Financials

<table>
<thead>
<tr>
<th>Waikato DHB Result for October 2013</th>
<th>Year to Date</th>
<th>Forecast</th>
<th>Jun-14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual $m</td>
<td>Budget $m</td>
<td>Variance $m</td>
</tr>
<tr>
<td>Funding</td>
<td>10.5</td>
<td>9.4</td>
<td>1.1 F</td>
</tr>
<tr>
<td>Governance</td>
<td>0.1</td>
<td>(0.1)</td>
<td>0.2 F</td>
</tr>
<tr>
<td>Provider</td>
<td>(18.6)</td>
<td>(15.1)</td>
<td>(3.5) U</td>
</tr>
<tr>
<td>DHB Surplus/(Deficit)</td>
<td>(8.0)</td>
<td>(5.7)</td>
<td>(2.3) U</td>
</tr>
</tbody>
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Note: $ F = favourable variance; ($ ) U = unfavourable variance

The October result for the DHB was breakeven, leaving the 4 month year to date result at $2.3m unfavourable to budget.

In October the provider-arm was $560k unfavourable, offset by a favourable variance in the funder-arm.

The main unfavourable variance was $1.27m in employee and outsourced costs, mainly medical.

The favourable funder-arm variance was mainly in inter-district flows (IDFs).

At this stage we are maintaining our year end forecast to achieve budget. It will be tight but is still achievable.

Further information is in the CFO’s report.

The November result will be reported to the meeting.

Health targets

Health target performance is showing general improvement as it is in the Minister’s other priority areas such as cardiac surgery and acute coronary syndrome. This is a function of ongoing action and an easing of demand as we move out of the colder months.

Of particular note is that the acute 6 hour target for quarter two (October, November, December to date) was 94%. When that is sustained at 95%, we will be achieving all four hospital related health targets.
In the primary care targets the gap is bigger but good progress is also being seen and I am confident that the targets will be achieved in time.

It is pleasing to see results for all the effort that staff and management are putting in.

**Annual planning 2014/15**

A separate paper from Brett Paradine is in the agenda that outlines the annual planning process, expectations, outputs and dates\(^1\). This will help inform members regarding the timing and content of a planning workshop for members. I also touch on this under “New member induction” below.

**Funding package 2014/15**

DHBs funding package for 2014/15 has recently been sent to us. As always it is subject to final confirmation in the Government’s annual budget.

Waikato DHB will receive a 2.13% ($20.69m) on core funding for the 2014/15 year, commencing 1 July 2014. The total funding increase to DHBs is $250m.

The Waikato DHB increase consists of 1.52% for demographic changes (including rebasing on prior year population changes) and 0.61% Contribution to Cost Pressure (CCP).

Demographic funding is required to be spent on new or additional services.

CCP is a contribution to price inflation. CCP is the residual funding after demographics has been calculated. It does not purport to compensate for the full cost of inflation.

DHBs have also been told that they must apply a 1% price increase to aged residential care services and primary care capitation.

The average funding increase across all DHBs was 2.13%, with the national demographic increase being 1.64%. So we were a little below the average. The range across all DHBs was from the minimum increase of 1.5% to 3.68%, being Waitemata DHB.

It is useful to know the funding increases in the rest of the Midland region as the increases will influence what can be achieved as a region:

- Bay of Plenty 3.08%
- Taranaki 1.69%
- Lakes 1.49%
- Tairawhiti 1.47%

Noting again that the minimum increase has been set at 1.5%.

As is usual, the Government has made no decision regarding out year funding and DHBs have been told to assume the 2014/15 funding increases for 2015/16 and 2016/17.

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\(^1\) The planning package is not yet to hand from the Ministry but any changes will be minor.
The funding advice notes that “… this level of funding for 2014/15 will require boards to actively work to restrain cost growth by improving productivity and reducing waste.”

**New member induction**

The Ministry, DHB chairs and chief executives have been working on the induction programme for new members and its components will be:

- A handbook – which we will also give to existing members
- Online Maori Health modules – dealing with relationships, health strategies and Maori health plans
- National induction meeting on 17 and 18 February
- Regional induction – Midland region date to be set
- Local induction – for board discussion (see further comments below)
- Member development plan – to be developed between the chair and members in March
- Member seminars – will occur in 2014 to develop knowledge and skills with topics guided by the development plans.

Regarding local induction, previous boards have had management present on processes that are of early interest to members, such as planning including financial planning, hospital throughput planning and management, media and complaints handling.

There is also the opportunity for a strategy or priority workshop which would be timely with the new board and where we are in the annual planning process.

They could be separate days or combined. Noting at this stage the February board meeting is on the 26th.

**Clinical Workstation (CWS)**

There are two papers in the agenda on CWS. One is a progress and issue report from Darrin Hackett on the CWS implementation in the month since the board approved it.

The second report pulls in all the elements of the broader programme of work for information and approval. Last month’s approval was for the vendor costs related to the Orion CWS. The latest paper quantifies the in-house costs that will be capitalised as well as some other related systems.

All of the components and costs are in the DHB’s plans but with various timings and it’s a matter of bringing them together into what is a logical single programme.

As is usual practice when we put up major capital requests, Maureen has included the Long Term Financial Model to show ongoing DHB financial viability. It sees an additional cash spend of $3m in this financial year and $3m less in the two subsequent years. The operating impact is about neutral.
At $5.5m the programme will require Ministerial approval, the logistics of which we have worked through with the National Health IT Board who expect approval prior to Christmas and in the interim are happy that we work within the existing $2.8m approval.

**Primary birthing**

A paper from Brett Paradine is in this agenda seeking approval to consult the public regarding options for the DHB owned and operated primary birthing facilities at Morrinsville and Te Awamutu.

The decision sought is to go to consultation and the board must have an open mind to the outcome.

The decision for the board is not which if any option or further option is favoured, although the board should be serious enough about making change to justify going to consultation.

Above all else, what strikes me is that the populations in the two catchments are not and will not be big enough to sustain primary birthing facilities.

**Health Benefits Limited – finance and procurement – national implementation**

A separate paper is in the agenda seeking in principle agreement from the board to common finance and procurement policies across all DHBs. This was part of the business case approved by Waikato DHB but HBL is seeking confirmation that DHBs are aware of the need for common policies and that they have no conceptual objection. The policies will allow individual DHBs to select their own thresholds from scales in the national policy, for example financial delegations in a DHB of this size are likely to be higher than in a small DHB.

The paper is in this month’s Audit and Risk Committee agenda, but because it seeks board approval is also in the board agenda.

**Committee structure and membership**

A separate paper asks the new board to consider the board committee structure and membership. In doing so it may be useful to be aware that an item on the regional chairs/chief executives agenda for 6 December is to cross populate the statutory committees with board members from neighbouring DHBs as well as local board members.

The paper is an updated version of the paper that has been considered by the prior two incoming boards.

**Board and committee meeting schedule for 2014**

The meeting schedule is separately attached for approval. It had been approved by the previous board subject to the dates working for new members. Please also note the request to change a committee meeting date.
Monthly information for the board until the next scheduled board meeting

Management will continue to send the financial results and recovery plan information to members as has been the practice of recent times.

Opening an additional operating theatre

Prior to the next scheduled board meeting on 26 February, management may circulate to the board a proposal to open one of two operating theatres that are in shell. This would be to further repatriate surgery that is currently outsourced. The business case is currently being developed.

Health Benefits Limited (HBL) annual report 2012/13

Members had enquired regarding the availability of the HBL annual report. It is available on the following link:

http://hbl.co.nz/File/annual-report-2013

or a hard copy (66 pages) will be given to you on request to Donna Straiton.

National Health Committee (NHC) membership

My appointment to the NHC expired recently and I have said that I do not want to renew it.

Recommendation

THAT
The board receives this report.

CRAIG CLIMO
CHIEF EXECUTIVE