



David Smol
Board Chair
Hutt Valley District Health Board

Dear David

Equity Support for 2020/21 – Hutt Valley District Health Board

I refer to your letter of 19 August 2020 in which Hutt Valley District Health Board (DHB) requested equity support for 2019/20 of \$35 million. I note that the amount requested reflects Hutt Valley 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 \$35.0 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 Hutt Valley 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 expecting the Ministry to receive your first representation and the supporting report for the first quarter of 2020/21 as soon as possible following your November Board meeting. Please send your report through to datateam@health.govt.nz.

The equity support payment of \$35.0 million will be released by the Ministry in October.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CH', is positioned above the printed name.

Chris Hipkins
Minister of Health