

# MEMO

**To:** Board Members  
**From:** Eric Sinclair  
 GM Finance, Performance & Facilities  
**Date:** 23 April 2019  
**Subject:** Financial Report for March 2019

*Status*

This report contains:

- For decision
- Update
- Regular report
- For information

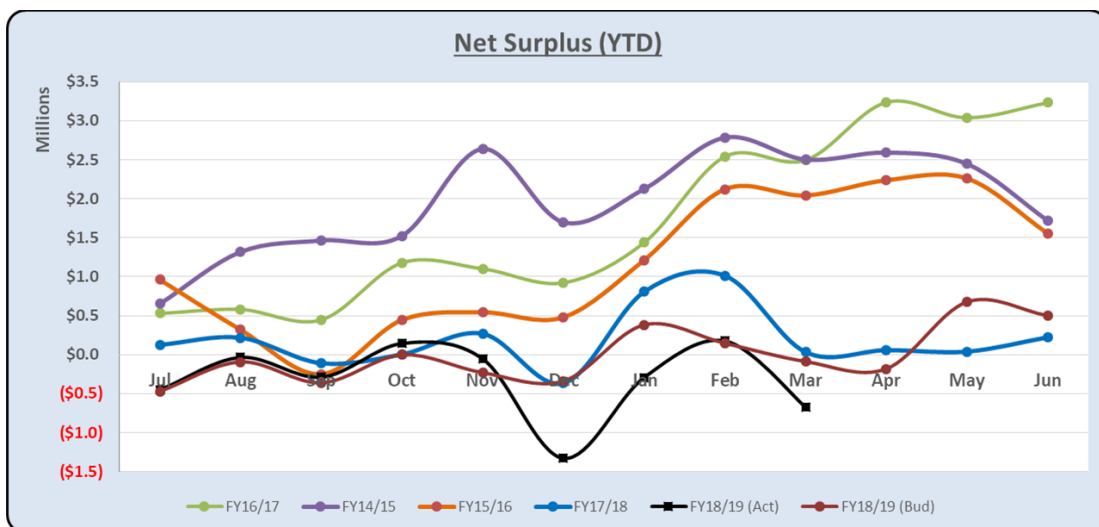
## Overview

The YTD net result shows a deficit of \$0.7M which is unfavourable to the planned result by \$0.6M. The impacts of MECAs continue to adversely impact the result with the STONZ MECA implementation recognised in the March results, along with further payments made to SMOs for cover provided during RMO strikes. Both of these are recognised below the operating surplus in the financial statements, and we do not believe that additional funding will be provided by Government to cover the costs in excess of the budgeted parameters.

Most DHBs are reflecting fiscal results in March that are adverse to plan, with higher volumes and resulting costs within both the hospital and community settings showing unfavourable variances. The latest sector results available, by DHB, are to the end of January and have been included as Appendix B.

There are still a number of employment agreements to be settled in the coming months, and we remain under pressure to cover these within the budgeted parameters.

We have been reviewing the costs to determine the impact on the financial results arising from the Pigeon Valley fires. At this point we are estimating a cost impact of \$30k, however costs related to the relocation of aged care residents will be recognised in the April results.



Operating Statement for the period ending March 2019

Month \$000s			
Actual	Budget	Variance	Last Yr
37,057	36,561	496	34,740
2,539	1,661	878	1,704
534	492	42	451
926	842	84	822
1,071	978	93	1,066
<b>42,127</b>	<b>40,534</b>	<b>1,593</b>	<b>38,783</b>
15,678	14,880	-798	14,281
462	128	-334	326
16,140	15,008	-1,132	14,607
1,573	1,358	-215	1,382
2,393	1,990	-403	2,078
3,452	3,716	264	3,930
435	263	-172	305
2,170	2,273	103	2,046
10,867	10,405	-462	9,885
3,906	3,900	-6	3,694
<b>40,936</b>	<b>38,913</b>	<b>-2,023</b>	<b>37,927</b>
<b>1,191</b>	<b>1,621</b>	<b>-430</b>	<b>856</b>
27	19	-8	29
905	1,109	204	1,028
848	728	-120	780
<b>1,780</b>	<b>1,856</b>	<b>76</b>	<b>1,837</b>
<b>-589</b>	<b>-235</b>	<b>-354</b>	<b>-981</b>
<b>-261</b>	0	<b>-261</b>	0
0	0	0	0
0	0	0	0
<b>-850</b>	<b>-235</b>	<b>-615</b>	<b>-981</b>

	YTD \$000s				Full Year \$000s	
	Actual	Budget	Variance	Last Yr	Budget	Last Yr
<b>Revenue</b>						
MOH devolved funding	350,179	346,851	3,328	331,646	463,268	444,601
MOH non-devolved funding	19,813	17,292	2,521	17,210	23,322	23,088
ACC revenue	4,338	4,521	-183	3,845	6,034	5,264
Other government & DHBs	7,782	7,626	156	8,210	10,173	10,845
Other income	10,472	9,263	1,209	9,483	12,368	14,456
<b>Total Revenue</b>	<b>392,584</b>	<b>385,553</b>	<b>7,031</b>	<b>370,394</b>	<b>515,165</b>	<b>498,254</b>
<b>Expenses</b>						
Employed workforce	145,684	146,738	1,054	135,592	196,214	184,566
Outsourced workforce	4,380	1,269	-3,111	2,756	1,677	4,131
<b>Total Workforce</b>	<b>150,064</b>	<b>148,007</b>	<b>-2,057</b>	<b>138,348</b>	<b>197,891</b>	<b>188,697</b>
Outsourced services	13,298	12,535	-763	12,102	16,697	16,352
Clinical supplies	20,966	19,414	-1,552	19,372	25,890	26,702
Pharmaceuticals	34,133	34,672	539	35,577	46,357	47,573
Air Ambulance	2,846	2,317	-529	2,337	3,089	3,162
Non-clinical supplies	23,688	23,438	-250	23,088	31,058	27,183
External provider payments	94,372	93,070	-1,302	89,453	124,107	121,406
Inter District Flows	35,135	35,101	-34	33,995	46,801	45,330
<b>Total Expenses before IDCC</b>	<b>374,502</b>	<b>368,554</b>	<b>-5,948</b>	<b>354,272</b>	<b>491,890</b>	<b>476,405</b>
<b>Surplus/(Deficit) before IDCC</b>	<b>18,082</b>	<b>16,999</b>	<b>1,083</b>	<b>16,122</b>	<b>23,275</b>	<b>21,849</b>
Interest expenses	250	189	-61	261	252	346
Depreciation	9,745	9,801	56	8,795	13,056	11,906
Capital charge	8,311	7,099	-1,212	7,034	9,465	9,376
<b>Total IDCC</b>	<b>18,306</b>	<b>17,089</b>	<b>-1,217</b>	<b>16,090</b>	<b>22,773</b>	<b>21,628</b>
<b>Operating Surplus/(Deficit)</b>	<b>-224</b>	<b>-90</b>	<b>-134</b>	<b>32</b>	<b>502</b>	<b>221</b>
MECA related costs	-419	0	-419	0	0	0
Other one-off cost implications	-30	0	-30	0	0	0
Impairment of NOS asset	0	0	0	0	0	-2,255
<b>Net Surplus/(Deficit)</b>	<b>-673</b>	<b>-90</b>	<b>-583</b>	<b>32</b>	<b>502</b>	<b>-2,034</b>

### **Key messages**

- Revenue from the MOH is showing as favourable reflecting three main areas:
  - The recognition of additional revenue that has been confirmed by the MOH for the PSA Nursing and PSA Allied Health MECA settlements.
  - We continue to receive additional funding for a variety of initiatives that offset additional cost to external providers.
  - We have completed the capital charge wash up process from the first six months from both the revenue and cost perspective.
  
- The majority of cost lines within the March result are a continuation of what we have seen in the earlier months with no new variances of any significance occurring. March was a busy month within the hospital evidenced by high occupancy levels. This has resulted in higher clinical supply costs than we have budgeted. There was also a higher usage of the air ambulance than we budgeted which along with the nationally agreed pricing has resulted in an adverse variance of \$172k in the month.
  
- The pharmaceutical forecast from Pharmac due in February has been received. There are a number of changes to how Pharmac have presented the information and some material differences in a number of lines from the November forecast. Further work is underway with Pharmac, locally and nationally, to gain a better understanding on what impact this latest forecast has.

Eric Sinclair

**GM Finance Performance & Facilities**

### **RECOMMENDATIONS:**

**THAT THE BOARD RECEIVES THE FINANCIAL REPORT.**

**Appendix A – Detailed Financial Statements**

**Statement of Financial Position**

	June 2018	Mar	Mar		Annual
\$000s	Actual	Actual	Budget	Variance	Budget
<b>Current Assets</b>					
Bank	18,468	26,878	20,787	6,091	20,841
Deposits > 3 months	19,950	21,284	19,950	1,334	19,950
Debtors & Prepayments	18,436	20,690	18,436	2,254	18,636
Stock	2,715	2,715	2,715	0	2,715
Assets Held for Sale	465	465	-	465	-
<b>Current Assets</b>	<b>60,034</b>	<b>72,031</b>	<b>61,888</b>	<b>10,143</b>	<b>62,142</b>
<b>Current Liabilities</b>					
Creditors	27,437	35,859	31,685	(4,174)	32,086
Employee Entitlements	37,032	39,719	34,851	(4,868)	34,851
Term Debt - Current Portion	490	500	504	4	507
<b>Current Liabilities</b>	<b>64,958</b>	<b>76,078</b>	<b>67,040</b>	<b>(9,038)</b>	<b>67,444</b>
<b>Working Capital</b>	<b>(4,924)</b>	<b>(4,046)</b>	<b>(5,152)</b>	<b>1,106</b>	<b>(5,302)</b>
<b>Non Current Assets</b>					
Property Plant and Equipment	208,262	206,354	208,017	(1,663)	208,111
Other Non Current Assets	1,762	1,731	1,763	(32)	1,763
<b>Non Current Assets</b>	<b>210,024</b>	<b>208,086</b>	<b>209,780</b>	<b>(1,694)</b>	<b>209,874</b>
Employee Entitlements	9,406	9,406	9,406	-	9,406
Term Debt	8,172	7,792	7,812	20	7,692
<b>Non Current Liabilities</b>	<b>17,578</b>	<b>17,198</b>	<b>17,218</b>	<b>20</b>	<b>17,098</b>
<b>Net Assets</b>	<b>187,522</b>	<b>186,842</b>	<b>187,410</b>	<b>(568)</b>	<b>187,474</b>
<b>Equity</b>					
Crown Equity	82,467	82,467	82,468	(1)	81,920
Revaluation Reserve	86,476	86,471	86,475	(4)	86,475
Retained Earnings:					
General	19,028	17,143	18,587	(1,444)	19,557
DSS	160	496	(47)	543	(51)
Mental Health	(610)	264	(73)	337	(427)
Retained Earnings	18,579	17,904	18,467	(563)	19,079
<b>Total Crown Equity</b>	<b>187,522</b>	<b>186,842</b>	<b>187,410</b>	<b>(568)</b>	<b>187,474</b>

**Statement of Cash Flows**

	Year to Date			Full Year
	Actual	Budget	Variance	AP
<b>Operating Cash Flow</b>				
<b>Receipts</b>				
Government & Crown Agency Received	379,526	376,291	3,235	502,797
Interest Received	1,182	1,500	(318)	2,000
Other Revenue Received	9,344	9,260	84	12,363
<b>Total Receipts</b>	<b>390,052</b>	<b>387,051</b>	<b>3,001</b>	<b>517,160</b>
<b>Payments</b>				
Personnel	143,422	146,623	3,201	195,964
Payments to Suppliers and Providers	222,623	225,841	3,218	298,597
Capital Charge	5,887	4,733	(1,154)	9,465
Interest Paid	620	-	(620)	-
<b>Total Payments</b>	<b>372,552</b>	<b>377,197</b>	<b>4,645</b>	<b>504,026</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>17,500</b>	<b>9,854</b>	<b>7,646</b>	<b>13,134</b>
<b>Cash Flow from Investing Activities</b>				
<b>Receipts</b>				
Sale of Fixed Assets	84	-	84	-
<b>Total Receipts</b>	<b>84</b>	<b>-</b>	<b>84</b>	<b>-</b>
<b>Payments</b>				
Capital Expenditure	7,840	7,000	(840)	9,500
Increase in Investments	1,334	-	(1,334)	-
<b>Total Payments</b>	<b>9,174</b>	<b>7,000</b>	<b>(2,174)</b>	<b>9,500</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(9,090)</b>	<b>(7,000)</b>	<b>(2,090)</b>	<b>(9,500)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>-</b>	<b>(535)</b>	<b>535</b>	<b>(1,262)</b>
Net Increase/(Decrease) in Cash Held	8,410	2,319	6,091	2,372
Plus Opening Balance	18,468	18,468	-	18,468
<b>Closing Balance</b>	<b>26,878</b>	<b>20,787</b>	<b>6,091</b>	<b>20,840</b>

Consolidated 12 Month Rolling Statement of Cash Flows \$000s	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Cash Flow</b>												
<b>Receipts</b>												
Government & Crown Agency Received	39,609	46,582	40,316	44,500	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
Interest Received	167	167	167	169	169	169	169	169	169	169	169	169
Other Revenue Received	983	1,130	990	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
<b>Total Receipts</b>	<b>40,759</b>	<b>47,879</b>	<b>41,473</b>	<b>45,712</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>
<b>Payments</b>												
Personnel	14,813	19,091	15,438	16,865	16,865	16,865	16,865	16,865	16,865	16,865	16,865	16,865
Payments to Suppliers and Providers	25,199	26,666	20,891	25,123	25,123	25,123	25,123	25,123	25,123	25,123	25,123	25,123
Capital Charge	-	-	5,532	-	-	-	-	-	5,580	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Payments</b>	<b>40,012</b>	<b>45,757</b>	<b>41,861</b>	<b>41,989</b>	<b>41,990</b>	<b>41,991</b>	<b>41,992</b>	<b>41,993</b>	<b>47,574</b>	<b>41,995</b>	<b>41,996</b>	<b>41,997</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>747</b>	<b>2,122</b>	<b>(388)</b>	<b>3,723</b>	<b>2,122</b>	<b>2,121</b>	<b>2,120</b>	<b>2,119</b>	<b>(3,462)</b>	<b>2,117</b>	<b>2,116</b>	<b>2,115</b>
<b>Cash Flow from Investing Activities</b>												
<b>Receipts</b>												
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Payments</b>												
Capital Expenditure	500	1,050	950	1,017	217	467	667	1,367	1,267	767	3,300	3,750
Increase in Investments	500	1,050	950	1,017	217	467	667	1,367	1,267	767	3,300	3,750
<b>Total Payments</b>	<b>(500)</b>	<b>(1,050)</b>	<b>(950)</b>	<b>(1,017)</b>	<b>(217)</b>	<b>(467)</b>	<b>(667)</b>	<b>(1,367)</b>	<b>(1,267)</b>	<b>(767)</b>	<b>(3,300)</b>	<b>(3,750)</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(58)</b>	<b>(63)</b>	<b>(605)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>												
Net Increase/(Decrease) in Cash Held	189	1,009	(1,943)	2,646	1,845	1,594	1,393	692	(4,789)	1,290	(1,244)	(1,695)
Plus Opening Balance	26,878	27,067	28,076	26,133	28,779	30,624	32,218	33,611	34,303	29,514	30,804	29,560
<b>Closing Balance</b>	<b>27,067</b>	<b>28,076</b>	<b>26,133</b>	<b>28,779</b>	<b>30,624</b>	<b>32,218</b>	<b>33,611</b>	<b>34,303</b>	<b>29,514</b>	<b>30,804</b>	<b>29,560</b>	<b>27,865</b>

## Appendix B – National DHB Financial Results to 31 January 2019

	Actual	Plan	Variance
Auckland DHB	(11,370)	(189)	(11,181)
Counties Manukau DHB	(29,155)	(32,630)	3,475
Northland DHB	(4,373)	(3,578)	(794)
Waitemata DHB	(7,615)	(5,675)	(1,940)
<b>Northern Region Total</b>	<b>(52,513)</b>	<b>(42,072)</b>	<b>(10,441)</b>
Bay of Plenty DHB	(5,575)	(2,479)	(3,097)
Lakes DHB	(5,430)	(2,919)	(2,511)
Tairāwhiti DHB	(6,193)	(5,367)	(826)
Taranaki DHB	(9,424)	(8,771)	(653)
Waikato DHB	(33,452)	(28,575)	(4,877)
<b>Midland Region Total</b>	<b>(60,074)</b>	<b>(48,110)</b>	<b>(11,964)</b>
Capital & Coast DHB	(13,797)	(9,997)	(3,800)
Hawke's Bay DHB	(6,338)	(4,176)	(2,162)
Hutt Valley DHB	(2,027)	(5,941)	3,914
MidCentral DHB	(8,517)	(5,702)	(2,815)
Wairarapa DHB	(5,790)	(5,596)	(193)
Whanganui DHB	(6,472)	(6,498)	26
<b>Central Region Total</b>	<b>(42,941)</b>	<b>(37,910)</b>	<b>(5,031)</b>
Canterbury DHB	(47,587)	(46,160)	(1,427)
Nelson Marlborough DHB	(293)	342	(635)
South Canterbury DHB	(514)	(207)	(307)
Southern DHB	(22,830)	(15,224)	(7,606)
West Coast DHB	(3,722)	(3,921)	199
<b>Southern Region Total</b>	<b>(74,945)</b>	<b>(65,170)</b>	<b>(9,775)</b>
<b>All DHBs</b>	<b>(230,473)</b>	<b>(193,262)</b>	<b>(37,211)</b>