

FINANCIAL REPORT November 2010

OPERATING RESULTS

Consolidated Financial Performance

\$000	November 2010			Year to Date			Full Year	
	Budget	Actual	Variance	Budget	Actual	Variance	Forecast	DAP
Revenue	32,057	32,508	450	161,136	162,866	1,730	391,294	390,604
Expenditure								
Personnel Costs	11,859	12,017	(159)	60,673	59,716	957	144,940	146,184
Outsourced Services	890	1,014	(124)	4,511	4,792	(281)	11,056	10,811
Clinical Supplies	2,665	2,701	(36)	13,520	13,397	123	30,830	30,234
Infrastructural and Non Clinical Supplies	2,550	2,549	1	13,141	12,983	158	31,805	31,255
Personal Health Expenditure	8,929	8,913	16	44,974	45,060	(86)	107,959	107,863
Mental Health Expenditure	968	961	6	4,839	4,796	42	11,574	11,613
Public Health Expenditure	4	0	4	21	5	16	43	51
Disability Support Expenditure	3,399	3,484	(85)	17,128	17,178	(50)	41,228	41,237
Hauora Maori Services Expenditure	228	227	1	1,138	1,135	4	2,714	2,732
Interdivisional Eliminations	0	0	0	0	0	0	0	0
Internal Revenue/Expenses	(0)	(1)	0	(0)	(1)	0	0	(0)
Total Expenditure	31,492	31,865	(374)	159,946	159,061	884	382,149	381,980
Net Surplus/(Loss) before Interest & Capital Charge	565	642	77	1,191	3,805	2,615	9,145	8,623
Interest Received	66	119	53	336	623	287	976	802
Interest Paid	(272)	(198)	74	(1,385)	(987)	398	(3,282)	(3,306)
Capital Charge	(570)	(599)	(29)	(2,854)	(2,901)	(47)	(6,847)	(6,819)
Net Surplus/(Loss)	(211)	(36)	175	(2,713)	540	3,253	(8)	(699)
Made up of Divisional Surplus/(Loss):								
Funder	(219)	43	261	(1,230)	(68)	1,162	(2,282)	(2,779)
Governance	(31)	3	34	(47)	268	315	253	0
Provider	39	(81)	(120)	(1,436)	341	1,777	2,021	2,079
Total	(211)	(36)	175	(2,713)	540	3,253	(8)	(699)

Revenue: \$2.0m more than budget YTD
 Expenses: \$1.2m less than budget YTD
 Net Result: \$3.3m better than budget YTD

Revenue

Of the \$2.0m variance:

- \$427k is due to elective services and IDF washups relating to 09/10 (notified too late for inclusion into 09/10 accounts).
- Extra funding of \$215k has been received for other MoH Subcontracts including some PHO programmes, and Hospice and Psychogeriatric services.
- Revenue for some programmes has been received in advance of expenditure: Smokefree DHB \$99k, and Sexual Abuse programmes (ACC) \$33k.
- Additional revenue in the Fund of \$353k for PBF adjustments (Herceptin and CYF) is offset by increased costs.

- Interest Received continues to be better than budget (\$287k) due to good internal processes around the investment of excess funds and better interest rates than budgeted for.
- The remainder is due to a large number of smaller positive variances related to unbudgeted rebates (particularly Pharmac \$143k), secondments, reimbursements, and donations (\$197k), and above budget revenue lines which have offsetting expenditure .

Expenditure

Payments to providers are all reporting close to budget with the exception of Personal and Public Health, which is now \$100k overspent YTD in the Funder arm. Savings in Home Support (\$111k) due to changes in eligibility criteria have been offset by a demand-driven overspend in Immunisations (\$87k), and a \$180k overspend in Community Pharmaceuticals (consistent with cost pressures across the sector).

The \$1.0m saving in **personnel costs** YTD has had a number of drivers.

- Allowances are overspent \$262k in the month. This is a combination of Radiologists additional on call allowances from the MRT strike, and an effect of having three fortnightly pays in the month (allowances cannot be picked up in the monthly accrual).
- Medical underspend \$490k YTD is offset to Outsourced Medical overspend.
- \$386k positive variance YTD relating to course fees, relocation, and memberships due to the difficulties of phasing these costs correctly in the budget.
- Allied Health personnel costs are under budget by \$603k YTD due to vacancies - in particular Support Works, Mental Health, and Health Promotion. Staff mix and some offset to outsourced services have also impacted the YTD position.
- The MRT industrial action came to an end in November, leading to an increase in theatre throughput and consequentially nursing costs against recent months.
- Some recruitment decisions have been on hold pending the formation of the Executive Leadership Team (ELT) and results of various Rutherford Initiative reports. In some cases roster cover has been provided by less senior staff, or there is an offset in Outsourced costs (particularly Medical, although this relates also to difficulty in recruiting in some specialties). ELT is now in place but it may take some time for any additional recruitment to take effect.

The overspend of \$281k YTD in **Outsourced Services** is driven by locum medical staff in the Medical Surgical Directorate, particularly Ob/Gyn at both sites (covering sick leave and vacancies), and Nelson Paediatrics (for maternity leave). The total overspend for Medical outsourcing is \$428k, which is offset by the YTD underspend in medical personnel. Outsourced Services underspends are in Nursing and Clinical Support.

Clinical Supplies remain underspent YTD, partly resulting from leave taken by Orthopaedic Surgeons leading to decreased demand for implants and prosthetic items along with other surgical requirements. The overspend in November relates to Immunosuppressive and Cytotoxic pharmaceuticals. Actual spend for these drugs is related to the treatment cycles of individual patients and is therefore difficult to predict.

Budgeted savings in **Infrastructure and Non-Clinical Supplies** of \$610k YTD have been found, particularly against Facilities (\$116k YTD), Telecoms (\$142k YTD), Corporate Training (\$82k YTD), Staff Travel & Transport (\$140k), and Equipment Minor Purchases \$68k. Most line items in this group are underspent, contributing to the \$158k YTD better than budget position, over and above the budgeted savings.

Interest paid is less than budget by \$398k due to the delayed timing of the \$12.5m drawdown for the Wairau project, and better interest rates than budgeted.

Financial Performance by Division

Governance & Admin Statement of Financial Performance

\$000	November 2010			Year to Date			Full Year	
	Budget	Actual	Variance	Budget	Actual	Variance	Forecast	DAP
Revenue	458	452	(6)	2,292	2,373	81	5,573	5,501
Expenditure								
Personnel Costs	147	125	21	744	632	112	1,690	1,783
Outsourced Services	28	24	4	141	120	21	289	338
Infrastructural and Non Clinical Supplies	102	78	24	379	272	107	808	866
Internal Allocations	62	62	0	311	310	1	747	748
Total Expenditure	339	289	50	1,575	1,334	241	3,534	3,735
Net Surplus/(Loss) before Interest & Capital Charge	119	163	43	717	1,039	322	2,039	1,766
Capital Charge	(150)	(159)	(9)	(764)	(771)	(7)	(1,786)	(1,766)
Net Surplus/(Loss)	(31)	3	34	(47)	268	315	253	0

Fund Statement of Financial Performance

\$000	November 2010			Year to Date			Full Year	
	Budget	Actual	Variance	Budget	Actual	Variance	Forecast	DAP
Revenue								
Ministry of Health	29,378	29,618	240	147,352	148,374	1,022	354,755	354,384
Other Revenue	0	50	50	0	50	50		
Total Revenue	29,378	29,667	289	147,352	148,423	1,071	354,755	354,384
Expenditure								
Personal Health Expenditure	21,181	21,172	9	106,363	106,500	(136)	255,815	255,715
Mental Health Expenditure	3,043	3,037	7	15,217	15,190	26	36,480	36,520
Public Health Expenditure	237	229	8	1,185	1,149	36	2,825	2,845
Disability Support Expenditure	4,508	4,584	(76)	22,686	22,641	46	54,486	54,567
Hauora Maori Services Expenditure	228	227	1	1,138	1,135	4	2,714	2,732
Other Expenses	458	458	(0)	2,292	2,292	(0)	5,501	5,501
Total Expenditure	29,655	29,706	(51)	148,882	148,907	(25)	357,821	357,879
Net Surplus/(Loss) before Interest & Capital Charge	(277)	(39)	238	(1,530)	(484)	1,046	(3,066)	(3,494)
Interest Received	59	82	23	300	415	115	784	715
Net Surplus/(Loss)	(219)	43	261	(1,230)	(68)	1,162	(2,282)	(2,779)

Provider Statement of Financial Performance

\$000	November 2010			Year to Date			Full Year	
	Budget	Actual	Variance	Budget	Actual	Variance	Forecast	DAP
Revenue								
Ministry of Health	1,685	1,738	53	8,833	8,683	(150)	21,028	21,295
Internal Fund	15,669	15,663	(7)	78,490	78,440	(50)	188,811	188,882
Other Government	337	271	(66)	1,686	1,960	274	4,260	4,044
Other Revenue	658	839	180	3,266	3,718	453	11,170	10,881
Total Revenue	18,349	18,509	161	92,274	92,801	527	225,269	225,101
Expenditure								
Personnel Costs								
Medical Personnel	2,977	3,139	(161)	15,888	15,398	490	37,455	38,148
Nursing Personnel	3,990	4,057	(67)	20,132	20,289	(156)	48,956	49,100
Allied Health Personnel	2,715	2,618	97	13,580	12,977	603	32,613	33,131
Support Personnel	379	361	18	1,901	1,842	59	4,643	4,674
Management/Administration Personnel	1,651	1,717	(66)	8,428	8,578	(150)	19,582	19,349
Total Personnel	11,712	11,892	(180)	59,929	59,084	846	143,249	144,401
Outsourced Services	862	990	(128)	4,370	4,672	(302)	10,767	10,473
Clinical Supplies	2,665	2,701	(36)	13,520	13,397	123	30,830	30,234
Infrastructural and Non Clinical Supplies	2,448	2,471	(23)	12,762	12,711	51	30,998	30,389
Provider Payments	0	(0)	0	0	(0)	0		
Total Expenditure	17,688	18,054	(366)	90,582	89,864	719	215,844	215,498
Internal Allocations	62	63	1	311	311	(0)	747	748
Net Surplus/(Loss) before Interest & Capital Charge	724	519	(205)	2,003	3,249	1,246	10,172	10,351
Interest Received	7	37	30	36	208	172	192	87
Interest Paid	(272)	(198)	74	(1,385)	(987)	398	(3,282)	(3,306)
Capital Charge	(420)	(440)	(20)	(2,090)	(2,130)	(40)	(5,061)	(5,053)
Net Surplus/(Loss)	39	(81)	(120)	(1,436)	340	1,776	2,021	2,079

Consolidated Financial Position

Consolidated Statement of Financial Position \$000s	June 2010	CM Budget	CM Actual	Variance	DAP	Forecast
Bank	22,920	16,300	22,813	6,513	25,540	27,870
Debtors & Prepayments	9,646	22,510	9,608	(12,902)	22,666	8,442
Stock	2,016	2,318	2,057	(261)	2,318	2,318
Current Assets	34,582	41,128	34,478	(6,650)	50,524	38,630
Creditors	28,584	39,891	22,987	16,904	42,486	31,071
Employee Entitlements	25,921	25,601	31,307	(5,706)	23,736	23,736
Term Debt - Current Portion	1,580	2,404	13,354	(10,950)	2,404	2,404
Current Liabilities	56,085	67,896	67,648	248	68,626	57,211
Working Capital	(21,503)	(26,768)	(33,170)	(6,402)	(18,102)	(18,581)
Non Current Assets	157,119	164,526	165,186	660	165,702	165,272
Net Funds Employed	135,616	137,758	132,016	(5,742)	147,600	146,691
Long Service Leave	2,088	1,871	2,088	(217)	1,871	1,871
Retiring Gratuities	7,754	8,657	7,754	903	8,657	8,657
Sabbatical Leave	1,016	942	1,016	(74)	942	942
Term Debt	37,540	41,686	33,100	8,586	49,503	47,994
Non Current Liabilities	48,398	53,156	43,958	9,198	60,973	59,464
Crown Equity	87,218	84,602	88,058	3,456	86,627	87,227
Net Funds Employed	135,616	137,758	132,016	(5,742)	147,600	146,691

The major driver of variances to budget is the brought forward variance relating to the June 2010 position. Taking that into account, material variances are confined to:

- The effect of the second \$4m CHFA drawdown (increases in bank and total term debt balances)
- Retained earnings due to \$3.3m better than budget financial performance YTD
- Accrued Salaries & Wages/Employee entitlements appear inflated due to unsettled MECAs, restructuring accruals in hand, and the accrual of the last November payroll (paid 01 Dec).

In total, capital investment is \$660k higher than budget YTD. Capital Budget allocation unspent from 09/10 in the amount of \$4.8m has been approved to carry forward into 10/11. Assuming that the existing 10/11 capital plan is fully spent, this will therefore result in a negative variance at year end, and is a potential risk to cashflow. To date \$1.8m has been spent in 2011 against these brought forward projects, feeding the current YTD capital overspend.

Consolidated Cashflow Position

Consolidated Statement of Cash Flows \$000s	Current Month			Year to Date			Full Year	
	Budget	Actual	Variance	Budget	Actual	Variance	DAP	Forecast
Operating Cash Flow Receipts								
Government & Crown Agency Received	31,172	30,870	(302)	157,840	158,795	955	379,710	380,502
Other Revenue Received	656	877	221	3,266	3,747	481	7,846	8,123
Total Receipts	31,828	31,747	(81)	161,106	162,542	1,436	387,556	388,625
Payments								
Personnel	11,866	10,649	1,217	60,686	54,926	5,760	146,247	144,965
Payments to Suppliers	5,073	4,178	895	26,175	30,993	(4,818)	59,957	61,407
Capital Charge	-	-	-	3,458	3,510	(52)	6,861	6,449
GST	30	148	(118)	(58)	219	(277)	(100)	(890)
Payments to Other DHBs	3,070	3,140	(70)	15,348	17,015	(1,667)	36,833	37,045
Payments to Other Providers	10,640	10,445	195	52,708	51,160	1,548	126,527	126,382
Total Payments	30,679	28,560	2,119	158,317	157,823	494	376,325	375,357
Net Cash Inflow/(Outflow) from Operating Activities	1,149	3,187	2,038	2,789	4,719	1,930	11,231	13,268
Cash Flow from Investing Activities Receipts								
Interest Received	66	119	53	335	623	288	802	976
Sale of Fixed Assets	-	49	49	-	91	91	9,285	9,285
Total Receipts	66	168	102	335	714	379	10,087	10,261
Payments								
Capital Expenditure	2,918	2,595	323	11,733	12,187	(454)	26,590	26,590
Total Payments	2,918	2,595	323	11,733	12,187	(454)	26,590	26,590
Net Cash Inflow/(Outflow) from Investing Activities	(2,852)	(2,427)	425	(11,398)	(11,473)	(75)	(16,503)	(16,329)
Net Cash Inflow/(Outflow) from Financing Activities	(371)	3,720	4,091	2,079	6,647	4,568	7,982	8,011
Net Increase/(Decrease) in Cash Held	(2,074)	4,480	6,554	(6,530)	(107)	6,423	2,710	4,950
Plus Opening Balance	18,374	18,333	(41)	22,830	22,920	90	22,830	22,920
Closing Balance	16,300	22,813	6,513	16,300	22,813	6,513	25,540	27,870

Consolidated cash balances are \$6.5m better than plan YTD, largely due to the drawdown of the second \$4m from CHFA in November. The timing of this drawdown assists intra-month cashflows. The remaining \$2m results from better than budget revenue and interest received, along with a large payroll accrual (payment made 01 Dec).