provide this information pursuant to section 18(f) of the Official Information Act.

We have, however, responded to numerous Official Information Act requests recently asking for "All correspondence" and these are also published and publicly available on our website: Specifically: CDHB 10382, 10383, 10397, 10402 and 10421.

https://www.cdhb.health.nz/about-us/document-library/?_sft_document_type=official-information-act-response

3. All correspondence with the Treasury since 1 January 2020.

There has been no correspondence with Treasury since 1 January 2020.

4. All reports and briefings, including drafts, relating to reducing the Canterbury DHB deficit.

To provide all reports and briefings, including drafts, relating to reducing the Canterbury DHB deficit would require a substantial amount of time and resource. The most relevant/pertinent information would have been included in Canterbury DHB Board reports. (Declined under section 18(f) of the Official Information Act).

This information also forms the basis of ongoing discussions between Canterbury DHB, the Ministry of Health and the Minister of Health (including relating to the 2020/21 Annual Plan yet to be finalised and approved by the Minister).

We are therefore declining to provide under sections 9(2)(i)(j) of the Official Information Act i.e.

(i) ... enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities; or

(j)enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

Note: The 2020/2021 Annual Plan will be posted on our website when finalised.

https://www.cdhb.health.nz/about-us/document-library/?_sft_document_type=annual-plan

5. All reports and briefings, including drafts, relating to the Government's potential equity injection.

We attach as **Appendix 1**

- Report to 17 September 2020 Board meeting – “Equity Support for 2019/20”, with letter to Ministry of Health
- Letter from Minister of Health – received 24 September 2020.

I trust that this satisfies your interest in this matter.

You may, under section 28(3) of the Official Information Act, seek a review of our decision to withhold information by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz; or Freephone 0800 802 602.

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



Ralph La Salle
Acting Executive Director
Planning, Funding & Decision Support

Canterbury

District Health Board

Te Poari Hauora o Waitaha

CHAIRMAN'S OFFICE

Corporate Office
Level 1, 32 Oxford Terrace
Christchurch 8011

Telephone: 006433644108

17 September 2020

Michelle Arrowsmith
Deputy Director-General
DHB Performance, Support and Infrastructure
Ministry of Health
PO Box 5013
Wellington 6140

Dear Michelle

Equity Support for Funding Deficits

Canterbury DHB continues to incur deficits since the devastating series of Canterbury earthquakes that commenced in September 2010. These deficits have been signalled in our previous and current annual plans, and we expect to continue to incur deficits as we near completion of our Christchurch Hospital, Hagley Facility, and progress further into other parts of our facilities redevelopment programme.

Our draft result for the 2019/20 financial year is a deficit of \$241.894M, and the final audited deficit result is expected to be known no later than the statutory deadline of 31 October 2020. This result includes an additional \$66M of provision for the Holidays Act compliance issue. Audit NZ have completed their onsite audit work, and, at the time of writing, no adjustments have been requested by Audit NZ.

This letter is to request urgent equity support for Canterbury DHB's 19/20 deficit as required under section 12.15.8 of the Operational Policy Framework. A Board resolution supporting this request is attached.

We have and continue to submit cashflow forecasts to Brian Ko at the MoH on a weekly basis.

We have considered whether there are any alternatives to equity support, and we do not believe there are any further opportunities for cashflow efficiencies other than those we already have in place.

We look forward to your confirmation of our equity support.

Kind Regards



Hon Sir John Hansen KNZM
Chairman
Canterbury District Health Board

Copy to Dr Peter Bramley, Acting Chief Executive Officer

Released under the Official Information Act

TO: Chair & Members, Canterbury District Health Board**PREPARED BY: David Green, Acting Executive Director, Finance & Corporate Services****APPROVED BY: Dr Peter Bramley, Acting Chief Executive Officer****DATE: 17 September 2020****Report Status – For:** Decision ☒ Noting ☐ Information ☐**1. ORIGIN OF THE REPORT**

Canterbury DHB has a draft deficit of \$241.894M for the year ending 30 June 2020. This report seeks approval for equity support from the Ministry of Health (MoH) up to the amount of our deficit.

2. RECOMMENDATION

That the Board:

- i. approves equity support for the 30 June 2020 financial year up to the value of the deficit.

3. DISCUSSION**Equity Support for Funding Deficits**

Canterbury DHB has a draft deficit for the year ending 30 June 2020 of \$241.894M, including a further \$66M provision for compliance with the Holidays Act.

Our Annual Plan for 19/20¹ indicated a deficit of \$180.470M, with deficit support equal to this amount received in 20/21 by way of equity injection. The annual plan did not include any further allowance for compliance with the Holidays Act. Our final audited result is not yet known, but we are unaware at this point of any changes to the draft result.

(We are likely to have an “except for” paragraph in relation to the Holidays Act compliance provision of \$66M. Additionally, we do not know at this point what funding, if any, will be made available to DHBs for the Holidays Act compliance issue.)

Our cash forecast as at 7 September 2020 currently indicates we will be within \$10M of our overdraft limit on 2 November 2020, and we will have insufficient funds available through our overdraft facility² with NZHPL to pay all outgoings on 1 December 2020. Cashflow forecasting is inherently difficult, and the buffer required of an organisation our size is no less than \$8M.

Under the Operational Policy Framework (OPF), DHBs need to apply for equity support for funding deficits. The OPF notes that the equity support appropriation has limited funding, and deficit support should be limited to DHBs which are not able to fund their own deficits from within their own balance sheets and would otherwise exhaust their cash reserves.

This report recommends that the Canterbury DHB Board ratifies the request to the MoH for the maximum equity support for deficit funding available.

¹ Unapproved by both the Minister of Health and Minister of Finance.

² Based upon the latest approved Annual Plan, being the 17/18 plan.

4. **APPENDICES**

Appendix 1: Request to MoH

Released under the Official Information Act



Sir John Hansen
Board Chair
Canterbury District Health Board

Dear Sir John

Equity Support for 2020/21 – Canterbury District Health Board (DHB)

I refer to your request for Equity support this financial year of \$175.9 million. I note that the amount requested reflects Canterbury DHB's final unaudited deficit for 2019/20. The appropriation: Equity Support for DHB deficits is limited to providing equity support for the purposes of maintaining and restoring working capital. It is not tied to reported deficits.

I am pleased to advise that approval has been given to provide the DHB with an equity injection of \$180.0 million from the available funds. I note that this amount will be sufficient to meet the DHBs forecast cashflow funding needs through to the end of the current 2020/21 financial year.

The purpose of the equity injection is to maintain the DHB's financial liquidity. In granting this approval I remind the DHB of my expectation that it will manage within the allocated funding. I have asked the Ministry of Health to continue to work closely with those DHBs requiring equity support to ensure that appropriate measures and controls are in place. These measures are designed to provide me with continued assurance that Boards are actively managing cost growth, particularly in regard to ensuring that the Board has oversight of all decisions taken in reference to the response for COVID-19.

I expect the Board to assure itself that any increases to the DHB's cost base are only approved where unavoidable. To that end I expect that the Board will tighten its delegations of financial authorities to ensure that the approval of some specific items remains the responsibility of the Chief Executive. This expectation is in respect of:

- recruitment of all new personnel;
- increases in contracts for community providers; and
- approval of capital expenditure plans.

You may need to review Canterbury DHB's delegated financial authorities to ensure they are consistent with this expectation. If required, you may need to provide an updated delegations policy to me as changes to delegations policies require my approval under section 39 of the New Zealand Public Health and Disability Act 2000.

I expect Boards to provide to the Ministry, on a quarterly basis, their representation that cost increases have only been approved where unavoidable. That representation is to be accompanied by supporting reports which include the detail of, and explanation for, any increases in expenditure from the corresponding quarter of the previous year, including:

- Full Time equivalents (FTE), personnel and outsourced personnel expenditure.
- Total provider arm expenditure.
- Expenditure on community provider contracts.
- Actual Capital expenditure.

I am assuming the Ministry will receive your representations, and in particular, the supporting report for Quarter Four of 2019/20 very soon following your August Board meeting. Please send your report through to datateam@health.govt.nz.

The equity support payment of \$180.0 million will be released by the Ministry in October.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'CH', is positioned above the printed name of the Minister of Health.

Chris Hipkins
Minister of Health

Released under the Official Information Act