

MEMO

Status

This report contains:

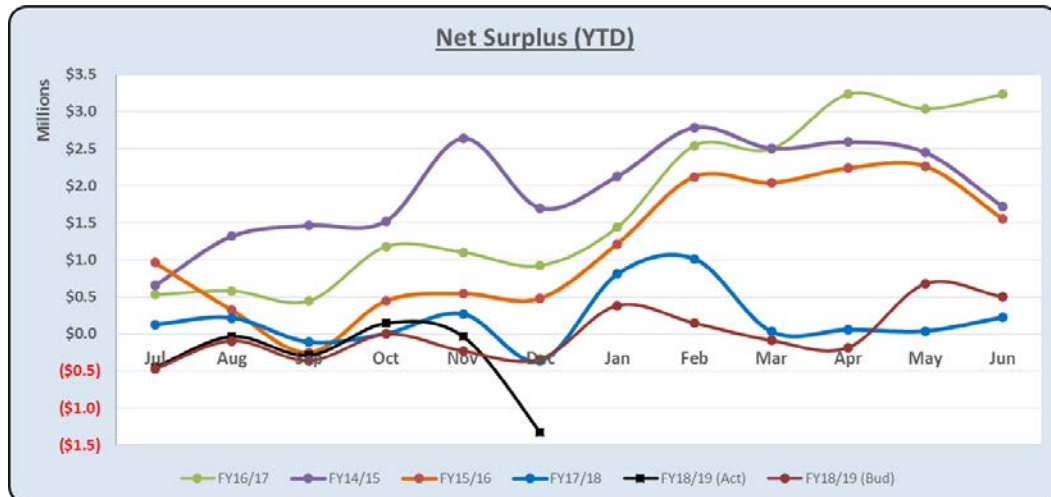
- For decision
- Update
- Regular report
- For information

To: Board Members
From: Eric Sinclair
GM Finance, Performance & Facilities
Date: 23 January 2019
Subject: Financial Report for December 2018

Overview

The financial results for the first half of the year show a deficit of \$1.3M which is unfavourable to the plan by \$0.99M.

The result deteriorated in December primarily due to unbudgeted lump sum payments for two multi-employer collective agreements (MECAs) – PSA Nursing and PSA Allied Health that totalled \$780k. I have separated out this impact as a separate line in the statement of financial performance shown on the following page.



Operating Statement for the period ending December 2018

Month \$000s			
Actual	Budget	Variance	Last Yr
37,552	36,861	691	34,287
1,608	1,608	0	1,671
405	492	-87	306
829	830	-1	813
1,125	981	144	1,118
41,519	40,772	747	38,195
15,079	14,798	-281	13,129
514	128	-386	343
15,593	14,926	-667	13,472
1,483	1,360	-123	1,374
2,322	1,990	-332	2,131
4,132	3,884	-248	3,529
374	263	-111	261
2,436	2,336	-100	2,475
10,085	10,363	278	10,073
3,902	3,900	-2	3,706
40,327	39,022	-1,305	37,021
1,192	1,750	-558	1,174
28	19	-9	14
1,126	1,109	-17	1,011
552	728	176	782
1,706	1,856	150	1,807
-514	-106	-408	-633
-780	0	-780	0
0	0	0	0
-1,294	-106	-1,188	-633

Revenue

MOH devolved funding	232,664	230,534	2,130	219,737
MOH non-devolved funding	11,384	11,490	-106	11,438
ACC revenue	2,932	3,009	-77	2,552
Other government & DHBs	5,181	5,097	84	5,442
Other income	7,138	6,208	930	6,297
Total Revenue	259,299	256,338	2,961	245,466

Expenses

Employed workforce	94,858	96,582	1,724	88,781
Outsourced workforce	2,746	857	-1,889	1,787
Total Workforce	97,604	97,439	-165	90,568
Outsourced services	8,681	8,358	-323	8,031
Clinical supplies	13,969	12,942	-1,027	12,993
Pharmaceuticals	23,552	23,397	-155	23,516
Air Ambulance	2,031	1,544	-487	1,434
Non-clinical supplies	16,591	15,965	-626	15,802
External provider payments	62,580	62,191	-389	60,075
Inter District Flows	23,422	23,400	-22	22,699
Total Expenses before IDCC	248,430	245,236	-3,194	235,118
Surplus/(Deficit) before IDCC	10,869	11,102	-233	10,348
Interest expenses	168	126	-42	175
Depreciation	6,693	6,581	-112	5,847
Capital charge	4,556	4,732	176	4,693
Total IDCC	11,417	11,439	22	10,715

Operating Surplus/(Deficit)

MECA settlements	-780	0	-780	0
Impairment of NOS asset	0	0	0	0

Net Surplus/(Deficit)

YTD \$000s			
Actual	Budget	Variance	Last Yr
232,664	230,534	2,130	219,737
11,384	11,490	-106	11,438
2,932	3,009	-77	2,552
5,181	5,097	84	5,442
7,138	6,208	930	6,297
259,299	256,338	2,961	245,466
94,858	96,582	1,724	88,781
2,746	857	-1,889	1,787
97,604	97,439	-165	90,568
8,681	8,358	-323	8,031
13,969	12,942	-1,027	12,993
23,552	23,397	-155	23,516
2,031	1,544	-487	1,434
16,591	15,965	-626	15,802
62,580	62,191	-389	60,075
23,422	23,400	-22	22,699
248,430	245,236	-3,194	235,118
10,869	11,102	-233	10,348
168	126	-42	175
6,693	6,581	-112	5,847
4,556	4,732	176	4,693
11,417	11,439	22	10,715
-548	-337	-211	-367
-780	0	-780	0
0	0	0	0
-1,328	-337	-991	-367

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
515,165	498,254
196,255	184,566
1,677	4,131
197,932	188,697
16,716	16,352
25,890	26,702
46,357	47,573
3,089	3,162
31,203	27,183
123,904	121,406
46,801	45,330
491,892	476,405
23,273	21,849
252	346
13,056	11,906
9,465	9,376
22,773	21,628
500	221
0	0
0	-2,255
500	-2,034

Key messages for the month

- The payroll team are in the process of implementing a number of the MECAs that have been settled. These implementations can be complex especially with the number of variables that occur such as lump sums, step changes (additional steps and the removal of some steps), percentage increases, back pay, translation of employees from where they were placed on the previous MECA to where they are placed on the new one. The impacts for the MECAs will occur over the coming months. For the PSA Nursing and the PSA Allied Health MECAs the lump sum payments due were actioned prior to Christmas resulting in unbudgeted costs of \$780k recognised in the December result. This impact has been excluded from the workforce costs and included as a separate line. We will do this for other MECAs when the impacts are recognised in the financial results and where there is no additional funding provided by the MOH.
- Medical workforce costs continue to be monitored closely with the balance between employed and locum staff a constant challenge. The RMO run change occurred in November and there were claims for allowances dating back to February 2018 that were not known nor accrued for.
- Nursing costs are higher than budget in the month with two primary drivers:
 - Some of the CCDM roles are in place and the costs offset within revenue totalling \$117k
 - Volumes remained higher than planned through the month resulting in additional nursing staff including 7.2FTE required for specials and watches.
- Clinical supply costs are tracking adverse to budget. Acute orthopaedic caseweights remain higher than allowed for within the production plan driving higher costs associated with this higher volume. I have separated the costs associated with the air ambulance from clinical supplies and these now show as a separate line. Although the volume of flights is higher than planned, and last year the main reason for the adverse variance is the new pricing regime negotiated by the MOH.
- The October Pharmac forecast was received in November and the accruals recognised within the December results align to the Pharmac forecast.

Eric Sinclair

GM Finance and Performance

RECOMMENDATIONS:

THAT THE BOARD RECEIVES THE FINANCIAL REPORT.

Appendix A – Detailed Financial Statements

Financial Performance by Division

December 2018 \$000s				Year to Date \$000s			
Actual	Budget	Budget Variance	Last Year Actual	Actual	Budget	Budget Variance	Last Year Actual
Revenue							
38,367	37,663	704	35,103	237,596	235,348	2,249	224,900
326	330	(3)	356	2,121	2,140	(19)	2,145
22,601	22,195	406	22,366	147,745	145,055	2,690	136,199
(19,776)	(19,416)	(360)	(19,631)	(128,164)	(126,205)	(1,958)	(117,778)
41,519	40,771	748	38,195	259,299	256,338	2,961	245,466
Expenditure							
37,638	36,978	(660)	36,479	235,222	231,391	(3,831)	219,974
369	284	(85)	303	2,138	1,849	(289)	1,830
24,582	23,032	(1,550)	21,679	151,432	149,642	(1,790)	141,808
(19,776)	(19,416)	360	(19,631)	(128,164)	(126,205)	1,958	(117,778)
42,813	40,878	(1,934)	38,830	260,628	256,676	(3,952)	245,833
Net Contribution							
730	685	44	(1,376)	2,374	3,957	(1,583)	4,926
(43)	45	(88)	54	(17)	292	(309)	316
(1,981)	(838)	(1,143)	687	(3,687)	(4,587)	900	(5,609)
(1,294)	(107)	(1,187)	(635)	(1,330)	(339)	(991)	(367)
Net Surplus/(Deficit)							

Statement of Financial Position

	June 2018	Dec	Dec		Annual
\$000s	Actual	Actual	Budget	Variance	Budget
Current Assets					
Bank	18,468	18,768	21,160	(2,392)	20,841
Deposits > 3 months	19,950	20,800	19,950	850	19,950
Debtors & Prepayments	18,436	20,366	18,436	1,930	18,636
Stock	2,715	2,706	2,715	(9)	2,715
Assets Held for Sale	465	465	465	(0)	-
Current Assets	60,034	63,105	62,726	379	62,142
Current Liabilities					
Creditors	27,437	32,318	31,311	(1,007)	32,086
Employee Entitlements	37,032	35,731	34,851	(880)	34,851
Term Debt - Current Portion	490	479	500	21	507
Current Liabilities	64,958	68,527	66,662	(1,865)	67,444
Working Capital	(4,924)	(5,423)	(3,936)	(1,487)	(5,302)
Non Current Assets					
Property Plant and Equipment	208,262	207,177	206,648	529	208,111
Other Non Current Assets	1,762	1,764	1,763	1	1,763
Non Current Assets	210,024	208,940	208,411	529	209,874
Employee Entitlements	9,406	9,406	9,406	-	9,406
Term Debt	8,172	7,920	7,932	12	7,692
Non Current Liabilities	17,578	17,326	17,338	12	17,098
Net Assets	187,522	186,192	187,137	(945)	187,474
Equity					
Crown Equity	82,467	82,467	82,468	(1)	81,920
Revaluation Reserve	86,476	86,476	86,475	1	86,475
Retained Earnings:					
General	19,028	17,255	18,314	(1,059)	19,557
DSS	160	209	(47)	256	(51)
Mental Health	(610)	(216)	(73)	(143)	(427)
Total Retained Earnings	18,579	17,249	18,194	(945)	19,079
Total Crown Equity	187,522	186,192	187,137	(945)	187,474

Statement of Cash Flows

	Year to Date		
	Actual	Budget	Variance
Operating Cash Flow			
Receipts			
Government & Crown Agency Received	251,613	250,130	1,483
Interest Received	807	1,000	(193)
Other Revenue Received	6,247	6,205	42
Total Receipts	258,667	257,335	1,332
Payments			
Personnel	96,946	96,549	(397)
Payments to Suppliers and Providers	149,044	149,755	711
Capital Charge	5,554	4,733	(821)
Interest Paid	431	-	(431)
Total Payments	251,975	251,037	(938)
Net Cash Inflow/(Outflow) from Operating Activities	6,692	6,298	394
Cash Flow from Investing Activities			
Receipts			
Sale of Fixed Assets	64	-	64
Total Receipts	64	-	64
Payments			
Capital Expenditure	5,606	3,250	(2,356)
Increase in Investments	850	-	(850)
Total Payments	6,456	3,250	(3,206)
Net Cash Inflow/(Outflow) from Investing Activities	(6,392)	(3,250)	(3,142)
Net Cash Inflow/(Outflow) from Financing Activities	-	(356)	356
Net Increase/(Decrease) in Cash Held	300	2,692	(2,392)
Plus Opening Balance	18,468	18,468	-
Closing Balance	18,768	21,160	(2,392)