

**TO: Chair and Members**  
**Canterbury District Health Board**

**SOURCE: Finance**

**DATE: 12 March 2010**

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Report Status – For:      Decision            Noting            Information     

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**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 January 2010.

**3. DISCUSSION**

**Overview of January 2010 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 January 2010 was a deficit of \$0.547M, which was \$0.512M favourable against the budgeted deficit of \$1.059M. The year to date result includes H1N1 pandemic costs of \$2.6M for this financial year and \$3.5M for this pandemic event.

The favourable result for January was due to lower treatment related expenditure, with a different patient mix that consumed less high cost consumables. January is the peak period for staff taking leave and this has enabled the DHB to keep personnel costs for January low, consistent with previous years. Patient activities, while lower than previous months, were higher than the same month last year. Improvements made to patient flow and the adoption of lean principles has enabled the higher patient activities to be delivered by the reduced workforce.

**Results for the Month**

The breakdown of Canterbury DHB's favourable group variance of \$0.512M for the month is as follows:

- Revenue - unfavourable by \$0.482M;
- Operating expenses - favourable by \$0.693M; and
- Interest, capital charge, depreciation and other non operating revenue - favourable by \$0.301M.

## **Variance Analysis**

### Revenue

Revenue was unfavourable with lower Accident Compensation Corporation revenue due to less spinal patients requiring services at Burwood and lower Clinical Training Agency (CTA) revenue. The lower CTA revenue is matched by lower CTA funded staff training expenditure.

### Operating Expenses

Operating expenses was favourable with lower treatment related costs in the hospital divisions, benefitting from the patient mix during the month allowing lower expenditure in high cost consumables.

### External Provider Costs

External provider cost was unfavourable by \$0.597M for the month. The unfavourable variance was due to additional expenditure relating to new funding for primary care received and continued pressure in older persons health and community laboratory.

### Personnel Costs

Personnel costs were favourable with the value of annual leave taken in December higher than that estimated for last month's result. The credit from this understatement has flowed into January. In addition, high annual leave taken, especially in non clinical areas, has allowed for personnel costs to be within budget.

### Treatment Related Costs

Treatment related costs were \$0.782M favourable with lower expenditure on high cost treatment supplies such as implants, prosthesis and catheters. Expenditure for this month was at a similar level to the same time last year but activities were higher this year reflecting the benefit of a different patient mix requiring less high cost treatment supplies.

### Other Consumables & Organisation Wide

Other consumables were \$0.316M favourable with lower CTA funded staff training and recruitment expenditure.

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

## **Financial Position (Appendix 2)**

Equity as at the end of January was \$212.148M, made up of opening audited equity of \$215.923M and operating deficit of \$3.775M. Debtors increased compared to December as there were no early payments made by the Ministry of Health. Creditors and accruals reduced with the early payment of Ministry of Health funding in December and booked as unearned revenue, being reversed in January.

## **Cash Flow (Appendix 3)**

Canterbury DHB's cash flow remains favourable with cashflow from operating and investing favourable against plan. Cashflow from operating activities was favourable as capital charge payments are due in February. Cashflow from investing was favourable due to lower capital expenditure with January being a month where businesses have a break thus reducing work on some of our major capital projects.

#### 4. **APPENDICES**

- Appendix 1: Statement of Financial Performance for the period ended 31 January 2010
- Appendix 1a: Statement of Financial Performance Trends
- Appendix 2: Statement of Financial Position as at 31 January 2010
- Appendix 3: Statement of Cash Flow for the period ended 31 January 2010

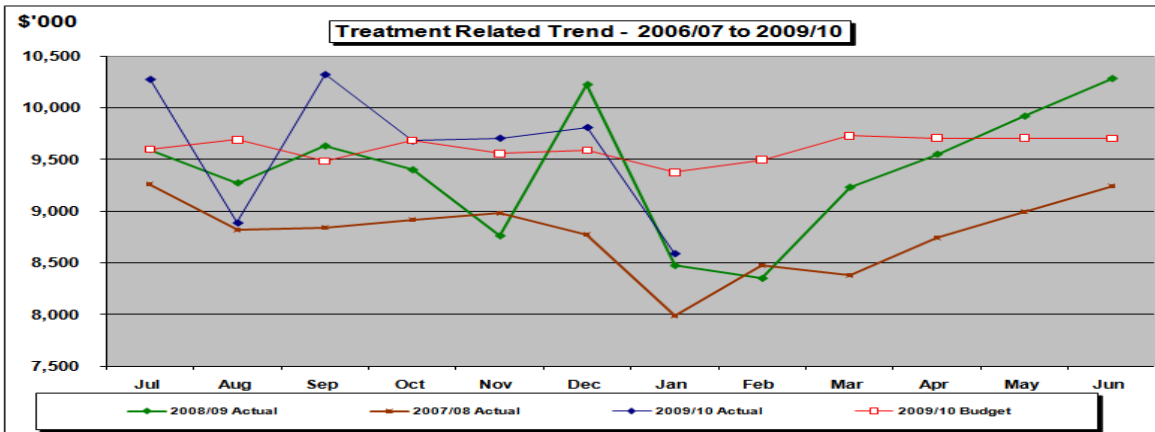
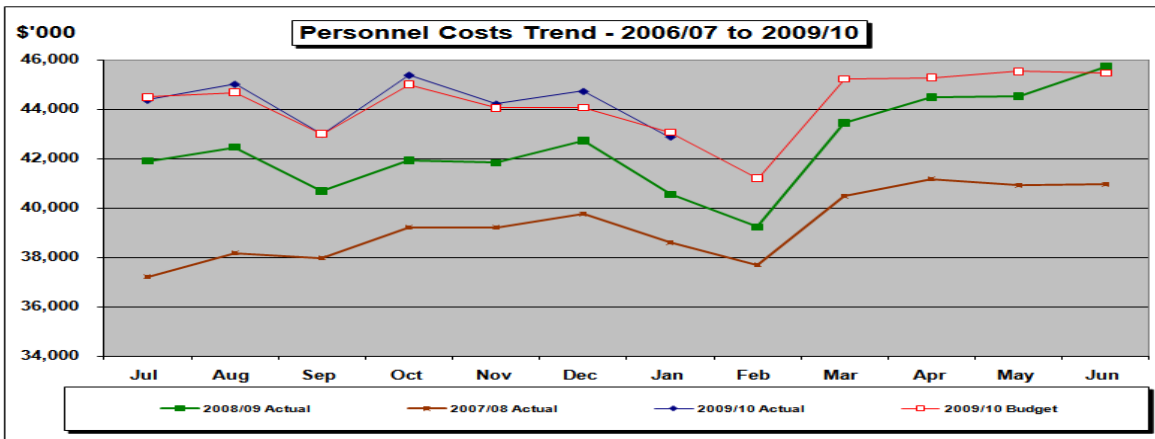
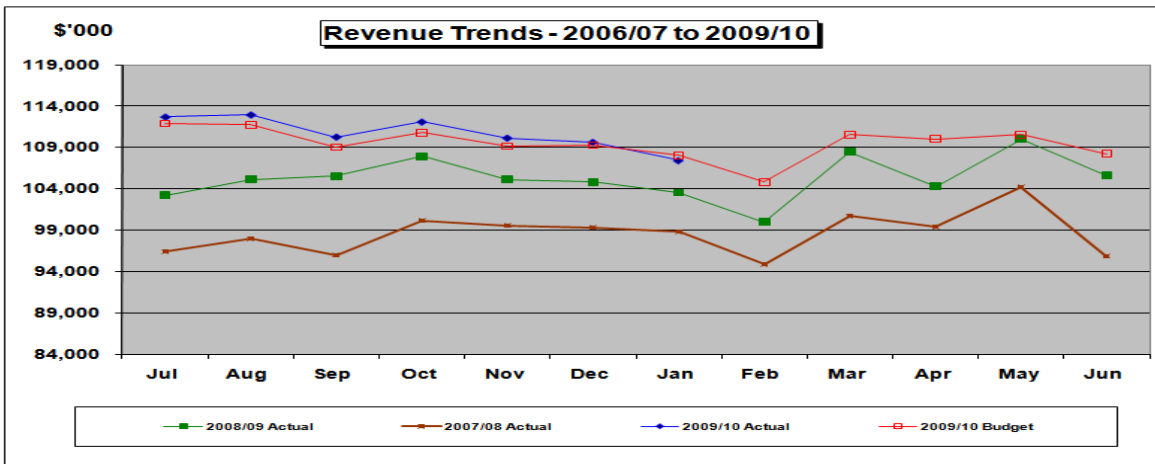
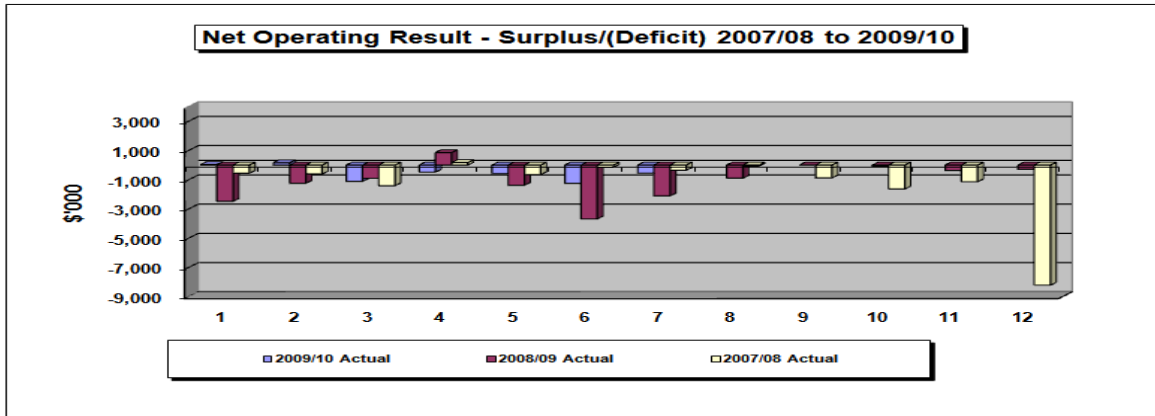
Report prepared by:

Eng Chew, General Manager Finance

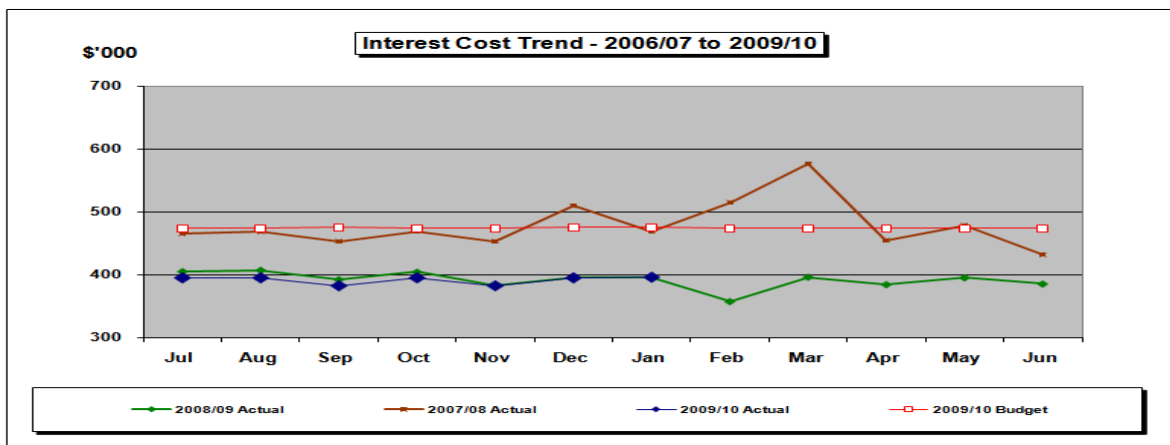
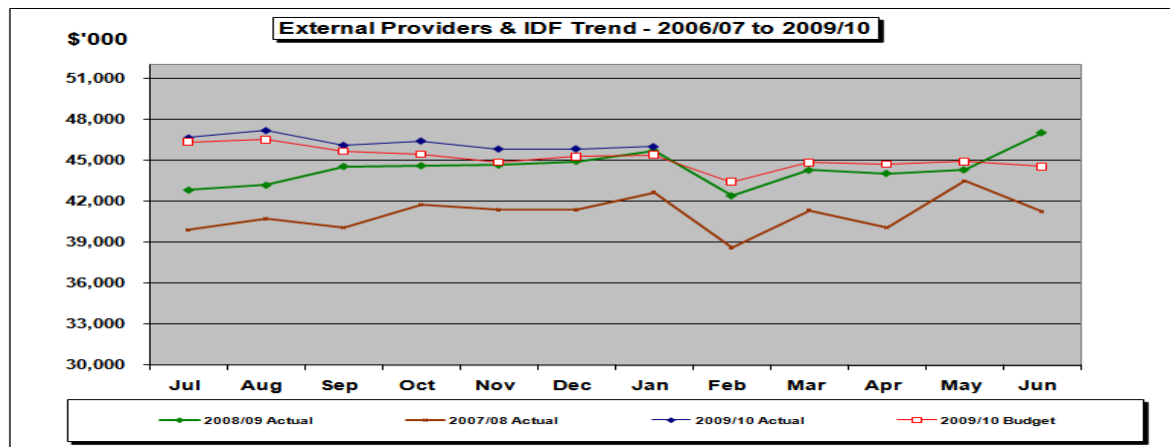
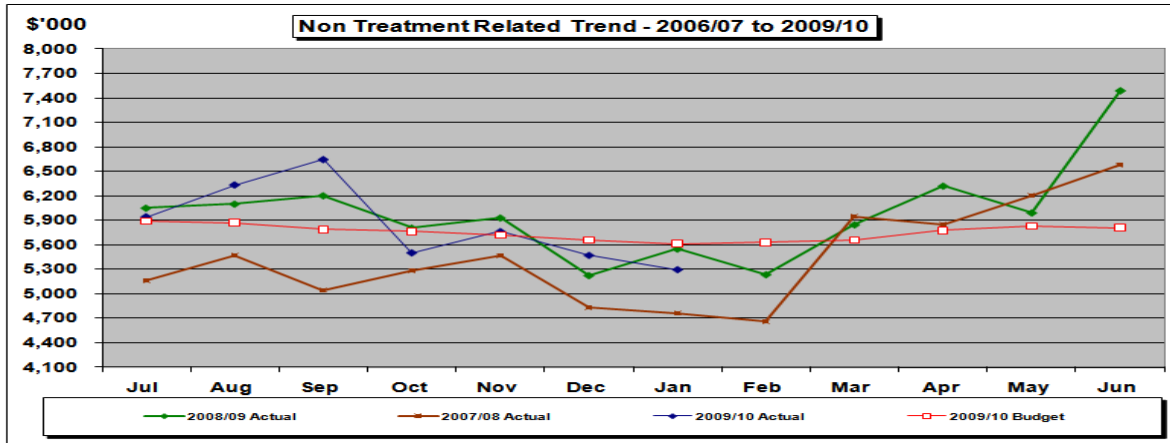
**APPENDIX 1: STATEMENT OF FINANCIAL PERFORMANCE**  
**– PERIOD ENDED 31 JANUARY 2010**

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	106.091	106.705	(0.614)	764.577	760.500	4.077
Non-health Related (e.g. interest, donations etc)	1.721	1.589	0.132	13.302	11.373	1.929
<b>Total Revenue earned for the period was:</b>	<b>107.812</b>	<b>108.294</b>	<b>(0.482)</b>	<b>777.879</b>	<b>771.873</b>	<b>6.006</b>
<b>EXPENDITURE</b>						
Expenditure was incurred as follows:						
<b>External Providers (Community/NGO Services)</b>						
Primary Care	9.046	8.896	(0.150)	63.724	62.440	(1.284)
Referred Services	15.641	14.510	(1.131)	101.630	98.535	(3.095)
Secondary Care	2.174	2.769	0.595	19.442	19.906	0.464
Initiatives	0.939	1.280	0.341	7.633	8.952	1.319
Mental Health	2.779	3.213	0.434	21.317	22.394	1.077
Older Persons Health	15.368	14.689	(0.679)	109.933	106.942	(2.991)
Other Services (HEHA)	0.067	0.060	(0.007)	0.475	0.463	(0.012)
<b>Total Expenditure - External Providers</b>	<b>46.014</b>	<b>45.417</b>	<b>(0.597)</b>	<b>324.154</b>	<b>319.632</b>	<b>(4.522)</b>
<b>Services Provided by CDHB and Subsidiaries (incl Hospitals, Public Health, Organisation-wide &amp; Corporate)</b>						
Personnel	42.869	43.061	0.192	309.556	308.323	(1.233)
Treatment Related	8.591	9.373	0.782	67.275	66.974	(0.301)
Other Consumables (non-treatment related)	5.298	5.614	0.316	40.967	40.307	(0.660)
Organisation-wide (e.g. interest, depreciation and capital charge)	5.587	5.888	0.301	39.702	40.908	1.206
<b>Total Expenditure - Services Provided by CDHB</b>	<b>62.345</b>	<b>63.936</b>	<b>1.591</b>	<b>457.500</b>	<b>456.512</b>	<b>(0.988)</b>
<b>Total Expenditure incurred for the period was:</b>	<b>108.359</b>	<b>109.353</b>	<b>0.994</b>	<b>781.654</b>	<b>776.144</b>	<b>(5.510)</b>
<b>NET OPERATING RESULT - SURPLUS/(DEFICIT)</b>	<b>(0.547)</b>	<b>(1.059)</b>	<b>0.512</b>	<b>(3.775)</b>	<b>(4.271)</b>	<b>0.496</b>

# APPENDIX 1A: STATEMENT OF FINANCIAL PERFORMANCE TRENDS



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



## APPENDIX 2: STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2010

FINANCIAL POSITION			Actual	Budget	Variance
			\$M	\$M	\$M
<b>ASSETS</b>					
Total Assets owned as at end of the period were:			523.229	520.982	2.247
The total assets were made up of:					
<b>Current Assets</b>					
	\$M	%			
* Cash (include bank overdraft)	56.376	10.8%			
* Receivables and Prepayments	41.962	8.0%			
* Stock (net of provision)	10.267	2.0%			
<b>Fixed and Non-Current Assets</b>					
* Land, Buildings, Equipment and Work-in Progress	390.291	74.6%			
* Investment & Restricted Assets (e.g. trust funds)	24.333	4.7%			
<b>Total Assets</b>	<b>523.229</b>	<b>100.0%</b>			
<b>LIABILITIES</b>					
Total Liabilities as at end of the period were:			311.081	309.330	(1.751)
Total liabilities consisted of:					
<b>Current Liabilities</b>					
	\$M	%			
* Creditors and Accruals	101.435	32.6%			
* Staff entitlements (e.g. annual leave balance)	112.538	36.2%			
* Loans falling due within a year	-	0.0%			
<b>Non Current Liabilities</b>					
* Term Loans	75.000	24.1%			
* Term Liabilities (incl provisions re long-term)	22.108	7.1%			
<b>Total Liabilities</b>	<b>311.081</b>	<b>100.0%</b>			
<b>NET ASSETS/TOTAL PUBLIC EQUITY</b>			<b>212.148</b>	<b>211.652</b>	<b>0.496</b>

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	(3.775)	(4.271)	0.496
<b>TOTAL PUBLIC EQUITY</b>	<b>212.148</b>	<b>211.652</b>	<b>0.496</b>

**APPENDIX 3: STATEMENT OF CASHFLOW - PERIOD ENDED 31 JANUARY 2010**

<b>CASHFLOW</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Net Cash From Operating Activities - Inflow/(Outflow)	26.654	19.548	7.106
Net Cash From Investing Activities - Inflow/(Outflow)	(17.775)	(19.022)	1.247
Net Cash From Financing Activities - Inflow/(Outflow)	-	-	-
<b>Net Increase / (Decrease) in Cash Held</b>	<b>8.879</b>	<b>0.526</b>	<b>8.353</b>
Add/(Less):			
Opening Balance as at 1 July 2009	47.497	47.497	-
<b>CLOSING CASH BALANCE</b>	<b>56.376</b>	<b>48.023</b>	<b>8.353</b>