Canterbury
District Health Board
Te Poari Hauora ō Waitaha

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7 December 2020

9(2)(a) [redacted]

[redacted]

[redacted]

RE Official information request CDHB 10492

I refer to your email dated 25 November 2020 requesting the following information under the Official Information Act from Canterbury DHB. Specifically

I have reviewed the QFARC Agendas (CDHB 10439) provided and would like to narrow my request to the minutes relating to the following agenda items on the 29 September meeting:

4. Chair's Report to QFARC
5. CEO Report to QFARC
6. Accelerating Our Future – Programme Update
7. Planning & Funding update
8. Finance Report
9. Delegations

Please find attached as **Appendix 1** the Minutes as requested from the QFARC (Quality, Finance and Risk Committee) meeting held on 29 September 2020.

Note: we have withheld information 'out of scope' of your request and applied redactions under the following sections of the Official Information Act, i.e.
s9(2)(a) *"….to protect the privacy of natural persons, including that of deceased natural persons", and*
s9(2)(b)(ii) *"…. would be likely unreasonably to prejudice the commercial position of the person who is the subject of the information."*

I trust 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

MINUTES

Canterbury District Health Board
Te Poari Hauora ō Waitaha

MINUTES OF THE QUALITY, FINANCE, AUDIT AND RISK COMMITTEE MEETING to be held in the Board Room, Level 1, 32 Oxford Terrace, Christchurch on Tuesday, 29 September 2020, commencing at 9.00am.

PRESENT
Barry Bragg (Chair); Peter Ballantyne; Ingrid Taylor; and Steve Wakefield.

Attending via Zoom: Andrew Dickerson; James Gough; Sir John Hansen; Gabrielle Huria; Jo Kane; and Dr Lester Levy (Crown Monitor).

APOLOGIES
An apology for absence was received and accepted from Dr Andrew Brant (Board Clinical Advisor).
An apology for lateness was received and accepted from Dr Lester Levy (11.43am).
An apology for early departure was received and accepted from Jo Kane (11.30am).

EXECUTIVE SUPPORT
Dr Peter Bramley (Acting Chief Executive); Savita Devi (ICT Services Manager); David Green (Acting Executive Director, Finance & Corporate Services); Becky Hickmott (Acting Executive Director of Nursing); Ralph La Salle (Acting Executive Director, Planning Funding & Decision Support); Paul Lamb (Acting Chief People Officer), Jacqui Lunday Johnstone (Executive Director, Allied Health, Scientific & Clinical); Kay Jenkins (Executive Assistant, Governance Support); and Anna Craw (Board Secretariat).

EXECUTIVE APOLOGIES
Dr Sue Nightingale (Chief Medical Officer)
Dr Rob Ojala (Executive Lead for Facilities)
Stella Ward (Chief Digital Officer)

IN ATTENDANCE
Full Meeting
Melissa Macfarlane, Team Lead, Planning & Performance

Item 6
Dan Coward, General Manager, Programme Management Office

Items 11, 12 & 13
Brad Cabell, Programme Director, Construction & Property

Items 14 & 15
Sai Choong Loo, Manager, Risk & Assurance

Item 16
Greg Brogden, Senior Corporate Solicitor

Item 17
Zoe Brangwin, Health & Safety Manager

Item 18
Irena De Rooy, Quality Patient Safety Manager

Item 20
9(2)(a) [redacted]

Item 21
9(2)(a)
[redacted]

Out of Scope
[redacted]

Out of Scope

[redacted]

4. CHAIR'S REPORT TO QFARC (ORAL)

Barry Bragg, Chair, QFARC, provided updates as follows:

- A letter was received from Joint Ministers around equity funding, which covered the original funding request of $180M, but at the last QFARC/Board meeting this was amended to cover off the Holidays Pay accrual. Unsure how this will be dealt with in the future when we get to the situation that we are required to pay out the Holiday Pay accrual to former employees and how that will actually be funded.

  David Green, Acting Executive Director, Finance & Corporate Services, advised he was not clear how the Holidays Act remediation would be funded across the sector, but expects there will be additional sector wide funding.

  There was discussion about letters being received from the Minister's office undated. It was noted these are received by email, so we have the email as date of receiving. The Committee requested that future correspondence be date stamped on receipt.

  It was noted that the Equity Support Letter was received on Thursday, 24 September 2020.

  Mr Bragg noted that according to our cashflow, assuming we received the funds in October as per the letter, CDHB should be fine for the rest of the financial year. Liquidity risks can come off reports for this year.

  Would be good to receive clarification on how the Holidays Pay accrual will be dealt with in the future.

  Mr Bragg advised the other thing to note in the letter is the normal expectations around delegations, being the same as previous two deficit support letters that have been received. Mr Bragg noted that Management will need to complete the quarterly report for the Ministry and seek their feedback.

- Understands through the Chair that the Ministers have approved funding for Tower 3. Still waiting on a formal letter to confirm this and also awaiting confirmation from the Capital Investment Committee (*CIC*) and Ministers around funding of the compliance costs for the Christchurch Campus.

  Sir John Hansen, Chair, CDHB, noted that we had been given priority for the Tower 3 and compliance money. When it came to the year end wash up around deficits and that, that money got swallowed and disappeared. This required the Ministers of Health and Finance to reprioritise it. They have both now done this. We have not had a formal letter back from CIC, but the Chairman at the HRPG meeting last week did indicate a positive response to that application. Sir John believed we should move ahead, particularly around the compliance stuff and the Tower 3 more detailed planning on the assumption that we do get it.

Mr Bragg noted for the record that Dr Rob Ojala has taken over Mary Gordon's responsibilities in regard to facilities. Dr Ojala will be part of the workshop to review again the compliance works for Christchurch Campus going forward.

- 9(2)(a) [redacted] have been appointed to manage the recruitment process for the vacant Chief Executive position and other vacant Executive Management Team positions. They will be in Christchurch early next week. Meetings are to be arranged with key stakeholders to help with the research phase of the appointment of the Chief Executive. Mr Bragg advised he would be keen for Steve Wakefield and Peter Ballantyne to be a part of that process if available.

- Noted on HAC's agenda for Thursday, 1 October 2020, there is a presentation on the Hagley Migration. Anyone not on HAC wanting a copy of the presentation material should contact Anna Craw, Board Secretariat.

- The 25 September 2020 "go/no go" date for Hagley was a "go". There is another key "go/no go" date coming up the week of 6 October 2020.

- There is a monthly meeting between CDHB and the Ministry of Health (*MoH*). From CDHB this involves Mr Bragg, Sir John Hansen, Acting Chief Executive, Acting Executive Director, Finance & Corporate Services, and Acting Executive Director, Planning Funding & Decision Support. With Michelle Arrowsmith having resigned and left the MoH, John Hazeldine has taken over as CDHB's contact there. Dr Ashley Bloomfield, Director General of Health, has been attending these meetings as well. The next meeting is scheduled for the 9 October.

  Sir John noted that he had been informed by Dr Bloomfield yesterday that Deputy Director Shearer will also step into Ms Arrowsmith's shoes to liaise with Canterbury. She and Mr Hazeldine will be our points of contact.

The Chair's report to QFARC was noted.

5. CEO REPORT TO QFARC (ORAL)

Dr Peter Bramley, Acting Chief Executive, provided updates as follows:

- Reassured the Committee around the fantastic work that teams are doing across the health system with the COVID response. Acknowledged the excellent work being done by Labs. Also acknowledged fantastic job by teams in setting up a 7th isolation facility for the Australian rugby team. A phenomenal amount of work went into this at relatively short notice to get it right.

- With regards to Hagley, the building piece is coming to a close. There are a few issues we are looking for some clarity around, relating to passive fire. Working with the MoH to ensure those things have been signed off at this stage and there will be no issues related to the Warrant of Fitness for the building. This is a piece of work that is happening this week, hence the next "go/no go" date of 6 October 2020.

  In terms of migration, preparation of clinical teams is meticulous and impressive.

- Planning around bringing all of the outplaced planned care activity back in-house is underway.

- There is quite a lot of work being done collectively to ensure there are good management controls in place around FTE appointment. Making sure we are very clear on what new FTE has been approved in this financial year and that that comes with budget or revenue. There is intense interest in FTE growth across the sector and we are wanting to ensure we have good controls around that process. Working with all management teams to ensure that process is clear.

- For the next Committee meeting, a financial briefing will be provided. At the end of the first quarter and with a new team in place, we need to make sure we have a clear financial overview of how we are looking. Part of that is the savings, part is the FTE growth.

  Dr Bramley and Mr Green have initiated a process to ensure that at the end of the first quarter, testing will have occurred with each of the General Managers as to the state of their financials in terms of monthly reviews, testing the savings programme, and making sure we have done a line by line review across the budget both in terms of risk, but also to identify opportunities for savings.

There was a query around the current status of Medical Oncology. Dr Bramley advised that this remains a very vulnerable service. 9(2)(a) [redacted] Dr David Gibbs the Clinical Director is doing a very good job with the clinical team and with the broader clinical team in terms of making sure they are delivering care and there is certainly opportunity with primary care to potentially lift the load or collaboratively support the delivery of oncology care. It was further noted that colleagues across the South Island have offered to help, and Auckland DHB's clinical lead has been in touch to see how it can support the service. Mr La Salle, Executive Director, Planning Funding & Decision Support, added that we are also working in collaboration with the Cancer Control Agency on this.

In relation to the Hagley transition, there was a query around readiness of systems/processes that support patient flow that have not been able to be tested at this time. Dr Bramley advised that teams anticipating the move are well prepared and get the model of care drivers, which are very much a part of their thinking.

A member queried whether there are any significant surprises that have arisen following the recent change in management. Dr Bramley advised that the surprises if any are largely from the disruption. Probably underestimate the impact of losing an experienced team and then having lots of people step up into roles and the surprises have probably been the gaps in knowledge across the next layer and we are having to work hard to "close the loop". Nothing to highlight to this Committee in terms of any significant concern other than there are some gaps to close particularly around our overall financial management, which is why it would be good to give the briefing to the Committee at its next meeting.

There was a query around staff moral for those working on COVID teams. Dr Bramley advised this has been a long journey with some pretty intense periods. Trying to settle into a new normal and will have to live with a level of preparedness and an ongoing level of testing, making sure we can respond in terms of a surge response should the virus reappear in the community. People are tired and that is why we need to make sure we have enough resource so that people can take leave. The best thing for us at the moment is that we stay at Level 1 for a reasonable period of time to enable people to recharge and refresh. Paul Lamb, Acting Chief People Officer, commented that in relation to managed isolation facilities, staff are experiencing pressure from the work itself, but also the stigma attached to their positions. Becky Hickmott, Acting Executive Director of Nursing, highlighted a nursing risk, advising that Auckland are stepping up their recruitment processes, are actively paying more, and are also offering packages to nursing staff. This is beginning to impact us locally, with a number or our recruitment processes being problematic due to this competition. Ms Hickmott also noted that within the managed isolation facilities there is a turnover of staff happening for two reasons: as we pull back outplaced surgery, we are having to bring back nurses deployed to the managed isolation facilities. Gaps are also developing due to tiredness and turnover. Even the teams managing them are quite vulnerable at the moment.

A member queried in relation to Sir John's comments about Tower 3 and compliance works, had there been any discussion about Parkside? Mr Bragg advised that when Dr Bramley and Sir John addressed CIC, they highlighted the need to make an investment in Parkside to take it forwards for the next 10 to 15 years. A workshop is required to go through the compliance works again with the available funding to make sure we have agreed what work is required on the Parkside sheer towers, and secondly what work is required to refresh Parkside to make it usable for the next period. They are two pieces of work that need to be covered by the group that was brought together prior to making the submission on the compliance works to CIC. That group now needs to come back together to work through those two actions. In terms of funding for compliance works, Mr Bragg advised that he and Sir John were at the HRPG meeting last week and received very positive feedback from Evan Davies, Chair of CIC, that they are looking favourably on the requests for the capital required for those compliance works, but we are yet to see formal documentation advice on exactly what the funding will be.

The member reminded the Committee of comments passed by David Meates at the 1 September 2020 meeting and the need to be mindful of them. The member referred to the meeting minutes which stated: *Mr Meates advised that with regards to the EQPOW, in the approved Detailed Business Case there is $21M of capital as part of the Hagley building that was for Parkside. That has been consumed in Hagley and has now disappeared. Mr Meates advised he had a conversation with the MoH yesterday that they need to be very thoughtful, as when the post implementation audit is done as part of the Treasury requirement that will come up as a festering sore. From MoH's perspective, they will need to think about how they will deal with this from an audit process, because that has been a slide of capital that has sat there.*

The member queried EQPOW and Carparking, both which sit with the MoH, and whether there was any update on comments passed at the last meeting that HRPG may be winding up as this creates a risk to CDHB. Mr Bragg advised that HRPG currently have responsibility for the delivery of Hagley and the Energy Centre. HRPG has been seeking clarification from the MoH for the last 18 months regarding their responsibilities with the EQPOW and carparking, which they believe both of which sit with MoH, not HRPG. HRPG has formally minuted that it does not believe it has responsibility for those two areas.

The member questioned the status of the EY report. The Board commissioned the EY report. There is some serious reconciliation that needs to be made between EY's report and management's report which underpins about FTEs. This needs to be married together in order to go forward. The member understood that this would be on today's agenda, but it is not. Sir John advised he did not think it was agreed it would be on today's agenda, but it was agreed that we needed to try given the past history of these reports and responses that have gone on and on, we needed to find a mutual way through to come up with a number. Sir John believed this was very much a part of the work that is going on at the moment around the review of FTEs, appointment of FTEs and other areas where there has been a lack of reporting and such like.

Dr Bramley advised that at the moment, his focus has been more on the present and looking forward. One of the concerns, not just for this DHB but across the country, is the reality that much of the financial pressure and stress upon DHBs has been in FTE growth across health. Dr Bramley advised he was not in a position so much to comment on the report from EY and the historical growth. What we have been concerned about as an Executive Management Team (*EMT*) is making sure we have the right FTE controls in place going forward, and particularly with this year's budget; if growth is expected then making sure we have the budget/revenue to absorb that if that is indeed needed. Dr Bramley advised the end of the first quarter review would be a perfect time to not only stress test the budget for 2021 and work of the savings plan, but at some point in the near future we should pause and, in light of EY reports and Deloitte reports, gather those up and make sure we are not missing opportunities for savings initiatives or identifying risk areas. Dr Bramley confirmed this was the approach he has been taking.

The member apologised, stating they had obviously misheard Dr Bramley at the Board meeting that something would be coming to QFARC. The member expressed their opinion that it was hard that with such a big piece of work that was commissioned by the Board, we do not have any answers at this time. Mr Bragg advised that the Acting Chief Executive has provided a response to the member saying he is managing the change in this organisation that has taken place as a result of the Chief Executive and a significant amount of the Management Team who have left the organisations. Dr Bramley is managing the change process and when he gets to reviewing the EY report in regards to the savings programme he will get to it. Mr Bragg did not think it was a priority for Dr Bramley to answer the member's questions on the EY FTE reconciliation at this point in time. That was what was covered at the Board meeting. We will get to it, but need to get to it at the right time. The member noted it was two months later, but would obviously have to wait. The member believed this was a very important piece of work and underpins where we need to get to. Mr Bragg expressed he would have thought maintaining the service quality of the organisation and taking this organisation forward is a much higher priority than the EY report at this stage. The member assumed that the pressure is still on from the MoH on our deficits and the FTEs are a big part of that. Mr Bragg advised Dr Bramley should have as much space as he requires, along with Dr Andrew Brant, to bring this organisation back under control and moving forward, and then to address the EY report. It is an action point that has not gone away and at the right time we will go back and close out the EY report.

There was a query around recruitment for the Chief Executive position. Concerns were expressed about international recruitment in light of the current COVID environment. Mr Bragg advised he was happy to get 9(2)(a) [redacted] to respond to this concern.

There was discussion on the monthly CDHB/MoH meetings and whether it was possible for the Committee/Board to get visibility around the agenda, what is decided, what is agreed, what remains on the action list. Mr Bragg agreed this was a good point and the meeting papers and minutes should be included as an information item to QFARC.

The CEO report to QFARC was noted.

6. ACCELERATING OUR FUTURE – PROGRAMME UPDATE

Dan Coward, General Manager, Programme Management Office, presented the report. The following points were highlighted:

- The roster for the Hagley migration has been completed and one of the successes of the process is that we have not seen any increase in beds or increases in FTEs. Looking to then validate the actualisation post migration to be able to report back on that.
- Looking at procurement processes and some of the management that sits around them. Identifying who has the ability to purchase both what is on catalogue and more importantly what is not on catalogue. Look to review the catalogue list and then where possible reduce the variation that people have the choice to purchase. This is predominately the non-catalogue items. What we expect from that is a reduced number of people that have the purchasing requirements, larger catalogue, stricter controls, improving visibility of where people may purchase non-catalogue items, which will require a higher level of signoff. See a significant opportunity for savings in that environment.

There was a query about bulk buying and whether it was appropriate for CDHB to undertake an inventory. Mr Coward advised the inventory is quite good.

There was a query with regards to monthly reporting on finances from operational General Managers and Finance Managers. Mr Coward advised that for the purposes of what is being done with the Accelerating Our Future programme, the layer of detail we are wanting from divisions around any initiative has not been reported on in the past. The types of questions that each decision is required to provide is who is the project sponsor from the division, who is the person leading the activity, who is the finance person attributed to it, what are the benefits that have been assumed, what are the risks, what are the interdependencies, whether there is a risk of it being a service change, and then down to a fiscal level of detail around phasing for the remainder of the financial year, when they expect to see savings produced, actuals against them, and then any forecast beyond the financial year. This allows us to consolidate it into a single view which has two benefits: have the ability to see, monitor, track and support them in the process; but equally counting the savings only once in one area.

There was a query whether there are any outstanding service change requests with the MoH, and also whether there are any requests going on in order to deliver any future programme savings. Mr Coward advised that currently none of the changes or proposals received around the savings have triggered a need for a service change request. Ms Macfarlane advised that in terms of the MoH's expectations, they need to know what you are going to do and the impact this will have. You need to have a reasonably high level of detail for this. We currently have one live service change request with the MoH. There are a couple of smaller service level reconfigurations which the MoH have been advised of, but are not classified as service changes.

There was a query whether overall there was a positive attitude right through that the savings will be achieved. Mr Coward advised that on the whole, engagement has increased more and more. A link to the website will be provided to Committee members when available. Through the website it talks about the whole programme of work and provides people the opportunity to share an idea. We are still receiving ideas from parts of the business. There are pockets where there is a little resistance. Working very hard with Union partners on a fortnightly basis to transition them away from the perception that this is all about job cuts to this is opportunities to improve the way we do things, whilst making sure we have the right resources in the right place to ensure we can take them on that journey of change. On the whole, getting more and more ideas, and more and more uptake, couched with there will always be pockets where people see this as purely cost savings and FTE reduction. The website has been part of continuing the message that it is about being sustainable and fiscally responsible, whilst doing the right thing.

A member questioned when looking at a potential saving, how do we weigh up the tactical benefit of making a saving versus the strategic importance of a spend? How do we make sure we are not hurting ourselves and the health system by making a tactical saving? Mr Coward advised this is not done in isolation, but rather in partnership with a clinical/finance/planning & funding lens, ensuring that where there is a decision to be made, this is brought back to the EMT table and we have that collective conversation, so when we walk out the room we know we have all agreed that we are doing this, the known consequences and any risks associated with it.

The Committee noted the Accelerating Our Future – Programme Update report.

7. PLANNING & FUNDING UPDATE

Mr La Salle presented the report, which was taken as read. The following pressure points were highlighted:

- Growth in primary care volumes above the budget set in January.
- Primary care nursing settlement remains as issue. May move forward with haste. Right now, looks like around a 9(2)(b)(ii) [redacted] settlement nationwide, split three ways between the employer/MoH/DHB.
- Normally the end of year washup for pharmaceuticals is negligible. However, Pharmac have signalled that because of the COVID effect in 2019/20, it may be. They have also advised they cannot be sure what that will be until the end of 2020/21.
- Secondary care was good for the month of August. Planned care was ahead of plan. There will be some slowing on that as we move into the Hagley transition.
- The MoH has advised they should have advice to us by 6 October 2020 with regards to the catch-up funding.
- Bowel screening is ready to go. Have provided the MoH with preferred timeline with a go live on 27 October 2020, but this has not been confirmed by the MoH as yet.
- Starting to see an increase in price in Older Persons Health.
- Higher spend than funded on COVID. Received funding of $3.3M from MoH for first three months of the financial year. Supposed to get another tranche of funding starting in October, which we have not been advised of as yet. Out of the $3.3M, we have spent close to $4.8M and that is driven by testing and extra testing in managed isolation facilities. Anticipate a budget of $3.5M for the period of October through to December. The MoH have advised they are relooking at the distribution of the funding to put more money into those places that do have the managed isolation facilities and issues around that, as opposed to just the population based split. It has also been announced that the funding received in October may be for all the way through to June 2021.

Mr Bragg advised it was important that these risks be identified to the MoH at the next monthly meeting between CDHB/MoH.

An explanation was requested with regards to commentary in the report regarding the expectation that the Bowel Screening programme will run a financial deficit for the first two years. It was queried what the magnitude of the deficit will by and why there would be a financial deficit when it is a national programme and it should be well understood what funding requirements are. Mr La Salle advised that information sent to the MoH to inform their business case to Treasury said that over the first four years of the Bowel Screening programme that the DHB was going to be required to subsidise the Bowel Screening by close to $4.3M. The majority of that was for the first year – close to $2.7M. The numbers have changed slightly since then because a little more money has been put in, but not substantially. The issues are twofold. The particular nature of CDHB means we do not have the facilities internally to be able to provide the services that we need. The Bowel Screening scoping needs to be done in a DHB run facility – it cannot be outsourced. When doing a screening list for example, we get 3-4 patients through on a list, but when we do a normal list we get 6-8 patients through. So automatically, our cost per scope doubles. Which means when we need to do the screening scope internally we have to shift 6-8 of our cases externally in order to do that and that is not covered. We get a national price for the screening scope, which is half the cost of what it actually costs us to deliver, which is set on the national pricing for a scope. According to the Bowel Screening Programme they are not allowed to take into account individual DHBs issues about how they do it. Mr La Salle further advised that the other issue is that the Bowel Screening programme will drop people into a surveillance scope, but the amount they pay for the screening scope is 70% of what the national pricing is for a scope and that adds to the deficit position. These are the two biggest drivers. Mr Bragg noted that this issue had been traversed last year and the conclusion was reached that it was more important to get the programme up and running, and then have the debate about adequate funding and bring that up as a risk going forward, rather than holding up delivery of the programme. Mr Bragg advised that this needs to be raised at the monthly CDHB/MoH meeting. A member noted that there is a huge saving to the health system over time if we find these people earlier and we do not have people who become really sick and have a huge impact later. Another member noted that other DHBs have different processes to come within the national pricing. Mr La Salle advised it is an individual DHB constraint on what drives the costs. One of the ways CDHB is responding to that is it has gone out for a ROI and RFP to look at whether or not we can find a place external to the facility that we can do that with our own people rather than continuing to buy it in an outsourced/outplaced fashion. Right now there is no room for any more procedure rooms for that group in the previous campus masterplan until 2035.

A member queried whether catch-up and planned funding were the same thing. Mr La Salle advised they run under the same banner, but there are three separate lots of funding. There is the money assumed in our base funding/population based funding for elective surgery. There is another lot of funding that we get that is called planned care, which is what normally happens and which we submit our elective schedule on. Then there is the catch-up funding, which is another lot of funding progression from the Government over the next three years to claw back some of the effects of COVID. Mr La Salle advised you have to spend the base funding before you get the planned care funding. Have to do the planned care before you get the catch-up funding. You have to do the catch-up services in order to get the catch-up funding. There was discussion around the catch-up of services, with Mr Bragg advising this poses a financial risk to the organisation that will have to be managed once rules are known about the catch-up funding.

Mr Bragg advised that following the reconciliation against budget for the first quarter, it will require a review of the full year forecast against the original full year budget.

The Committee noted the Planning & Funding Update.

8. FINANCE REPORT

Mr Green presented the report which was taken as read. The following points were noted:

- The consolidated financial result for the month of August 2020 was a net expense of $8.605M, being $1.011M favourable to the annual plan agreed by the Board on 20 August 2020. The YTD result is now $1.098M favourable to the annual plan.
- The operating result (before indirect items) for the month was favourable to plan by $0.959M (YTD $1.147M favourable).
- The net impact associated with Covid-19 in August was a $1.922M surplus, therefore the underlying result (excl Covid-19) is $0.912M unfavourable (YTD $0.392M favourable).
- The treatment of the Manawa lease as an operating lease has not been accepted by Audit New Zealand; should this treatment change to a finance lease this results in an operating risk of approximately $1.5M annually.

Other points highlighted included:

- A review of COVID costs is underway to ensure they are all fully captured, especially with more isolation facilities coming on board.
- Commentary of COVID has been expanded on in the report to provide greater clarity.
- Recognised revenue for isolation hotels in the August period, as well as for Lab tests. We expect to recognise more revenue for isolation facilities and lab tests in September. At this time, we are not disadvantaged financially for isolation facilities and lab tests.
- For isolation facilities, we have supplied costings to the MoH on a fully costed basis.
- Lab tests seem to have been favourable in the past and it was noted that the MoH will be reducing the price on those nationally from October.
- It was noted at the last QFARC meeting that the budget would be rephased. This has been done for the August month end and this has been resubmitted to the MoH, noting that a good piece of our efficiency initiatives are largely phased towards the end of the financial year.
- There is some element of risk around transition costs when we move into Hagley. Need to keep tight control of these as they come through.
- Started doing more formal monthly financial reviews of divisions. Going through on a line by line basis to fully understand the implications and where they are heading. Also looking at a more formal process for approval of FTEs.
- Holidays Act remediation work continues. Will need to start accruing for additional costs until we actually do the remediation, rather than leave that as a year end adjustment which we have done for the last two years. This is a directive from the MoH, so this will need to be assessed.
- At this time liquidity risk is able to be taken off the table, which is good news. Will undoubtedly slip again in cash, but that will be sometime into the future. We are now not forecasting this to be an issue at all this financial year.
- Have commenced paying suppliers within 10 working days. The impact of this will start coming through in coming weeks.

A member noted that with some graphs (eg, page 84 of the Diligent pack), something is wrong with the forecast line. Mr Green undertook to investigate for the next report.

Mr Bragg requested a better understanding around the cashflow forecast, in particular the line around "cash to be applied to the purchase of assets". Struggle to reconcile how we are going relative to our capital budgets. Need to have a better understanding of reconciling cash spent on the purchase of assets versus the capital programme that has been approved for the year. Separated from projects like the SMHS project, which is funded by the MoH. Mr Bragg requested clarity on how that is funded versus how we fund all the rest of our capital. Mr Green undertook to bring this back to a future QFARC meeting.

There was a query in terms of the Hagley transfer and whether we have the accounting sorted out for the transfer, the equity, and the capital charge. Mr Green advised the handover document, which CDHB approved some time ago, is still not signed by the MoH. We should not have issues similar to those experienced with Burwood Hospital. Burwood was a little unique in that we took it over in

June, but the handover was in August, so it straddled the year end. The handover for Hagley is formally 1 November 2020 in our books from the MoH, with initial patients expected from around mid November. Do not expect any accounting issues for this handover.

Mr Bragg flagged a financial risk that clarification is required for. Once the sum has been agreed for Hagley, whether we have any further exposure to the variation claims between CPB and MoH over the final costs of delivering the Hagley building. The understanding is that there is a dispute for an extension of time and a number of other variations, and whether this risk comes through to CDHB or is retained by the MoH. Sir John noted it should sit with the MoH, but it would be good given the significant delays that we get that reconfirmed in writing. Dr Bramley advised that those conversations have already started to ensure we have clarity around the assets and liabilities, potentially, that will be inherited. Mr Green noted the handover agreement effectively says that if the final costs are higher they will be passed onto the DHB. So the risk, although in initial terms sits with the MoH, the final costs will come to CDHB. Mr Bragg advised that he and Sir John had a slightly different understanding of what the situation was at HRPG last week. It was requested that Tim Lester get clarification around this because there could be quite a significant amount still owing given the quantum of the claims from the contractor.

The Committee noted the Finance Report.

The meeting adjourned for morning tea from 11.00 to 11.15am.

9. DELEGATIONS

Mr Green presented the report, noting it was a review of the Delegation of Authority by the Board policy. Recommending at this point that it remains unchanged subject to Committee and Board comments. Also asking for the Instrument of Delegation to the Acting CEO to be approved by the Board, and that the Delegation of Authority to Staff policy remain unchanged.

Mr Green noted this was a paper that was brought to the Committee earlier in May 2020. It was pulled at that point and is now being resubmitted. Mr Green further noted that any changes to the Delegation of Authority by the Board Policy needs to go to the Minister of Health for approval as well.

Mr Bragg noted from the EY report there are two anomalies with CDHB's delegations with other large DHBS. One was around the capital delegation – CDHB $1M per asset/event being within budget, whereas other DHBs were around $500K. The other delegation was around payroll and payroll related expenditure, where there was no limit on those delegations up to budget – it implied there were limits imposed by other DHBs. Mr Bragg requested that these be checked prior to the Committee recommending the Delegations paper to the Board. It would be prudent for CDHB to check it is not out of line with the other DHBs on these items. Mr Green noted that payroll was to approve the payroll through the banking system.

A member noted that compared to some organisations even $1M capital delegation is low.

Mr Bragg sought clarification as to whether CDHB is an outlier in these delegation areas, or whether EY was incorrect in their assessment relevant to other large DHBs.

There was also a query around where this sits in terms of the Joint Ministers' letter in terms of delegations. Mr Bragg advised that in previous replies to the Minister, because these conditions have been in the last three deficit letters, we have been able to demonstrate how CDHB delegations allow us to comply with the requirements. We need to ensure we are reporting quarterly on the four items identified in the Minister's letter.

Sir John Hansen advised that he read the letter as a very strong directive to bring things under control. Does not see this as just another form letter this year. There was discussion around interpretation of the Minister's letter.

Mr Bragg requested that the Delegations report be pushed out to the Committee's 3 November 2020 meeting to allow time for management to:

- ensure we can properly address issues raised in the Ministers' letter; and
- address the two comparative issues with other large DHBs which EY highlighted in their review.

The paper was deferred and will be resubmitted to the Committee's meeting on 3 November 2020.

Out of Scope

[redacted]