

TO: Chair and Members
Canterbury District Health Board

SOURCE: Finance

DATE: 12 February 2010

Report Status – For: Decision Noting Information

1. ORIGIN OF THE REPORT

This is a regular report and standing agenda item providing an update on the latest financial results and other relevant financial matters to the Board of the Canterbury DHB. A more detailed report is presented to and reviewed by the Quality, Finance, Audit and Risk Committee (QFARC) monthly, prior to this report being prepared.

2. RECOMMENDATION

That the Board:

- i. notes the financial result for the period ended 31 December 2009.

3. DISCUSSION

Overview of December 2009 Financial Result

The financial information in this report represents a summary and update of the financial statements forwarded to the Ministry of Health and presented to and reviewed by QFARC.

The consolidated Canterbury DHB financial result for the month of December 2009 was a deficit of \$1.244M, which was \$0.289M unfavourable against the budgeted deficit of \$0.722M. The year to date result includes H1N1 pandemic costs of \$2.6M for this financial year and \$3.5M for this pandemic event.

The unfavourable variance for December was due to higher inpatient activities than planned and lower annual leave taken. With Christmas falling on a Friday, full surgical services were able to be provided up until Christmas Eve. The high surgical volumes delivered in December means that the Canterbury DHB is ahead of its plan and, unlike previous years, there will be less “catch-up” pressure in future months. This will allow more staff to take annual leave in future months as well as giving the Canterbury DHB greater flexibility to deal with unexpected challenges for the remainder of the financial year.

Results for the Month

The breakdown of Canterbury DHB’s unfavourable group variance of \$0.289M for the month is as follows:

- Revenue - favourable by \$0.850M;
- Operating expenses - unfavourable by \$1.271M; and
- Interest, capital charge, depreciation and other non operating revenue - favourable by \$0.132M.

Variance Analysis

Revenue

Revenue was favourable with donations from trust funds in relation to the purchase of land next door to the Tuarangi Home, Ashburton, higher interest income and capital charge funding in relation to the Oral Health project.

Operating Expenses

Unfavourable variances were reported in external providers and personnel cost.

External Provider Costs

External provider costs were unfavourable by \$0.570M mainly in community laboratory and older persons health. Provider inpatient activities are ahead of plan, generating the favourable initiatives variance thus mitigating the pressures in older persons health and community laboratory.

Personnel Costs

Personnel costs were \$0.662M unfavourable for the month. In the last few years activities have tended to wind down in the week before Christmas and staff have taken annual leave during that week. The budgets had assumed this trend. With Christmas 2009 falling on a Friday, most services and especially surgery continued business as usual right up to Christmas Eve. This change in plan, while causing personnel costs to be unfavourable, has enabled the Canterbury DHB's overall surgical activities to be ahead of plan.

Treatment Related Costs

Treatment related costs were \$0.224M unfavourable for the month in line with the higher than planned level of activities which included Orthopaedics catching up on their joint surgery plan.

Other Consumables & Organisation Wide

Other consumables were \$0.185M favourable with continued lower repairs and maintenance and staff training and recruitment expenditure. It is likely that higher repairs and maintenance will be incurred in future months thus reducing the current year to date favourable variance in repairs and maintenance.

Organisation wide was favourable with lower interest expense and lower depreciation.

Financial Position (Appendix 2)

Equity as at the end of December was \$212.695M, made up of opening audited equity of \$215.923M and operating deficit of \$3.228M. The Ministry of Health paid January 2010 funding on the last day of December 2009. This contributed to the high cash and bank, high GST, and high creditors and accruals balance at the end of December. The shareholders fund/net tangible asset ratio has also been affected as a result and is reporting a worse position than the reality.

Cash Flow (Appendix 3)

The Canterbury DHB's cash flow position remains strong even after adjusting out \$101M relating to January Ministry of Health funding. Lower outstanding Accident Compensation Corporation and Ministry of Health invoices have contributed to the improvement in the operating cashflow position. Cash outflow on capital expenditure has increased with payments relating to the Linear Accelerator, Tuarangi Home and Oral Health projects.

4. **APPENDICES**

- Appendix 1: Statement of Financial Performance for the period ended 31 December 2009
- Appendix 1a: Statement of Financial Performance Trends
- Appendix 2: Statement of Financial Position as at 31 December 2009
- Appendix 3: Statement of Cash Flow for the period ended 31 December 2009

Report prepared by:

Eng Chew, General Manager Finance

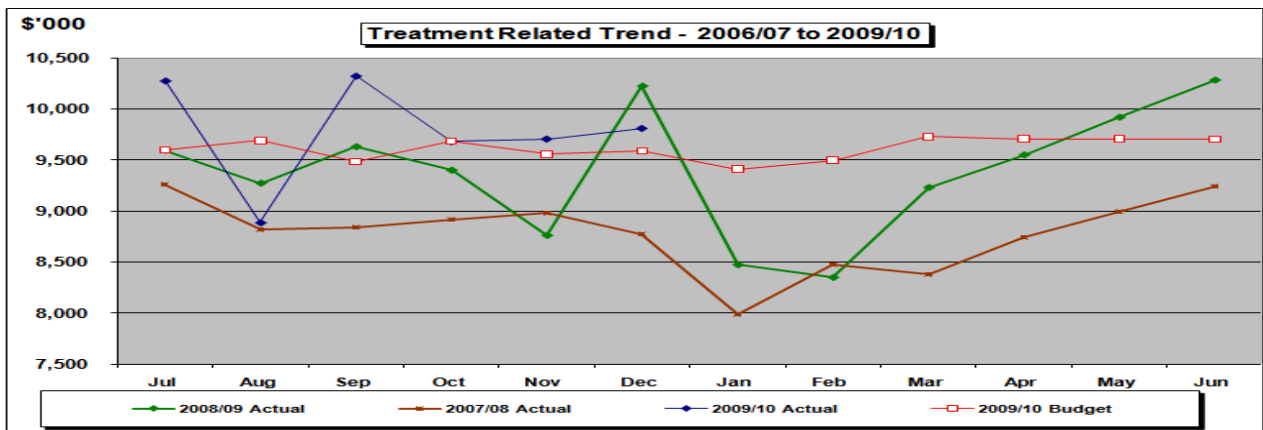
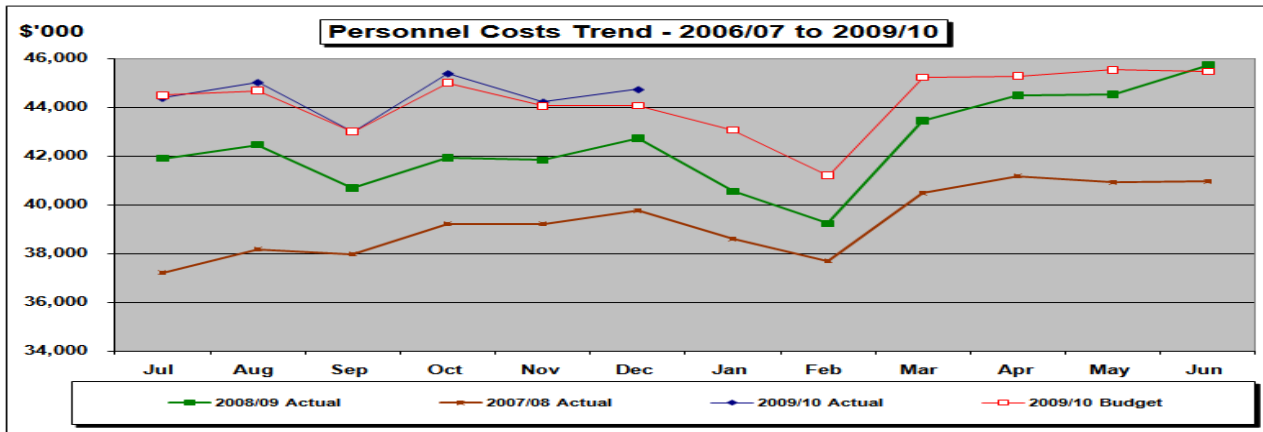
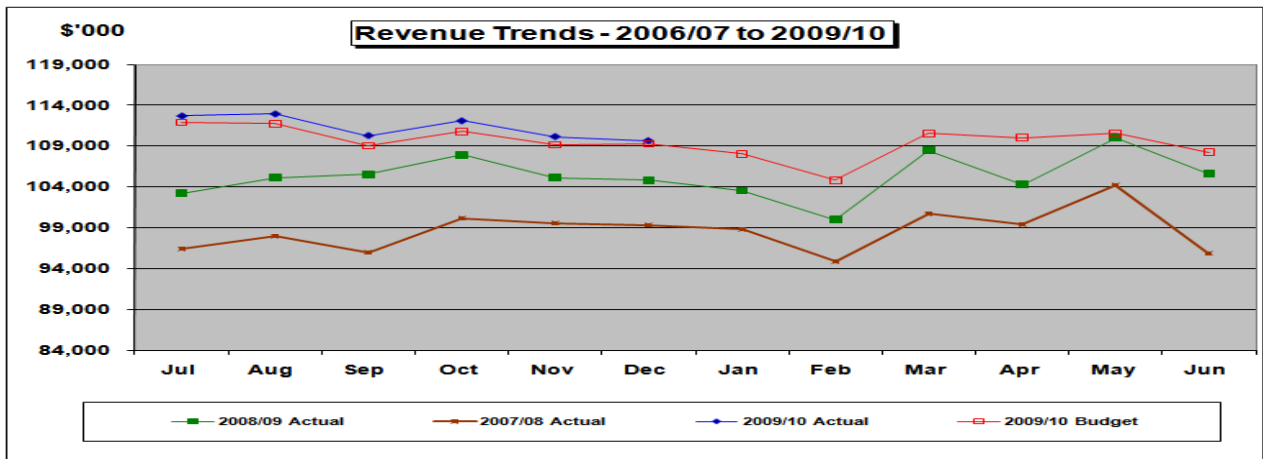
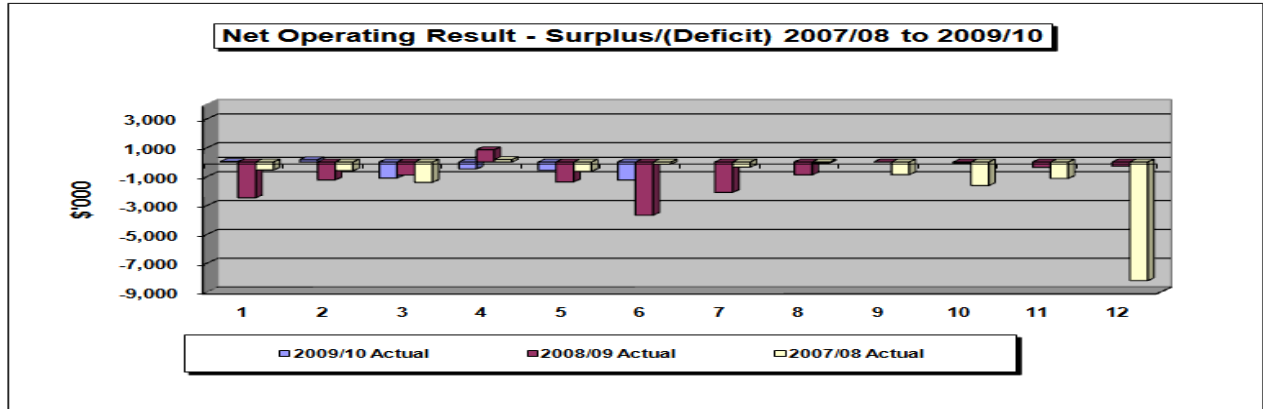
Report approved for release by:

David Meates, Chief Executive

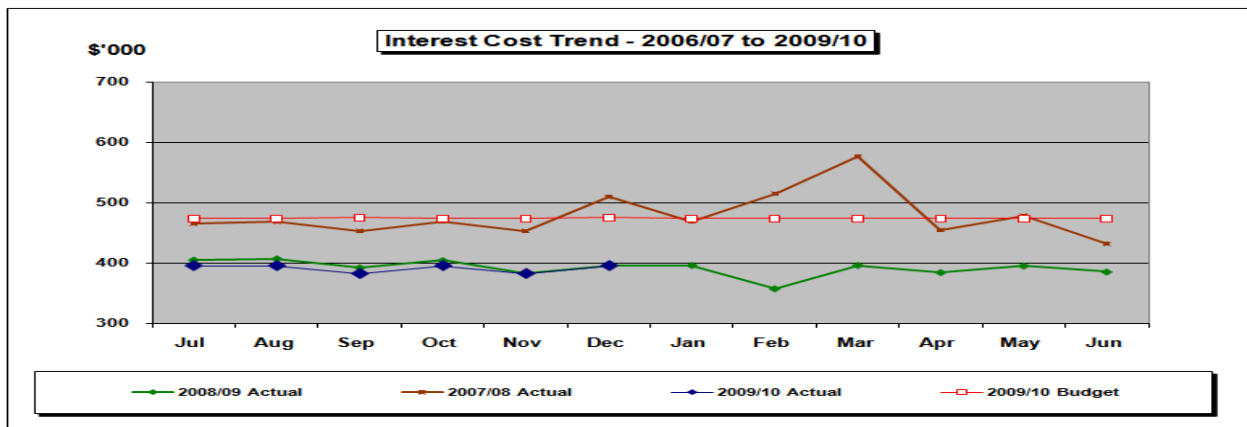
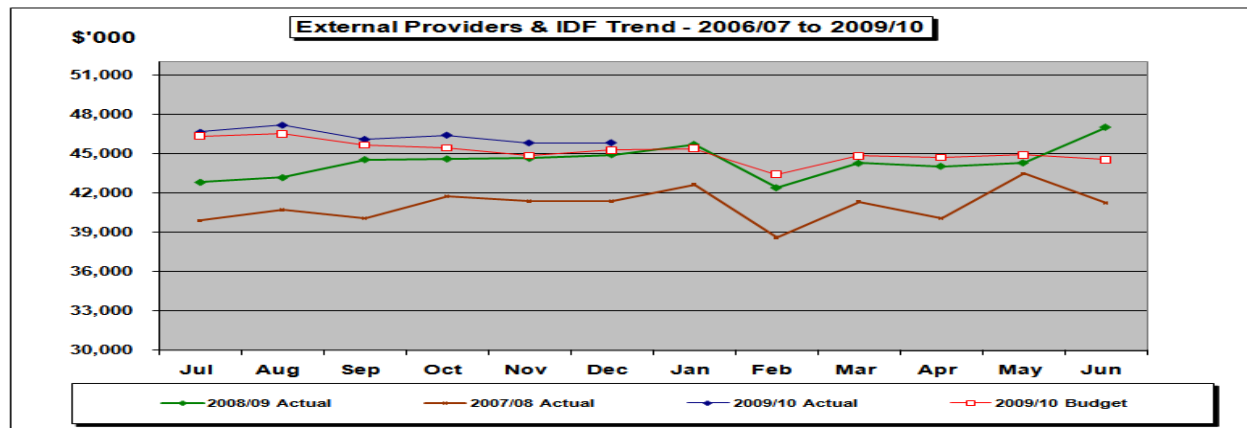
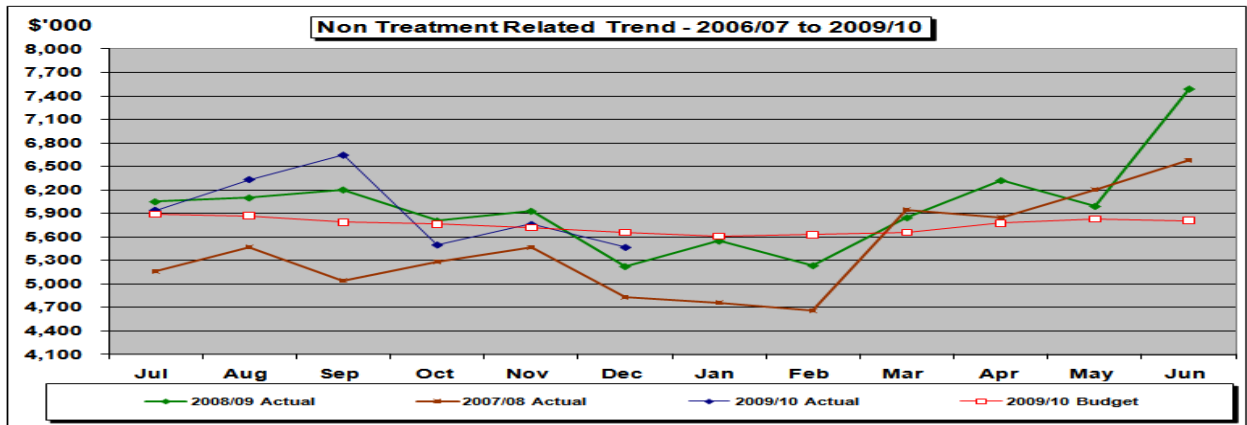
APPENDIX 1: STATEMENT OF FINANCIAL PERFORMANCE
– PERIOD ENDED 31 DECEMBER 2009

FINANCIAL PERFORMANCE	CURRENT MONTH			YEAR TO DATE		
	Actual	Budget	Variance	Actual	Budget	Variance
REVENUE	\$M	\$M	\$M	\$M	\$M	\$M
Revenue was received from:						
Health Services Related	108.007	107.927	0.080	658.486	653.795	4.691
Non-health Related (e.g. interest, donations etc)	2.372	1.602	0.770	11.581	9.784	1.797
Total Revenue earned for the period was:	110.379	109.529	0.850	670.067	663.579	6.488
EXPENDITURE						
Expenditure was incurred as follows:						
External Providers (Community/NGO Services)						
Primary Care	9.089	9.006	(0.083)	54.678	53.544	(1.134)
Referred Services	14.319	13.965	(0.354)	85.989	84.025	(1.964)
Secondary Care	2.908	2.865	(0.043)	17.268	17.137	(0.131)
Initiatives	0.949	1.280	0.331	6.694	7.672	0.978
Mental Health	3.187	3.203	0.016	18.538	19.181	0.643
Older Persons Health	15.326	14.908	(0.418)	94.565	92.253	(2.312)
Other Services (HEHA)	0.079	0.060	(0.019)	0.408	0.403	(0.005)
Total Expenditure - External Providers	45.857	45.287	(0.570)	278.140	274.215	(3.925)
Services Provided by CDHB and Subsidiaries (incl Hospitals, Public Health, Organisation-wide & Corporate)						
Personnel	44.726	44.064	(0.662)	266.687	265.262	(1.425)
Treatment Related	9.811	9.587	(0.224)	58.684	57.601	(1.083)
Other Consumables (non-treatment related)	5.473	5.658	0.185	35.669	34.693	(0.976)
Organisation-wide (e.g. interest, depreciation and capital charge)	5.756	5.888	0.132	34.115	35.020	0.905
Total Expenditure - Services Provided by CDHB	65.766	65.197	(0.569)	395.155	392.576	(2.579)
Total Expenditure incurred for the period was:	111.623	110.484	(1.139)	673.295	666.791	(6.504)
NET OPERATING RESULT - SURPLUS/(DEFICIT)	(1.244)	(0.955)	(0.289)	(3.228)	(3.212)	(0.016)

APPENDIX 1A: STATEMENT OF FINANCIAL PERFORMANCE TRENDS



APPENDIX 1A: STATEMENT OF FINANCIAL PERFORMANCE TRENDS (continued)



APPENDIX 2: STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

FINANCIAL POSITION			Actual	Budget	Variance
			\$M	\$M	\$M
ASSETS					
Total Assets owned as at end of the period were:			516.461	522.474	(6.013)
The total assets were made up of:					
Current Assets					
	\$M	%			
* Cash (include bank overdraft)	58.557	11.3%			
* Receivables and Prepayments	33.730	6.5%			
* Stock (net of provision)	10.015	1.9%			
Fixed and Non-Current Assets					
* Land, Buildings, Equipment and Work-in Progress	389.849	75.5%			
* Investment & Restricted Assets (e.g. trust funds)	24.310	4.7%			
Total Assets	516.461	100.0%			
LIABILITIES					
Total Liabilities as at end of the period were:			302.522	308.808	6.286
Total liabilities consisted of:					
Current Liabilities					
	\$M	%			
* Creditors and Accruals	87.535	28.9%			
* Staff entitlements (e.g. annual leave balance)	117.879	39.0%			
* Loans falling due within a year	-	0.0%			
Non Current Liabilities					
* Term Loans	75.000	24.8%			
* Term Liabilities (incl provisions re long-term)	22.108	7.3%			
Total Liabilities	302.522	100.0%			
NET ASSETS/TOTAL PUBLIC EQUITY			213.939	213.666	0.273

MOVEMENT IN PUBLIC EQUITY	Actual	Budget	Variance
	\$M	\$M	\$M
Opening Balance as at 1 July 2009	215.923	215.923	-
Add/(Less):			
Equity Injection/(Repayment)	-	-	-
Net Surplus/(Deficit) for the period	(3.228)	(3.212)	(0.016)
TOTAL PUBLIC EQUITY	212.695	212.711	(0.016)

APPENDIX 3: STATEMENT OF CASHFLOW - PERIOD ENDED 31 DECEMBER 2009

CASHFLOW	Actual	Budget	Variance
	\$M	\$M	\$M
Net Cash From Operating Activities - Inflow/(Outflow)	21.944	14.090	7.854
Net Cash From Investing Activities - Inflow/(Outflow)	(10.884)	(13.564)	2.680
Net Cash From Financing Activities - Inflow/(Outflow)	-	-	-
Net Increase / (Decrease) in Cash Held	11.060	0.526	10.534
Add/(Less):			
Opening Balance as at 1 July 2009	47.497	47.497	-
CLOSING CASH BALANCE	58.557	48.023	10.534