

# MEMO

**To:** Board Members  
**From:** Eric Sinclair  
 GM Finance, Performance & Facilities  
**Date:** 22 May 2019  
**Subject:** Financial Report for April 2019

*Status*

**This report contains:**

- For decision
- Update
- Regular report
- For information

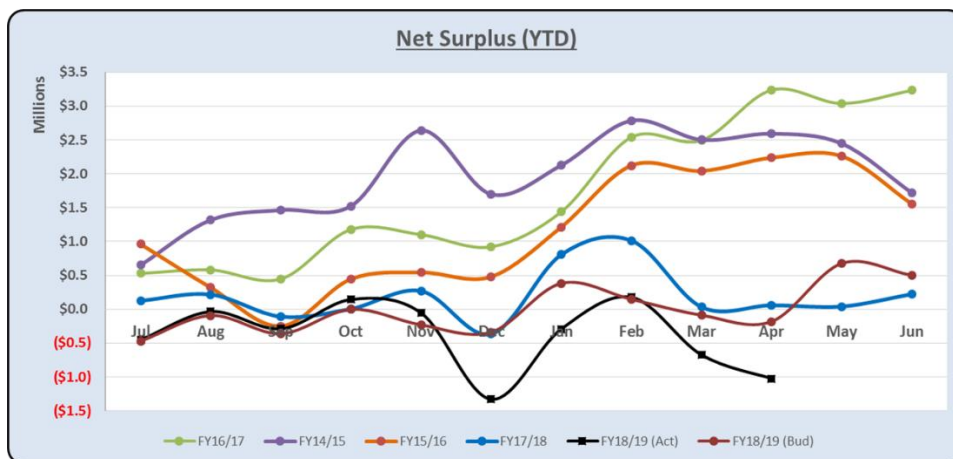
## Overview

The YTD operating result shows a deficit of \$0.5M which is unfavourable to the planned result by \$0.3M. This brings the net deficit to \$1.0M for the YTD, \$0.8M adverse to the plan.

The impact of MECAs continue to adversely impact the result with further claims made by SMOs for cover provided during RMO strikes during the month. Further costs for this will occur in the May result following the five day strike at the beginning of May.

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. To date there has been no indication that additional funding will be provided by Government to cover the costs in excess of the budgeted parameters.

A further \$30k of costs associated with supported provided during the February Pigeon Valley fires was identified during the month and this has also been separated from the operating result as shown in the financial operating statement.



Operating Statement for the period ending April 2019

Month \$000s			
Actual	Budget	Variance	Last Yr
36,626	36,061	565	36,047
2,514	2,213	301	2,016
557	490	67	355
854	845	9	854
988	984	4	991
<b>41,539</b>	<b>40,593</b>	<b>946</b>	<b>40,263</b>
15,170	14,849	-321	15,218
595	128	-467	424
15,765	14,977	-788	15,642
1,444	1,358	-86	1,306
2,062	2,003	-59	2,089
3,796	3,781	-15	3,439
267	247	-20	261
2,040	2,330	290	1,921
10,612	10,268	-344	9,861
3,902	3,900	-2	3,907
<b>39,888</b>	<b>38,864</b>	<b>-1,024</b>	<b>38,426</b>
<b>1,651</b>	<b>1,729</b>	<b>-78</b>	<b>1,837</b>
27	19	-8	29
1,077	1,073	-4	1,002
848	728	-120	780
<b>1,952</b>	<b>1,820</b>	<b>-132</b>	<b>1,811</b>
<b>-301</b>	<b>-91</b>	<b>-210</b>	<b>26</b>
<b>-13</b>	<b>0</b>	<b>-13</b>	<b>0</b>
<b>-30</b>	<b>0</b>	<b>-30</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>-344</b>	<b>-91</b>	<b>-253</b>	<b>26</b>

Revenue

MOH devolved funding	386,805	382,912	3,893	367,693
MOH non-devolved funding	22,327	19,505	2,822	19,226
ACC revenue	4,895	5,011	-116	4,200
Other government & DHBs	8,636	8,471	165	9,065
Other income	11,488	10,247	1,241	10,474
<b>Total Revenue</b>	<b>434,151</b>	<b>426,146</b>	<b>8,005</b>	<b>410,658</b>

Expenses

Employed workforce	160,854	161,587	733	150,810
Outsourced workforce	4,977	1,398	-3,579	3,181
<b>Total Workforce</b>	<b>165,831</b>	<b>162,985</b>	<b>-2,846</b>	<b>153,991</b>
Outsourced services	14,743	13,892	-851	13,407
Clinical supplies	23,028	21,417	-1,611	21,461
Pharmaceuticals	37,929	38,454	525	39,016
Air Ambulance	3,113	2,564	-549	2,598
Non-clinical supplies	25,756	25,768	12	25,009
External provider payments	104,985	103,338	-1,647	99,315
Inter District Flows	39,037	39,001	-36	37,902
<b>Total Expenses before IDCC</b>	<b>414,422</b>	<b>407,419</b>	<b>-7,003</b>	<b>392,699</b>
<b>Surplus/(Deficit) before IDCC</b>	<b>19,729</b>	<b>18,727</b>	<b>1,002</b>	<b>17,959</b>
Interest expenses	277	209	-68	290
Depreciation	10,822	10,874	52	9,797
Capital charge	9,160	7,827	-1,333	7,815
<b>Total IDCC</b>	<b>20,259</b>	<b>18,910</b>	<b>-1,349</b>	<b>17,902</b>

Operating Surplus/(Deficit)

MECA related costs	-432	0	-432	0
Other one-off cost implications	-60	0	-60	0
Impairment of NOS asset	0	0	0	0

Net Surplus/(Deficit)

YTD \$000s			
Actual	Budget	Variance	Last Yr
386,805	382,912	3,893	367,693
22,327	19,505	2,822	19,226
4,895	5,011	-116	4,200
8,636	8,471	165	9,065
11,488	10,247	1,241	10,474
<b>434,151</b>	<b>426,146</b>	<b>8,005</b>	<b>410,658</b>
160,854	161,587	733	150,810
4,977	1,398	-3,579	3,181
165,831	162,985	-2,846	153,991
14,743	13,892	-851	13,407
23,028	21,417	-1,611	21,461
37,929	38,454	525	39,016
3,113	2,564	-549	2,598
25,756	25,768	12	25,009
104,985	103,338	-1,647	99,315
39,037	39,001	-36	37,902
<b>414,422</b>	<b>407,419</b>	<b>-7,003</b>	<b>392,699</b>
<b>19,729</b>	<b>18,727</b>	<b>1,002</b>	<b>17,959</b>
277	209	-68	290
10,822	10,874	52	9,797
9,160	7,827	-1,333	7,815
<b>20,259</b>	<b>18,910</b>	<b>-1,349</b>	<b>17,902</b>
<b>-530</b>	<b>-183</b>	<b>-347</b>	<b>57</b>
-432	0	-432	0
-60	0	-60	0
0	0	0	0
<b>-1,022</b>	<b>-183</b>	<b>-839</b>	<b>57</b>

Full Year \$000s	
Budget	Last Yr
463,268	444,601
23,322	23,088
6,034	5,264
10,173	10,845
12,368	14,456
<b>515,165</b>	<b>498,254</b>
196,214	184,566
1,677	4,131
197,891	188,697
16,697	16,352
25,890	26,702
46,357	47,573
3,089	3,162
31,058	27,183
124,107	121,406
46,801	45,330
<b>491,890</b>	<b>476,405</b>
<b>23,275</b>	<b>21,849</b>
252	346
13,056	11,906
9,465	9,376
<b>22,773</b>	<b>21,628</b>
<b>502</b>	<b>221</b>
0	0
0	0
0	-2,255
<b>502</b>	<b>-2,034</b>

## Key Messages

- Revenue from the MOH continues to show a favourable variance reflecting three main areas:
  - The recognition of additional revenue that has been confirmed by the MOH for the NZNO Nursing, PSA Nursing and PSA Allied Health MECA settlements along with funding for the initial implementation of the CCDM nursing resources.
  - 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 April result are a continuation of what we have seen in the earlier months with no new variances of any significance occurring.
- 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 to gain a better understanding on the year end implications of the forecast.

## Equity Repayment

Since June 2007, DHBs have received additional funding that was provided by Treasury specifically relating to the revaluation of property assets that occurred under the accounting standard applicable at the time, namely Financial Reporting Standard No. 3 (FRS-3). This additional funding ensured a neutral impact to DHB's bottom lines given the revaluation increased depreciation and capital charge.

At the time it was agreed between the DHBs, MOH and Treasury that the amount of the additional funding equivalent to the increased depreciation component would be repaid as an equity repayment on an annual basis. This process has occurred each year since that time. The advice from the MOH for the current year has not been received at the date of writing but is expected to be received within the next week. This advice will request a repayment of \$547,308 which is in line with annual payments made in the previous years.

Under the Delegation Policy, management does not have the authority to approve equity repayments and therefore the approval of the Board is required for management to make the payment. The due date is likely to be before the June Board meeting and therefore the request for approval to complete this transaction is requested now. Any change to this will be confirmed with the Chair and Deputy Chair prior to any payment being made.

Eric Sinclair

**GM Finance Performance & Facilities**

## RECOMMENDATIONS:

### THAT THE BOARD:

- 1 RECEIVES THE FINANCIAL REPORT.**
- 2 APPROVES THE REPAYMENT OF EQUITY TO THE VALUE OF \$547,308.**

## Appendix A – Detailed Financial Statements

### Statement of Financial Position

	June 2018	Apr	Apr		Annual
\$000s	Actual	Actual	Budget	Variance	Budget
<b>Current Assets</b>					
Bank	18,468	24,932	20,975	3,957	20,841
Deposits > 3 months	19,950	21,284	19,950	1,334	19,950
Debtors & Prepayments	18,436	20,917	18,636	2,281	18,636
Stock	2,715	2,699	2,715	(16)	2,715
Assets Held for Sale	465	465	-	465	-
<b>Current Assets</b>	<b>60,034</b>	<b>70,298</b>	<b>62,276</b>	<b>8,022</b>	<b>62,142</b>
<b>Current Liabilities</b>					
Creditors	27,437	36,929	31,906	(5,023)	32,086
Employee Entitlements	37,032	40,091	34,851	(5,240)	34,851
Term Debt - Current Portion	490	500	505	5	507
<b>Current Liabilities</b>	<b>64,958</b>	<b>77,520</b>	<b>67,262</b>	<b>(10,258)</b>	<b>67,444</b>
<b>Working Capital</b>	<b>(4,924)</b>	<b>(7,223)</b>	<b>(4,986)</b>	<b>(2,237)</b>	<b>(5,302)</b>
<b>Non Current Assets</b>					
Property Plant and Equipment	208,262	208,836	207,726	1,110	208,111
Other Non Current Assets	1,762	2,037	1,763	274	1,763
<b>Non Current Assets</b>	<b>210,024</b>	<b>210,872</b>	<b>209,489</b>	<b>1,383</b>	<b>209,874</b>
Employee Entitlements	9,406	9,406	9,406	-	9,406
Term Debt	8,172	7,750	7,772	22	7,692
<b>Non Current Liabilities</b>	<b>17,578</b>	<b>17,156</b>	<b>17,178</b>	<b>22</b>	<b>17,098</b>
<b>Net Assets</b>	<b>187,522</b>	<b>186,494</b>	<b>187,325</b>	<b>(831)</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	16,795	18,502	(1,707)	19,557
DSS	160	496	(47)	543	(51)
Mental Health	(610)	264	(73)	337	(427)
Retained Earnings	18,579	17,556	18,382	(826)	19,079
<b>Total Crown Equity</b>	<b>187,522</b>	<b>186,494</b>	<b>187,325</b>	<b>(831)</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	421,824	415,899	5,925	502,797
Interest Received	1,313	1,667	(354)	2,000
Other Revenue Received	10,201	10,243	(42)	12,363
<b>Total Receipts</b>	<b>433,338</b>	<b>427,809</b>	<b>5,529</b>	<b>517,160</b>
<b>Payments</b>				
Personnel	158,231	161,435	3,204	195,964
Payments to Suppliers and Providers	250,616	251,040	424	298,597
Capital Charge	4,390	4,733	343	9,465
Interest Paid	689	-	(689)	-
<b>Total Payments</b>	<b>413,926</b>	<b>417,208</b>	<b>3,282</b>	<b>504,026</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>19,412</b>	<b>10,601</b>	<b>8,811</b>	<b>13,134</b>
<b>Cash Flow from Investing Activities</b>				
<b>Receipts</b>				
Sale of Fixed Assets	87	-	87	-
<b>Total Receipts</b>	<b>87</b>	<b>-</b>	<b>87</b>	<b>-</b>
<b>Payments</b>				
Capital Expenditure	11,399	7,500	(3,899)	9,500
Increase in Investments	1,636	-	(1,636)	-
<b>Total Payments</b>	<b>13,035</b>	<b>7,500</b>	<b>(5,535)</b>	<b>9,500</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(12,948)</b>	<b>(7,500)</b>	<b>(5,448)</b>	<b>(9,500)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>-</b>	<b>(594)</b>	<b>594</b>	<b>(1,262)</b>
Net Increase/(Decrease) in Cash Held	6,464	2,507	3,957	2,372
Plus Opening Balance	18,468	18,468	-	18,468
<b>Closing Balance</b>	<b>24,932</b>	<b>20,975</b>	<b>3,957</b>	<b>20,840</b>

Consolidated 12 Month Rolling Statement of Cash Flows \$000s	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 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	46,582	40,316	44,500	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
Interest Received	167	167	169	169	169	169	169	169	169	169	169	169
Other Revenue Received	1,130	990	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
<b>Total Receipts</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>44,112</b>
<b>Payments</b>												
Personnel	19,091	15,438	16,865	16,865	16,865	16,865	16,865	16,865	16,865	16,865	16,865	16,865
Payments to Suppliers and Providers	26,666	20,891	25,123	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>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>41,998</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</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>2,114</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	1,050	950	1,017	217	467	667	1,367	1,267	767	3,300	3,750	3,350
<b>Total Payments</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>3,350</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</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>(3,350)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</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>(60)</b>
Net Increase/(Decrease) in Cash Held	1,009	(1,943)	2,646	1,845	1,594	1,393	692	(4,789)	1,290	(1,244)	(1,695)	(1,296)
Plus Opening Balance	24,932	25,941	23,998	26,644	28,489	30,083	31,476	32,168	27,379	28,669	27,425	25,730
<b>Closing Balance</b>	<b>25,941</b>	<b>23,998</b>	<b>26,644</b>	<b>28,489</b>	<b>30,083</b>	<b>31,476</b>	<b>32,168</b>	<b>27,379</b>	<b>28,669</b>	<b>27,425</b>	<b>25,730</b>	<b>24,434</b>