

MEMO

To: Board Members
From: Eric Sinclair, GM Finance & Performance
Date: 21 February 2018
Subject: Financial Report for January 2018

Status

This report contains:

- ✓ For decision
- Update
- ✓ Regular report
- For information

Overview

Financial Result



Budget Variance



Forecast Position



Cash Position



Capital Expenditure

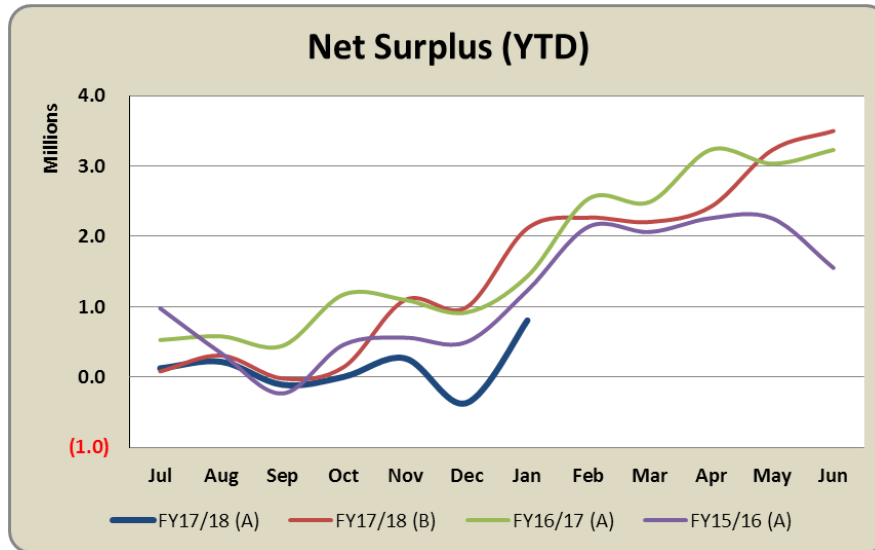


Commentary

A \$1.18M surplus (against the planned \$1.13M surplus) for the month has brought the 7 month result back to a surplus of \$0.8M (against the planned surplus of \$2.1M). This gives a 7 month adverse variance to the plan of \$1.3M.

Detailed financial statements are included in the Appendix attached to this report.

January 2018 \$Ms				Year to Date \$Ms				Full Year \$Ms	
Actual	Budget	Budget Variance	Last Year Actual	Actual	Budget	Budget Variance	Last Year Actual	Budget	Last Yr
46.05	46.60	(0.55)	37.93	291.52	291.01	0.50	272.45	493.82	468.24
Revenue				Expenditure					
18.35	18.62	0.26	13.58	108.92	108.87	(0.05)	99.45	184.27	175.32
7.56	7.54	(0.02)	5.70	49.97	47.83	(2.14)	42.85	80.32	72.90
13.44	13.75	0.30	12.80	92.94	93.29	0.35	90.61	159.04	153.41
3.71	3.69	(0.01)	3.50	26.41	25.85	(0.55)	25.53	44.32	43.41
43.07	43.59	0.53	35.59	278.24	275.84	(2.41)	258.44	467.95	445.04
2.98	3.00	(0.02)	2.34	13.27	15.17	(1.90)	14.02	25.86	23.19
1.81	1.88	0.07	1.83	12.46	13.06	0.60	12.58	22.36	19.96
1.18	1.13	0.05	0.52	0.81	2.11	(1.30)	1.44	3.50	3.23



Key messages for the month

- NMH is back in a surplus position which is important to ensure we are living within our means and creating the provision for the future hospital development and allow for new investments into health services to be considered.
- Within the January result there are a couple of key points to note:
 - An adjustment, totalling \$258k, was made to revenue (causing an adverse variance) that is fully offset within the external provider payments. This adjustment reflects a change in the pay equity methodology where the rate per bed has been adjusted for dementia and maximum contribution clients.
 - The amount of annual leave taken was higher than we had allowed for within the budget resulting in workforce costs being favourable to budget. We have also seen a reduction in some clinical supplies costs for the month which is attributed to the “stock-up” that often occurs just prior to the Christmas break.
- The forecast for the full year, as advised to the MOH during February, has been lowered to a surplus of \$2.5M. This reflects:
 - The DHB is living within our means on the basis that we are forecasting a surplus result, albeit that is lower than we planned the critical point remains a surplus will be achieved.
 - We have a few challenges around IDF's where we expect to end the year adverse to plan. It is key to note that although NMH is forecasting an adverse result for IDF's it is neutral across the sector as the other DHBs should have the corresponding favourable variance.
 - The RMO settlement has resulted in a significant increase in the costs for that workforce, particularly in the requirement to bring on additional FTEs.
 - The extremely busy period we experienced in August and September will not be offset by quieter periods and therefore we do not expect the adverse variance we saw in those months will enable us to track back to plan.
 - We are seeing some instances, such as intragam and hospital pharmaceutical costs were NMH would appear to have a patient cohort that differs when compared to the trends and cost being experienced in other DHBs. We are investigating the causes for this.
 - We are delivering to the elective targets and are where we expected to be so don't expect to see the additional cost increases in the last few months of the year like we saw in the previous year.

MOH DHB Financial Schedules

The MOH have provided the financial schedules for all DHBs for the period ended December 2017. These are attached as item 5.1.

Eric Sinclair
GM Finance and Performance

RECOMMENDATIONS:

THAT THE BOARD RECEIVES THE FINANCIAL REPORT.

Appendix A – Detailed Financial Statements

Statement of Financial Performance

January 2018 \$000s				Year to Date \$000s				Full Year \$000s	
Actual	Budget	Budget Variance	Last Year Actual	Actual	Budget	Budget Variance	Last Year Actual	Budget	Last Yr
Revenue									
41,452	41,638	(186)	33,841	261,189	260,138	1,051	243,722	442,001	418,471
2,354	2,342	11	1,943	13,792	14,090	(298)	12,723	23,530	22,090
1,359	1,491	(132)	1,282	9,353	9,512	(159)	9,063	16,007	15,243
884	1,126	(242)	867	7,181	7,270	(89)	6,944	12,278	12,433
46,049	46,597	(548)	37,934	291,515	291,011	505	272,452	493,817	468,237
Expenditure									
18,038	18,495	458	13,359	106,818	108,091	1,273	97,221	182,962	171,259
317	123	(194)	226	2,105	777	(1,328)	2,230	1,306	4,060
18,355	18,619	264	13,584	108,923	108,869	(55)	99,450	184,268	175,319
1,406	1,393	(13)	887	9,438	9,365	(73)	6,424	15,875	10,561
3,318	3,252	(66)	2,565	21,840	20,103	(1,737)	20,123	34,028	35,623
2,835	2,891	56	2,248	18,693	18,358	(335)	16,306	30,421	26,718
13,444	13,745	301	12,805	92,941	93,288	347	90,605	159,040	153,409
3,708	3,693	(15)	3,502	26,407	25,854	(553)	25,529	44,321	43,412
43,067	43,594	527	35,591	278,242	275,836	(2,405)	258,437	467,953	445,043
2,982	3,003	(21)	2,342	13,274	15,174	(1,901)	14,015	25,864	23,194
29	24	(5)	252	204	150	(53)	1,684	252	1,914
996	1,074	78	996	6,787	7,452	666	6,874	12,757	11,631
780	780	(1)	579	5,473	5,457	(16)	4,020	9,355	6,418
1,805	1,878	73	1,827	12,464	13,060	596	12,578	22,364	19,964
1,177	1,126	51	516	810	2,114	(1,304)	1,437	3,500	3,230
5,397	5,398	(1)	(542)	10,323	9,360	963	548	12,970	4,560
72	20	52	26	388	215	173	8	355	(115)
(4,292)	(4,293)	1	1,031	(9,901)	(7,461)	(2,440)	881	(9,824)	(1,215)
1,177	1,126	51	516	810	2,114	(1,304)	1,437	3,500	3,230

Financial Performance by Division

January 2018 \$000s			
Actual	Budget	Budget Variance	Last Year Actual
42,274	42,437	(163)	34,684
354	363	(10)	354
23,136	23,398	(261)	21,820
(19,715)	(19,601)	(114)	(18,924)
46,049	46,597	(548)	37,934
36,877	37,040	162	35,226
282	343	61	327
27,428	27,690	262	20,788
(19,715)	(19,601)	114	(18,924)
44,872	45,472	599	37,418
5,397	5,398	(1)	(542)
72	20	52	26
(4,292)	(4,293)	1	1,031
1,177	1,126	51	516

Revenue

Funds	267,174	265,708	1,466	249,082	451,541	427,945
Governance and Funding Administration	2,499	2,503	(5)	2,502	4,281	4,270
Provider	159,336	160,006	(671)	153,268	273,208	262,585
Eliminations	(137,493)	(137,207)	(286)	(132,401)	(235,212)	(226,563)

Total Revenue

Expenditure

Funds	256,851	256,348	(503)	248,534	438,571	423,385
Governance and Funding Administration	2,111	2,289	178	2,494	3,926	4,385
Provider	169,237	167,467	(1,770)	152,387	283,032	263,800
Eliminations	(137,493)	(137,207)	286	(132,401)	(235,212)	(226,563)

Total Expenditure

Net Contribution

Funds	10,323	9,360	963	548	12,970	4,560
Governance and Funding Administration	388	215	173	8	355	(115)
Provider	(9,901)	(7,461)	(2,440)	881	(9,824)	(1,215)

Net Surplus/(Deficit)

Year to Date \$000s				Full Year \$000s	
Actual	Budget	Budget Variance	Last Year Actual	Budget	Last Yr
267,174	265,708	1,466	249,082	451,541	427,945
2,499	2,503	(5)	2,502	4,281	4,270
159,336	160,006	(671)	153,268	273,208	262,585
(137,493)	(137,207)	(286)	(132,401)	(235,212)	(226,563)
291,515	291,011	505	272,452	493,817	468,237
256,851	256,348	(503)	248,534	438,571	423,385
2,111	2,289	178	2,494	3,926	4,385
169,237	167,467	(1,770)	152,387	283,032	263,800
(137,493)	(137,207)	286	(132,401)	(235,212)	(226,563)
290,705	288,896	(1,809)	271,015	490,317	465,006
10,323	9,360	963	548	12,970	4,560
388	215	173	8	355	(115)
(9,901)	(7,461)	(2,440)	881	(9,824)	(1,215)
810	2,114	(1,304)	1,437	3,500	3,230

Statement of Financial Position

	June 2017	Jan	Jan		Annual
\$000s	Actual	Actual	Budget	Variance	Budget
Current Assets					
Bank	21,561	25,860	27,265	(1,405)	30,156
Deposits > 3 months	19,301	19,950	18,950	1,000	18,950
Debtors & Prepayments	18,140	14,897	15,000	(103)	15,000
Stock	2,700	2,698	2,770	(72)	2,770
Assets Held for Sale	465	465	191	274	465
Current Assets	62,167	63,870	64,176	(306)	67,341
Current Liabilities					
Creditors	28,534	31,484	30,584	(900)	29,804
Employee Entitlements	33,201	32,154	32,000	(154)	32,000
Term Debt - Current Portion	477	483	500	17	500
Current Liabilities	62,212	64,121	63,084	(1,037)	62,304
Working Capital	(46)	(252)	1,092	(1,344)	5,037
Non Current Assets					
Property Plant and Equipment	171,589	172,264	171,366	898	168,227
Other Non Current Assets	3,881	3,938	3,968	(30)	3,998
Non Current Assets	175,470	176,202	175,334	868	172,225
Employee Entitlements	9,923	9,923	10,200	277	10,200
Term Debt	8,663	8,378	7,300	(1,078)	7,300
Non Current Liabilities	18,586	18,301	17,500	(801)	17,500
Net Assets	156,838	157,649	158,926	(1,277)	159,762
Equity					
Crown Equity	83,015	83,015	83,014	1	82,467
Revaluation Reserve	53,213	53,213	53,213	0	53,213
Retained Earnings:					
General	19,789	19,764	21,624	(1,860)	23,831
DSS	(52)	593	398	195	17
Mental Health	873	1,063	677	386	234
Total Retained Earnings	20,611	21,421	22,699	(1,278)	24,082
Total Crown Equity	156,838	157,649	158,926	(1,277)	159,762

Statement of Cash Flows

Jan				Year to Date			Full Year
Actual	Budget	Variance		Actual	Budget	Variance	AP
			Operating Cash Flow				
			Receipts				
38,994	45,471	(6,477)	Government & Crown Agency Received	280,233	283,743	(3,510)	481,490
141	167	(26)	Interest Received	980	1,167	(187)	2,000
658	1,126	(468)	Other Revenue Received	5,980	7,267	(1,287)	12,274
39,793	46,764	(6,971)	Total Receipts	287,193	292,177	(4,984)	495,764
			Payments				
14,999	18,452	3,453	Personnel	103,867	108,011	4,144	182,783
25,623	25,294	(329)	Payments to Suppliers and Providers	166,358	169,445	3,087	283,291
-	-	-	Capital Charge	4,693	4,677	(16)	9,355
132	24	(108)	Interest Paid	1,132	150	(982)	252
40,754	43,770	3,016	Total Payments	276,050	282,283	6,233	475,681
(961)	2,994	(3,955)	Net Cash Inflow/(Outflow) from Operating Activities	11,143	9,894	1,249	20,083
			Cash Flow from Investing Activities				
			Receipts				
53	-	53	Sale of Fixed Assets	104	-	104	-
53	-	53	Total Receipts	104	-	104	-
			Payments				
1,240	1,000	(240)	Capital Expenditure	7,533	10,800	3,267	17,550
-	-	-	Increase in Investments	(585)	-	585	-
1,240	1,000	(240)	Total Payments	6,948	10,800	3,852	17,550
(1,187)	(1,000)	(187)	Net Cash Inflow/(Outflow) from Investing Activities	(6,844)	(10,800)	3,956	(17,550)
			Net Cash Inflow/(Outflow) from Financing Activities				
-	-	-	Net Increase/(Decrease) in Cash Held	4,299	(906)	5,205	1,986
(2,148)	1,994	(4,142)	Plus Opening Balance	21,561	28,171	(6,610)	28,171
28,008	25,271	2,737	Closing Balance	25,860	27,265	(1,405)	30,157
25,860	27,265	(1,405)					

12-Month Rolling Cash Forecast

Consolidated 12 Month Rolling Statement of Cash Flows \$000s	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Cash Flow												
Receipts												
Government & Crown Agency Received	38,713	37,717	39,048	43,600	38,669	40,690	40,690	40,690	40,690	40,690	40,690	40,690
Interest Received	167	167	167	167	167	167	167	167	167	167	167	167
Other Revenue Received	961	965	969	1,133	978	1,034	1,034	1,034	1,034	1,034	1,034	1,034
Total Receipts	39,841	38,849	40,184	44,900	39,814	41,891	41,891	41,891	41,891	41,891	41,891	41,891
Payments												
Personnel	14,633	13,743	14,936	17,023	14,437	15,348	15,348	15,348	15,348	15,348	15,348	15,348
Payments to Suppliers and Providers	23,187	19,322	23,156	25,178	23,004	23,876	23,876	23,876	23,876	23,876	23,876	23,876
Capital Charge	-	-	-	-	4,677	-	-	-	-	-	4,677	-
Interest Paid	19	19	19	24	19	32	32	32	32	32	32	32
Total Payments	37,839	33,084	38,111	42,225	42,137	39,256	39,256	39,256	39,256	39,256	43,933	39,256
Net Cash Inflow/(Outflow) from Operating Activities	2,002	5,765	2,073	2,675	(2,323)	2,635	2,635	2,635	2,635	2,635	(2,042)	2,635
Cash Flow from Investing Activities												
Receipts												
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Payments												
Capital Expenditure	2,650	4,400	3,300	1,600	1,100	100	500	500	700	250	1,100	600
Increase in Investments	2,650	4,400	3,300	1,600	1,100	100	500	500	700	250	1,100	600
Total Payments	(2,650)	(4,400)	(3,300)	(1,600)	(1,100)	(100)	(500)	(500)	(700)	(250)	(1,100)	(600)
Net Cash Inflow/(Outflow) from Investing Activities	-	-	-	-	(547)	-	-	-	-	-	-	-
Net Cash Inflow/(Outflow) from Financing Activities												
Net Increase/(Decrease) in Cash Held	(648)	1,365	(1,227)	1,075	(3,970)	2,535	2,135	2,135	1,935	2,385	(3,142)	2,035
Plus Opening Balance	25,860	25,212	26,577	25,350	26,425	22,455	24,990	27,125	29,260	31,195	33,580	30,438
Closing Balance	25,212	26,577	25,350	26,425	22,455	24,990	27,125	29,260	31,195	33,580	30,438	32,473