

MEMO

To: Board Members
From: Eric Sinclair, GM Finance & Performance
Date: 20 June 2018
Subject: Financial Report for May 2018

Status

This report contains:

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

Overview

Financial Result



Budget Variance



Forecast Position



Cash Position



Capital Expenditure

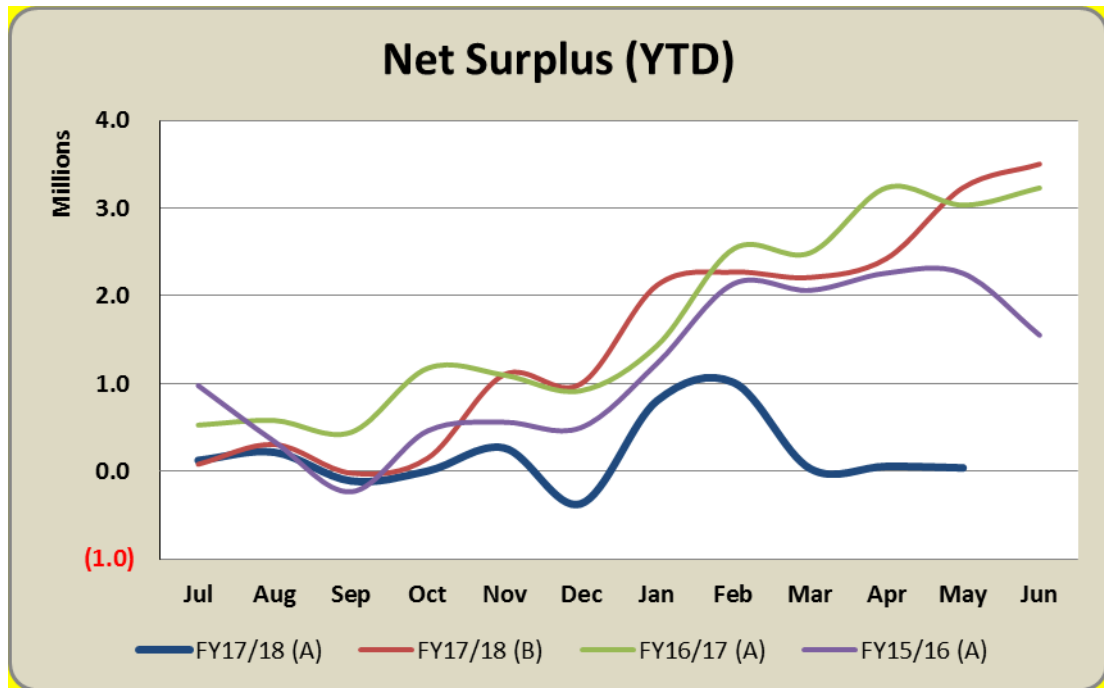


Commentary

A \$0.02M deficit (against the planned \$0.81M surplus) for the month has brought the 11 month result to a surplus of \$0.04M (against the planned surplus of \$3.22M). This gives a 10 month adverse variance to the plan of \$3.18M.

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

May 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
44.75	44.73	0.02	41.50	455.41	454.12	1.29	430.39	493.82	468.24
Revenue									
Expenditure									
18.04	17.18	(0.86)	17.20	172.03	169.75	(2.28)	161.20	184.31	175.32
7.59	7.44	(0.15)	7.15	77.17	73.98	(3.19)	67.66	80.29	72.90
13.60	13.74	0.13	12.77	144.92	146.02	1.10	140.11	159.03	153.41
3.70	3.69	(0.01)	3.41	41.60	40.63	(0.98)	39.90	44.32	43.41
42.94	42.05	(0.89)	40.53	435.73	430.39	(5.34)	408.88	467.95	445.04
1.81	2.68	(0.87)	0.97	19.68	23.73	(4.05)	21.52	25.86	23.19
1.83	1.88	0.05	1.17	19.64	20.51	0.87	18.48	22.36	19.96
(0.02)	0.81	(0.82)	(0.20)	0.04	3.22	(3.18)	3.04	3.50	3.23



Key messages for the month

- NMH continues to report a small surplus position however we remain adverse to the plan. This means we continue as one of only two DHBs to report a surplus position.
- Key points to note:
 - The areas causing the adverse variance within the month remain the same as in previous months, namely medical workforce, nursing workforce, clinical supplies, hospital and community pharmaceuticals, air ambulance and inter district flows (IDFs).
 - The June result will include a few of the normal year end adjustments, including the revaluation of the employee entitlements, some additional estimates of annual wash up amounts (e.g. IDFs, Pharmac rebates) as well as a number of estimations that will be required for a number of items (e.g. the NZNO MECA settlement where we are expecting to receive advice from the MOH so a nationally consistent position is taken).

Annual 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 was received on 25 May and is attached. This advice requests 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.

Report prepared by:
Eric Sinclair
GM Finance and Performance

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 Performance

May 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				Revenue					
40,070	40,138	(68)	36,990	407,763	406,320	1,443	384,883	442,001	418,471
2,078	2,070	8	2,014	21,304	21,771	(467)	20,207	23,530	22,090
1,546	1,392	154	1,316	14,810	14,726	84	13,905	16,007	15,243
1,057	1,133	(76)	1,183	11,531	11,300	232	11,397	12,278	12,433
44,751	44,733	18	41,503	455,409	454,117	1,292	430,393	493,817	468,237
Expenditure				Expenditure					
17,578	17,056	(522)	16,682	168,389	168,550	161	157,396	183,007	171,259
463	123	(339)	520	3,643	1,205	(2,438)	3,807	1,306	4,060
18,041	17,179	(862)	17,202	172,031	169,754	(2,277)	161,203	184,313	175,319
1,451	1,399	(52)	866	14,858	14,596	(263)	9,994	15,875	10,561
4,001	3,224	(777)	3,651	35,071	31,308	(3,762)	32,223	34,028	35,623
2,140	2,819	679	2,632	27,240	28,079	838	25,440	30,388	26,718
13,603	13,736	133	12,768	144,924	146,023	1,098	140,112	159,029	153,409
3,701	3,693	(8)	3,410	41,603	40,628	(976)	39,903	44,321	43,412
42,937	42,050	(887)	40,529	435,728	430,387	(5,341)	408,876	467,954	445,043
1,814	2,683	(869)	974	19,680	23,729	(4,049)	21,517	25,863	23,194
28	24	(4)	27	318	233	(85)	1,887	252	1,914
1,023	1,074	51	980	10,728	11,699	972	10,671	12,757	11,631
780	780	(1)	165	8,595	8,575	(20)	5,922	9,355	6,418
1,832	1,878	46	1,172	19,641	20,508	867	18,480	22,364	19,964
(18)	805	(823)	(199)	40	3,222	(3,182)	3,037	3,499	3,230
3,897	3,908	(10)	2,847	11,420	12,807	(1,387)	5,796	12,980	4,560
(65)	(22)	(44)	(154)	434	305	129	(169)	343	(115)
(3,851)	(3,081)	(770)	(2,892)	(11,814)	(9,890)	(1,924)	(2,590)	(9,824)	(1,215)
(18)	805	(823)	(199)	40	3,222	(3,182)	3,037	3,499	3,230

Financial Performance by Division

May 2018 \$000s			
Actual	Budget	Budget Variance	Last Year Actual
40,921	40,937	(16)	37,830
354	354	0	354
23,196	23,043	153	22,124
(19,720)	(19,601)	(119)	(18,805)
44,751	44,733	18	41,503
37,024	37,030	6	34,983
419	375	(44)	507
27,046	26,124	(922)	25,016
(19,720)	(19,601)	119	(18,805)
44,769	43,928	(841)	41,701
3,897	3,908	(10)	2,847
(65)	(22)	(44)	(154)
(3,851)	(3,081)	(770)	(2,892)
(18)	805	(823)	(199)

Revenue

Funds	417,048	415,067	1,981	393,517
Governance and Funding Administration	3,913	3,927	(14)	3,916
Provider	253,548	250,734	2,814	240,665
Eliminations	(219,100)	(215,611)	(3,489)	(207,705)

Total Revenue

Expenditure

Funds	405,628	402,260	(3,368)	387,721
Governance and Funding Administration	3,479	3,623	143	4,085
Provider	265,362	260,624	(4,738)	243,255
Eliminations	(219,100)	(215,611)	3,489	(207,705)

Total Expenditure

Net Contribution

Funds	11,420	12,807	(1,387)	5,796
Governance and Funding Administration	434	305	129	(169)
Provider	(11,814)	(9,890)	(1,924)	(2,590)

Net Surplus/(Deficit)

Year to Date \$000s				Full Year \$000s	
Actual	Budget	Budget Variance	Last Year Actual	Budget	Last Yr
417,048	415,067	1,981	393,517	451,541	427,945
3,913	3,927	(14)	3,916	4,281	4,270
253,548	250,734	2,814	240,665	273,208	262,585
(219,100)	(215,611)	(3,489)	(207,705)	(235,212)	(226,563)
455,409	454,117	1,292	430,393	493,817	468,237
405,628	402,260	(3,368)	387,721	438,561	423,385
3,479	3,623	143	4,085	3,938	4,385
265,362	260,624	(4,738)	243,255	283,032	263,800
(219,100)	(215,611)	3,489	(207,705)	(235,212)	(226,563)
455,369	450,895	(4,474)	427,356	490,318	465,006
11,420	12,807	(1,387)	5,796	12,980	4,560
434	305	129	(169)	343	(115)
(11,814)	(9,890)	(1,924)	(2,590)	(9,824)	(1,215)
40	3,222	(3,182)	3,037	3,499	3,230

Statement of Financial Position

\$000s	June 2017 Actual	May Actual	May Budget	Variance	Annual Budget
Current Assets					
Bank	21,561	27,006	29,228	(2,222)	30,156
Deposits > 3 months	19,301	19,950	18,950	1,000	18,950
Debtors & Prepayments	18,140	20,603	15,000	5,603	15,000
Stock	2,700	2,690	2,770	(80)	2,770
Assets Held for Sale	465	465	191	274	465
Current Assets	62,167	70,714	66,139	4,575	67,341
Current Liabilities					
Creditors	28,534	35,314	29,804	(5,510)	29,804
Employee Entitlements	33,201	36,977	32,000	(4,977)	32,000
Term Debt - Current Portion	477	489	500	11	500
Current Liabilities	62,212	72,779	62,304	(10,475)	62,304
Working Capital	(46)	(2,065)	3,835	(5,900)	5,037
Non Current Assets					
Property Plant and Equipment	171,589	173,066	169,721	3,345	168,227
Other Non Current Assets	3,881	4,014	3,992	22	3,998
Non Current Assets	175,470	177,081	173,713	3,368	172,225
Employee Entitlements	9,923	9,923	10,200	277	10,200
Term Debt	8,663	8,213	7,300	(913)	7,300
Non Current Liabilities	18,586	18,136	17,500	(636)	17,500
Net Assets	156,838	156,879	160,048	(3,169)	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	15,814	23,018	(7,204)	23,831
DSS	(52)	48	432	(384)	17
Mental Health	873	4,788	371	4,417	234
Total Retained Earnings	20,611	20,650	23,821	(3,171)	24,082
Total Crown Equity	156,838	156,879	160,048	(3,169)	159,762

Statement of Cash Flows

May			Year to Date			Full Year
Actual	Budget	Variance	Actual	Budget	Variance	AP
Operating Cash Flow						
Receipts						
38,268	43,600	(5,332)	437,291	442,821	(5,530)	481,490
148	167	(19)	1,560	1,833	(273)	2,000
872	1,133	(261)	9,701	11,295	(1,594)	12,274
39,288	44,900	(5,612)	448,552	455,949	(7,397)	495,764
Payments						
18,579	17,023	(1,556)	164,615	168,346	3,731	182,783
27,861	25,179	(2,682)	260,775	260,288	(487)	283,291
-	780	780	4,693	8,575	3,882	9,355
68	24	(44)	1,406	233	(1,173)	252
46,508	43,006	(3,502)	431,489	437,442	5,953	475,681
(7,220)	1,894	(9,114)	17,063	18,507	(1,444)	20,083
Cash Flow from Investing Activities						
Receipts						
3	-	3	107	-	107	-
3	-	3	107	-	107	-
Payments						
1,273	1,000	(273)	12,310	17,450	5,140	17,550
-	-	-	(585)	-	585	-
1,273	1,000	(273)	11,725	17,450	5,725	17,550
(1,270)	(1,000)	(270)	(11,618)	(17,450)	5,832	(17,550)
Net Cash Inflow/(Outflow) from Investing Activities						
-	-	-	-	-	-	(547)
Net Cash Inflow/(Outflow) from Financing Activities						
(8,490)	894	(9,384)	5,445	1,057	4,388	1,986
35,496	28,334	7,162	21,561	28,171	(6,610)	28,171
27,006	29,228	(2,222)	27,006	29,228	(2,222)	30,157

12-Month Rolling Cash Forecast

Consolidated 12 Month Rolling Statement of Cash Flows \$000s	Jun 2018	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Cash Flow												
Receipts												
Government & Crown Agency Received	38,669	40,690	40,690	40,690	40,690	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	978	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034
Total Receipts	39,814	41,891	41,891	41,891	41,891	41,891	41,891	41,891	41,891	41,891	41,891	41,891
Payments												
Personnel	15,937	15,515	15,515	15,515	17,515	15,515	15,515	15,515	15,515	15,515	15,515	17,515
Payments to Suppliers and Providers	24,004	24,043	24,043	24,043	24,043	24,043	24,043	24,043	24,043	24,043	24,043	24,043
Capital Charge	4,677	-	-	-	-	-	4,677	-	-	-	-	-
Interest Paid	19	32	32	32	32	32	32	32	32	32	32	32
Total Payments	44,637	39,590	39,590	39,590	41,590	39,590	44,267	39,590	39,590	39,590	39,590	41,590
Net Cash Inflow/(Outflow) from Operating Activities	(4,823)	2,301	2,301	2,301	301	2,301	(2,376)	2,301	2,301	2,301	2,301	301
Cash Flow from Investing Activities												
Receipts												
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Payments												
Capital Expenditure	3,100	100	500	600	700	650	600	850	2,800	1,000	2,850	600
Increase in Investments	3,100	100	500	600	700	650	600	850	2,800	1,000	2,850	600
Total Payments	(3,100)	(100)	(500)	(600)	(700)	(650)	(600)	(850)	(2,800)	(1,000)	(2,850)	(600)
Net Cash Inflow/(Outflow) from Investing Activities	(547)	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflow/(Outflow) from Financing Activities												
Net Increase/(Decrease) in Cash Held	(8,470)	2,201	1,801	1,701	(399)	1,651	(2,976)	1,451	(499)	1,301	(549)	(299)
Plus Opening Balance	27,006	18,536	20,737	22,538	24,239	23,840	25,491	22,515	23,966	23,467	24,768	24,219
Closing Balance	18,536	20,737	22,538	24,239	23,840	25,491	22,515	23,966	23,467	24,768	24,219	23,920