

# MEMO

**To:** Board Members  
**From:** Eric Sinclair  
 GM Finance, Performance & Facilities  
**Date:** 21 November 2018  
**Subject:** Financial Report for October 2018

*Status*

**This report contains:**

For decision

Update

Regular report

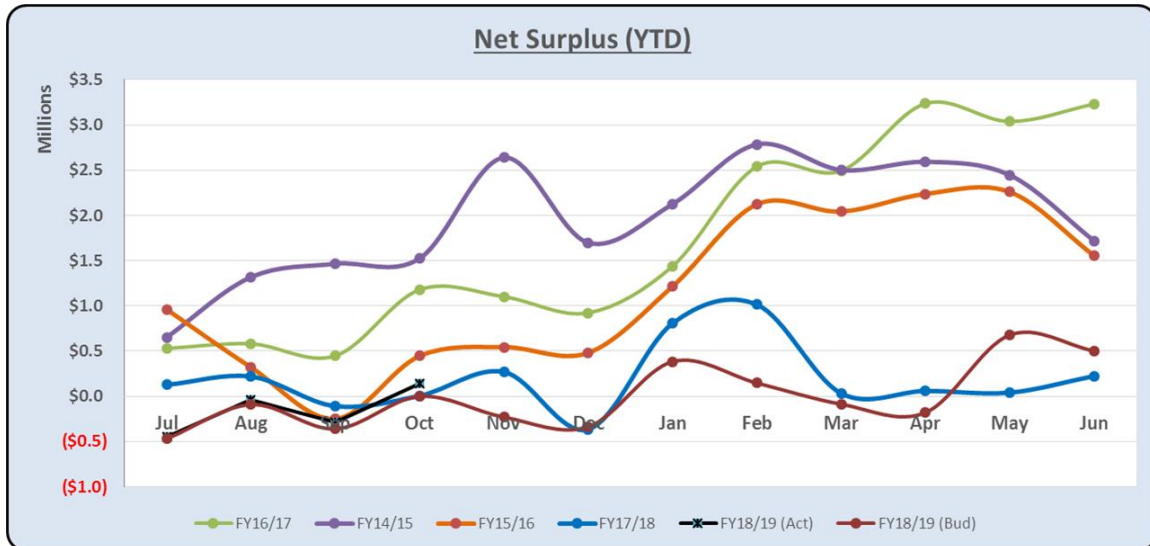
For information

## Overview

The financial results for the first four months show a small surplus of \$143k which is favourable to the plan by \$145k. This is a good result and sets us up well for the remainder of the financial year.

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

October 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
47.41	46.55	0.87	39.22	176.31	174.72	1.59	162.39	515.16	498.25
<b>Revenue</b>				<b>Revenue</b>					
<b>Expenditure</b>				<b>Expenditure</b>					
19.03	18.70	(0.33)	14.00	67.02	67.42	0.40	59.92	197.75	188.70
7.36	7.13	(0.23)	6.00	27.96	26.94	(1.02)	25.17	77.08	75.77
4.00	3.97	(0.02)	3.57	15.59	15.35	(0.25)	15.08	45.96	47.17
10.64	10.43	(0.20)	10.12	42.16	41.65	(0.51)	40.41	124.30	121.80
3.90	3.90	(0.00)	3.64	15.61	15.60	(0.01)	14.74	46.80	45.33
<b>44.92</b>	<b>44.14</b>	<b>(0.78)</b>	<b>37.33</b>	<b>168.35</b>	<b>166.96</b>	<b>(1.39)</b>	<b>155.32</b>	<b>491.89</b>	<b>478.78</b>
<b>2.49</b>	<b>2.40</b>	<b>0.09</b>	<b>1.90</b>	<b>7.96</b>	<b>7.76</b>	<b>0.20</b>	<b>7.07</b>	<b>23.27</b>	<b>19.47</b>
<b>Surplus/(Deficit) before IDCC</b>				<b>Surplus/(Deficit) before IDCC</b>					
2.06	2.04	(0.01)	1.78	7.82	7.76	(0.06)	7.07	22.77	21.51
<b>Capital Related Costs</b>				<b>Capital Related Costs</b>					
<b>0.43</b>	<b>0.36</b>	<b>0.07</b>	<b>0.11</b>	<b>0.14</b>	<b>(0.00)</b>	<b>0.15</b>	<b>0.00</b>	<b>0.50</b>	<b>(2.03)</b>
<b>Surplus/(Deficit)</b>				<b>Surplus/(Deficit)</b>					
<i>Made up as:</i>				<i>Made up as:</i>					
0.44	0.34	0.10	0.11	(0.20)	0.48	(0.68)	0.00	0.50	(2.29)
0.00	0.02	(0.02)	0.00	0.04	(0.05)	0.09	0.00		0.00
(0.01)	0.00	(0.01)	0.00	0.31	(0.43)	0.74	0.00		0.26
<b>Net Result</b>				<b>Net Result</b>					
<b>0.43</b>	<b>0.36</b>	<b>0.07</b>	<b>0.11</b>	<b>0.14</b>	<b>(0.00)</b>	<b>0.15</b>	<b>0.00</b>	<b>0.50</b>	<b>(2.03)</b>



**Key messages for the month**

- The NZNO MECA has been implemented and is included within the October financial results. This includes the required backpay, lump sum and leave revaluation. We have received from the MOH additional revenue totalling \$929k (annual amount) to cover impact of the settlement of which we have recognised \$300k in the months results to offset the additional costs.
- Clinical supply costs are tracking adverse to budget. There are three drivers of the higher costs:
  - Intragam is adverse by \$40k within the month and has slowly been increasing in spend. We will watch this but as it is a demand driven service it is difficult to apply controls to the spend.
  - Orthopaedic caseweights are 213 CWDs higher than planned for the 4 months and 160 more than for the same period last year. This equates to approximately \$240k in consumable costs (approximately \$70k within October). The delivery is within the acute area as the elective CWDs are lower than planned as you would expect with higher acutes. Further work is underway to determine the nature of the increase.
  - Air ambulance costs are adverse by \$125k in the month results (\$212k YTD) which reflects a higher than planned number of trips but also a higher price per trip resulting from the MOH-led national procurement contract. We expect these costs will continue to track over budget for the remainder of the year.
- The October Pharmac forecast was received on 20 November. At this point the analysis to determine how this compares to our plan is underway with any impact to be reflected within the November financial results.

Eric Sinclair  
**GM Finance and Performance**

**RECOMMENDATIONS:**

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

## Appendix A – Detailed Financial Statements

### Statement of Financial Performance

October 2018 \$000s				Year to Date \$000s				
Actual	Budget	Budget Variance	Last Year Actual		Actual	Budget	Budget Variance	Last Year Actual
<b>Revenue</b>					<b>Revenue</b>			
42,143	41,495	647	34,790	MOH devolved funding	157,998	156,812	1,185	145,211
2,511	2,552	(40)	2,132	MOH non-devolved funding	8,127	8,242	(115)	7,789
1,439	1,362	76	1,412	Other government & DHBs	5,488	5,419	68	5,470
1,321	1,136	185	887	Other income	4,697	4,246	451	3,919
<b>47,414</b>	<b>46,546</b>	<b>868</b>	<b>39,221</b>	<b>Total Revenue</b>	<b>176,309</b>	<b>174,720</b>	<b>1,590</b>	<b>162,390</b>
<b>Expenditure</b>					<b>Expenditure</b>			
18,406	18,537	131	13,646	Employed Workforce	65,237	66,816	1,579	58,743
619	163	(456)	355	Outsourced Workforce	1,778	601	(1,178)	1,175
<b>19,026</b>	<b>18,700</b>	<b>(325)</b>	<b>14,001</b>	<b>Total Workforce</b>	<b>67,015</b>	<b>67,417</b>	<b>401</b>	<b>59,917</b>
1,476	1,461	(15)	1,351	Outsourced Services	5,738	5,644	(94)	5,316
2,946	2,754	(192)	2,239	Clinical Supplies	10,663	9,992	(671)	9,294
3,996	3,973	(23)	3,571	Pharmaceuticals	15,594	15,348	(245)	15,083
2,940	2,920	(20)	2,412	Non-Clinical Supplies	11,561	11,302	(259)	10,555
10,639	10,435	(204)	10,115	External Provider Payments	42,162	41,654	(507)	40,407
3,902	3,900	(2)	3,636	Inter District Flows	15,614	15,600	(14)	14,743
<b>44,925</b>	<b>44,144</b>	<b>(781)</b>	<b>37,325</b>	<b>Total Expenditure before IDCC</b>	<b>168,347</b>	<b>166,959</b>	<b>(1,389)</b>	<b>155,316</b>
<b>2,489</b>	<b>2,402</b>	<b>87</b>	<b>1,896</b>	<b>Surplus/(Deficit) before IDCC</b>	<b>7,962</b>	<b>7,761</b>	<b>201</b>	<b>7,074</b>
28	24	(4)	29	Interest Expense	112	87	(25)	117
1,118	1,109	(10)	970	Depreciation	4,430	4,399	(31)	3,824
910	910	0	782	Capital Charge	3,276	3,276	0	3,128
<b>2,056</b>	<b>2,043</b>	<b>(13)</b>	<b>1,782</b>	<b>Total IDCC</b>	<b>7,819</b>	<b>7,763</b>	<b>(56)</b>	<b>7,069</b>
<b>432</b>	<b>359</b>	<b>73</b>	<b>115</b>	<b>Surplus/(Deficit) after IDCC</b>	<b>143</b>	<b>(2)</b>	<b>145</b>	<b>4</b>
177	450	(273)	(130)	Funder	1,231	2,678	(1,447)	4,192
23	35	(12)	82	Governance	43	205	(162)	260
232	(126)	358	162	Provider	(1,131)	(2,885)	1,754	(4,447)
<b>432</b>	<b>359</b>	<b>73</b>	<b>115</b>	<b>Surplus/(Deficit)</b>	<b>143</b>	<b>(2)</b>	<b>145</b>	<b>4</b>

**Financial Performance by Division**

October 2018 \$000s			
<i>Actual</i>	<i>Budget</i>	<i>Budget Variance</i>	<i>Last Year Actual</i>
42,909	42,298	611	35,766
408	411	(3)	354
28,702	28,107	595	22,354
(24,605)	(24,270)	(335)	(19,252)
<b>47,414</b>	<b>46,546</b>	<b>868</b>	<b>39,221</b>
42,731	41,847	(884)	35,896
385	376	(9)	271
28,470	28,234	(236)	22,192
(24,605)	(24,270)	335	(19,252)
<b>46,981</b>	<b>46,187</b>	<b>(794)</b>	<b>39,107</b>
177	450	(273)	(130)
23	35	(12)	82
232	(126)	358	162
<b>432</b>	<b>359</b>	<b>73</b>	<b>115</b>

**Revenue**

Funds	161,278	160,022	1,256	148,669
Governance and Funding Administration	1,468	1,481	(13)	1,436
Provider	102,245	100,590	1,655	89,323
Eliminations	(88,682)	(87,373)	(1,309)	(77,038)

**Total Revenue**

**Expenditure**

Funds	160,047	157,343	(2,703)	144,478
Governance and Funding Administration	1,426	1,276	(149)	1,176
Provider	103,376	103,475	99	93,769
Eliminations	(88,682)	(87,373)	1,309	(77,038)

**Total Expenditure**

**Net Contribution**

Funds	1,231	2,678	(1,447)	4,192
Governance and Funding Administration	43	205	(162)	260
Provider	(1,131)	(2,885)	1,754	(4,447)

**Net Surplus/(Deficit)**

Year to Date \$000s			
<i>Actual</i>	<i>Budget</i>	<i>Budget Variance</i>	<i>Last Year Actual</i>
161,278	160,022	1,256	148,669
1,468	1,481	(13)	1,436
102,245	100,590	1,655	89,323
(88,682)	(87,373)	(1,309)	(77,038)
<b>176,309</b>	<b>174,720</b>	<b>1,590</b>	<b>162,390</b>
160,047	157,343	(2,703)	144,478
1,426	1,276	(149)	1,176
103,376	103,475	99	93,769
(88,682)	(87,373)	1,309	(77,038)
<b>176,166</b>	<b>174,722</b>	<b>(1,444)</b>	<b>162,385</b>
1,231	2,678	(1,447)	4,192
43	205	(162)	260
(1,131)	(2,885)	1,754	(4,447)
<b>143</b>	<b>(2)</b>	<b>145</b>	<b>4</b>

**Statement of Financial Position**

\$000s	June 2018 Actual	Oct Actual	Oct Budget	Variance	Annual Budget
<b>Current Assets</b>					
Bank	18,468	23,759	21,253	2,506	20,841
Deposits > 3 months	19,950	20,800	19,950	850	19,950
Debtors & Prepayments	18,436	19,947	18,436	1,511	18,636
Stock	2,715	2,614	2,715	(101)	2,715
Assets Held for Sale	465	465	465	(0)	-
<b>Current Assets</b>	<b>60,034</b>	<b>67,584</b>	<b>62,819</b>	<b>4,765</b>	<b>62,142</b>
<b>Current Liabilities</b>					
Creditors	27,437	34,336	30,859	(3,477)	32,086
Employee Entitlements	37,032	37,311	34,851	(2,460)	34,851
Term Debt - Current Portion	490	494	497	3	507
<b>Current Liabilities</b>	<b>64,958</b>	<b>72,141</b>	<b>66,207</b>	<b>(5,934)</b>	<b>67,444</b>
<b>Working Capital</b>	<b>(4,924)</b>	<b>(4,557)</b>	<b>(3,388)</b>	<b>(1,169)</b>	<b>(5,302)</b>
<b>Non Current Assets</b>					
Property Plant and Equipment	208,262	207,875	206,557	1,318	208,111
Other Non Current Assets	1,762	1,755	1,763	(8)	1,763
<b>Non Current Assets</b>	<b>210,024</b>	<b>209,631</b>	<b>208,320</b>	<b>1,311</b>	<b>209,874</b>
Employee Entitlements	9,406	9,406	9,406	-	9,406
Term Debt	8,172	8,004	8,012	8	7,692
<b>Non Current Liabilities</b>	<b>17,578</b>	<b>17,410</b>	<b>17,418</b>	<b>8</b>	<b>17,098</b>
<b>Net Assets</b>	<b>187,522</b>	<b>187,664</b>	<b>187,514</b>	<b>150</b>	<b>187,474</b>
<b>Equity</b>					
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	18,294	18,634	(340)	19,560
DSS	160	465	(40)	505	(52)
Mental Health	(610)	(38)	(23)	(15)	(429)
Total Retained Earnings	18,579	18,721	18,571	150	19,079
<b>Total Crown Equity</b>	<b>187,522</b>	<b>187,664</b>	<b>187,514</b>	<b>150</b>	<b>187,474</b>

**Statement of Cash Flows**

	Year to Date		
	Actual	Budget	Variance
<b>Operating Cash Flow</b>			
<b>Receipts</b>			
Government & Crown Agency Received	168,285	170,474	(2,189)
Interest Received	529	667	(138)
Other Revenue Received	4,095	4,244	(149)
<b>Total Receipts</b>	<b>172,909</b>	<b>175,385</b>	<b>(2,476)</b>
<b>Payments</b>			
Personnel	64,964	66,824	1,860
Payments to Suppliers and Providers	97,477	103,986	6,509
Capital Charge	-	-	-
Interest Paid	275	-	(275)
<b>Total Payments</b>	<b>162,716</b>	<b>170,810</b>	<b>8,094</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>10,193</b>	<b>4,575</b>	<b>5,618</b>
<b>Cash Flow from Investing Activities</b>			
<b>Receipts</b>			
Sale of Fixed Assets	30	-	30
<b>Total Receipts</b>	<b>30</b>	<b>-</b>	<b>30</b>
<b>Payments</b>			
Capital Expenditure	4,082	1,550	(2,532)
Increase in Investments	850	-	(850)
<b>Total Payments</b>	<b>4,932</b>	<b>1,550</b>	<b>(3,382)</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(4,902)</b>	<b>(1,550)</b>	<b>(3,352)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>-</b>	<b>(240)</b>	<b>240</b>
Net Increase/(Decrease) in Cash Held	5,291	2,785	2,506
Plus Opening Balance	18,468	18,468	-
<b>Closing Balance</b>	<b>23,759</b>	<b>21,253</b>	<b>2,506</b>

**12-Month Rolling Cash Forecast**

Consolidated 12 Month Rolling Statement of Cash Flows \$000s	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Cash Flow</b>												
<b>Receipts</b>												
Government & Crown Agency Received	39,868	39,792	46,519	40,083	39,558	39,610	46,579	40,315	42,900	42,900	42,900	42,900
Interest Received	167	167	167	167	167	167	167	167	169	169	169	169
Other Revenue Received	982	981	1,100	979	978	984	1,131	991	1,043	1,043	1,043	1,043
<b>Total Receipts</b>	<b>41,017</b>	<b>40,940</b>	<b>47,786</b>	<b>41,229</b>	<b>40,703</b>	<b>40,761</b>	<b>47,877</b>	<b>41,473</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>
<b>Payments</b>												
Personnel	14,714	14,507	20,441	15,673	14,597	14,561	19,618	15,183	16,865	16,865	16,865	16,865
Payments to Suppliers and Providers	25,297	20,480	26,516	24,560	25,020	25,202	26,672	21,343	25,123	25,123	25,123	25,123
Capital Charge	-	4,733	-	-	-	-	-	4,732	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Payments</b>	<b>40,011</b>	<b>39,720</b>	<b>46,957</b>	<b>40,233</b>	<b>39,617</b>	<b>39,763</b>	<b>46,290</b>	<b>41,258</b>	<b>41,989</b>	<b>41,990</b>	<b>41,991</b>	<b>41,992</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>1,006</b>	<b>1,220</b>	<b>829</b>	<b>996</b>	<b>1,086</b>	<b>998</b>	<b>1,587</b>	<b>215</b>	<b>2,123</b>	<b>2,122</b>	<b>2,121</b>	<b>2,120</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	1,250	450	1,100	750	1,900	500	1,050	950	1,017	217	467	667
Increase in Investments	1,250	450	1,100	750	1,900	500	1,050	950	1,017	217	467	667
<b>Total Payments</b>	<b>(1,250)</b>	<b>(450)</b>	<b>(1,100)</b>	<b>(750)</b>	<b>(1,900)</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>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(547)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>												
Net Increase/(Decrease) in Cash Held	(244)	770	(271)	246	(814)	498	537	(1,282)	1,106	1,905	1,654	1,453
Plus Opening Balance	23,759	23,515	24,285	24,014	24,260	23,446	23,944	24,481	23,199	24,305	26,210	27,864
<b>Closing Balance</b>	<b>23,515</b>	<b>24,285</b>	<b>24,014</b>	<b>24,260</b>	<b>23,446</b>	<b>23,944</b>	<b>24,481</b>	<b>23,199</b>	<b>24,305</b>	<b>26,210</b>	<b>27,864</b>	<b>29,317</b>