

# MEMO

**To:** Board Members  
**From:** Eric Sinclair, GM Finance, Performance & Facilities  
**Date:** 17 October 2018  
**Subject:** Financial Report for September 2018

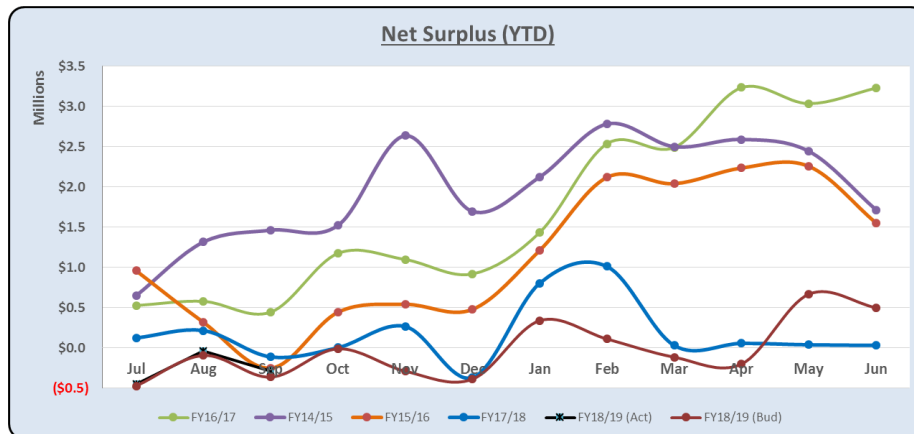
*Status*  
**This report contains:**  
 For decision  
 Update  
 Regular report  
 For information

## Overview

The financial results for the first quarter show a small deficit of \$289k which is favourable to the plan by \$72k. This is a pleasing result for the first quarter and sets us up well for the remainder of the financial year.

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

September 2018 \$Ms					Year to Date \$Ms			
Actual	Budget	Budget Variance	Last Year Actual		Actual	Budget	Budget Variance	Last Year Actual
41.21	40.85	0.36	39.12	<b>Revenue</b>	128.90	128.17	0.72	123.17
				<b>Expenditure</b>				
14.78	15.03	0.25	14.34	Workforce Costs	47.99	48.72	0.73	45.92
7.11	6.86	(0.25)	6.81	Other Operating Costs	22.19	21.71	(0.49)	21.28
13.80	13.51	(0.29)	12.85	External Provider Payments excluding IDFs	41.53	40.69	(0.83)	39.69
3.90	3.90	(0.00)	3.70	Inter District Flows	11.71	11.70	(0.01)	11.11
<b>39.59</b>	<b>39.30</b>	<b>(0.29)</b>	<b>37.70</b>	<b>Total Expenditure before IDCC</b>	<b>123.42</b>	<b>122.81</b>	<b>(0.61)</b>	<b>117.99</b>
<b>1.62</b>	<b>1.55</b>	<b>0.07</b>	<b>1.41</b>	<b>Surplus/(Deficit) before IDCC</b>	<b>5.47</b>	<b>5.36</b>	<b>0.11</b>	<b>5.18</b>
1.87	1.82	(0.05)	1.74	Capital Related Costs	5.76	5.72	(0.04)	5.29
<b>(0.25)</b>	<b>(0.27)</b>	<b>0.01</b>	<b>(0.33)</b>	<b>Surplus/(Deficit)</b>	<b>(0.29)</b>	<b>(0.36)</b>	<b>0.07</b>	<b>(0.11)</b>
				<i>Made up as:</i>				
0.83	0.33	0.50	(0.33)	General	(0.15)	(0.61)	0.46	(0.11)
(0.32)	(0.28)	(0.03)	0.00	DSS	0.21	0.02	0.19	0.00
(0.76)	(0.32)	(0.45)	0.00	Mental Health	(0.34)	0.23	(0.57)	0.00
<b>(0.25)</b>	<b>(0.27)</b>	<b>0.01</b>	<b>(0.33)</b>	<b>Net Result</b>	<b>(0.29)</b>	<b>(0.36)</b>	<b>0.07</b>	<b>(0.11)</b>



**Key messages for the month**

- The first tranche of new investments (total is \$1.7M) was released within the primary and community space totalling \$775k (for the full year). We are now considering whether any further amount will be released now and into what priority.
- The latest Pharmac forecast (dated June 2018) shows an increase in the costs for NMH with the main area the oncology and gastroenterology drugs (i.e. the high cost ones). We are reviewing this further but are unlikely to see any change until the October Pharmac forecast is received in November. With the community pharmaceuticals budget (the CPB as it is known) now including hospital drugs along with community dispensed drugs we are waiting on the November forecast to provide more guidance on the rebate values that need to be allowed for. To better show the pharmaceuticals budget lines in future we are going to bring both hospital and community together and show these as a separate cost line within the statement of financial performance moving forward.
- The non-clinical supplies costs are adverse in the month primarily due to a range of costs within the facilities area that reflect the timing of various work completed that has been completed earlier than initially planned.

Eric Sinclair  
**GM Finance and Performance**

**RECOMMENDATIONS:**

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

## Appendix A – Detailed Financial Statements

### Statement of Financial Performance

September 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>			
36,956	36,861	95	35,132	MOH devolved funding	115,855	115,317	538	110,421
1,620	1,648	(27)	1,698	MOH non-devolved funding	5,615	5,690	(75)	5,657
1,401	1,350	51	1,390	Other government & DHBs	4,049	4,057	(8)	4,058
1,232	995	237	896	Other income	3,376	3,109	267	3,032
<b>41,209</b>	<b>40,854</b>	<b>356</b>	<b>39,116</b>	<b>Total Revenue</b>	<b>128,896</b>	<b>128,174</b>	<b>722</b>	<b>123,168</b>
<b>Expenditure</b>					<b>Expenditure</b>			
14,451	14,897	446	14,064	Employed Workforce	46,831	48,279	1,448	45,097
329	137	(191)	273	Outsourced Workforce	1,159	438	(721)	820
14,779	15,034	255	14,336	<b>Total Workforce</b>	47,990	48,716	726	45,917
1,386	1,361	(25)	1,343	Outsourced Services	4,262	4,183	(79)	3,965
2,789	2,820	31	2,908	Clinical Supplies	9,311	9,140	(171)	9,169
2,930	2,677	(253)	2,563	Non-Clinical Supplies	8,621	8,382	(239)	8,143
13,803	13,509	(294)	12,852	External Provider Payments excluding IDFs	41,526	40,693	(833)	39,690
3,903	3,900	(3)	3,703	Inter District Flows	11,712	11,700	(12)	11,107
<b>39,590</b>	<b>39,301</b>	<b>(289)</b>	<b>37,704</b>	<b>Total Expenditure before IDCC</b>	<b>123,423</b>	<b>122,815</b>	<b>(608)</b>	<b>117,991</b>
<b>1,619</b>	<b>1,552</b>	<b>67</b>	<b>1,413</b>	<b>Surplus/(Deficit) before IDCC</b>	<b>5,473</b>	<b>5,359</b>	<b>114</b>	<b>5,178</b>
28	19	(9)	29	Interest Expense	84	63	(21)	88
1,116	1,073	(43)	928	Depreciation	3,312	3,291	(21)	2,853
728	728	(0)	782	Capital Charge	2,366	2,366	0	2,346
1,872	1,821	(52)	1,740	<b>Total IDCC</b>	5,762	5,720	(42)	5,288
<b>(253)</b>	<b>(268)</b>	<b>15</b>	<b>(327)</b>	<b>Surplus/(Deficit) after IDCC</b>	<b>(289)</b>	<b>(361)</b>	<b>72</b>	<b>(110)</b>
400	838	(438)	(182)	Funder	1,054	2,228	(1,174)	4,321
(34)	47	(81)	97	Governance	20	170	(150)	177
(620)	(1,153)	533	(242)	Provider	(1,363)	(2,759)	1,396	(4,609)
<b>(253)</b>	<b>(268)</b>	<b>15</b>	<b>(327)</b>	<b>Surplus/(Deficit)</b>	<b>(289)</b>	<b>(361)</b>	<b>72</b>	<b>(110)</b>

### Financial Performance by Division

September 2018 \$000s			
<i>Actual</i>	<i>Budget</i>	<i>Budget Variance</i>	<i>Last Year Actual</i>
37,776	37,663	113	35,964
326	330	(3)	354
22,777	22,277	500	22,397
(19,670)	(19,416)	(254)	(19,598)
<b>41,209</b>	<b>40,854</b>	<b>356</b>	<b>39,116</b>
37,376	36,825	(551)	36,147
360	283	(77)	256
23,396	23,430	33	22,639
(19,670)	(19,416)	254	(19,598)
<b>41,463</b>	<b>41,122</b>	<b>(341)</b>	<b>39,444</b>
400	838	(438)	(182)
(34)	47	(81)	97
(620)	(1,153)	533	(242)
<b>(253)</b>	<b>(268)</b>	<b>15</b>	<b>(327)</b>

#### Revenue

Funds	
Governance and Funding Administration	
Provider	
Eliminations	

#### Total Revenue

#### Expenditure

Funds	
Governance and Funding Administration	
Provider	
Eliminations	

#### Total Expenditure

#### Net Contribution

Funds	
Governance and Funding Administration	
Provider	

#### Net Surplus/(Deficit)

Year to Date \$000s			
<i>Actual</i>	<i>Budget</i>	<i>Budget Variance</i>	<i>Last Year Actual</i>
118,369	117,724	645	112,903
1,061	1,070	(10)	1,082
73,543	72,482	1,061	66,968
(64,077)	(63,103)	(974)	(57,785)
<b>128,896</b>	<b>128,174</b>	<b>722</b>	<b>123,168</b>
117,315	115,496	(1,819)	108,582
1,040	900	(140)	905
74,906	75,241	335	71,577
(64,077)	(63,103)	974	(57,785)
<b>129,185</b>	<b>128,535</b>	<b>(650)</b>	<b>123,279</b>
1,054	2,228	(1,174)	4,321
20	170	(150)	177
(1,363)	(2,759)	1,396	(4,609)
<b>(289)</b>	<b>(361)</b>	<b>72</b>	<b>(110)</b>

**Statement of Financial Position**

	June 2018	Sep	Sep		Annual
\$000s	Actual	Actual	Budget	Variance	Budget
<b>Current Assets</b>					
Bank	18,468	30,615	30,211	404	20,841
Deposits > 3 months	19,950	20,800	19,950	850	19,950
Debtors & Prepayments	18,436	21,911	18,436	3,475	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>76,404</b>	<b>71,777</b>	<b>4,627</b>	<b>62,142</b>
<b>Current Liabilities</b>					
Creditors	27,437	40,838	40,441	(397)	32,086
Employee Entitlements	37,032	40,179	34,851	(5,328)	34,851
Term Debt - Current Portion	490	493	507	14	507
<b>Current Liabilities</b>	<b>64,958</b>	<b>81,510</b>	<b>75,799</b>	<b>(5,711)</b>	<b>67,444</b>
<b>Working Capital</b>	<b>(4,924)</b>	<b>(5,106)</b>	<b>(4,022)</b>	<b>(1,084)</b>	<b>(5,302)</b>
<b>Non Current Assets</b>					
Property Plant and Equipment	208,262	208,033	206,880	1,153	208,111
Other Non Current Assets	1,762	1,758	1,763	(5)	1,763
<b>Non Current Assets</b>	<b>210,024</b>	<b>209,791</b>	<b>208,643</b>	<b>1,148</b>	<b>209,874</b>
Employee Entitlements	9,406	9,406	9,406	-	9,406
Term Debt	8,172	8,046	8,052	6	7,692
<b>Non Current Liabilities</b>	<b>17,578</b>	<b>17,452</b>	<b>17,458</b>	<b>6</b>	<b>17,098</b>
<b>Net Assets</b>	<b>187,522</b>	<b>187,232</b>	<b>187,163</b>	<b>69</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	17,862	17,833	29	19,560
DSS	160	465	205	260	(52)
Mental Health	(610)	(38)	182	(220)	(429)
Total Retained Earnings	18,579	18,289	18,220	69	19,079
<b>Total Crown Equity</b>	<b>187,522</b>	<b>187,232</b>	<b>187,163</b>	<b>69</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	122,737	125,064	(2,327)
Interest Received	393	500	(107)
Other Revenue Received	2,933	3,108	(175)
<b>Total Receipts</b>	<b>126,063</b>	<b>128,672</b>	<b>(2,609)</b>
<b>Payments</b>			
Personnel	43,690	48,279	4,589
Payments to Suppliers and Providers	66,086	77,423	11,337
Capital Charge	-	-	-
Interest Paid	207	-	(207)
<b>Total Payments</b>	<b>109,983</b>	<b>125,702</b>	<b>15,719</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>16,080</b>	<b>2,970</b>	<b>13,110</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	3,113	1,050	(2,063)
Increase in Investments	850	-	(850)
<b>Total Payments</b>	<b>3,963</b>	<b>1,050</b>	<b>(2,913)</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(3,933)</b>	<b>(1,050)</b>	<b>(2,883)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>-</b>	<b>(177)</b>	<b>177</b>
Net Increase/(Decrease) in Cash Held	12,147	1,743	10,404
Plus Opening Balance	18,468	18,468	-
<b>Closing Balance</b>	<b>30,615</b>	<b>20,211</b>	<b>10,404</b>

### 12-Month Rolling Cash Forecast

Consolidated 12 Month Rolling Statement of Cash Flows	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>\$000s</b>												
<b>Operating Cash Flow</b>												
<b>Receipts</b>												
Government & Crown Agency Received	45,406	39,868	39,792	46,519	40,083	39,558	39,610	46,579	40,315	42,900	42,900	42,900
Interest Received	167	167	167	167	167	167	167	167	167	169	169	169
Other Revenue Received	1,137	982	981	1,100	979	978	984	1,131	991	1,043	1,043	1,043
<b>Total Receipts</b>	<b>46,710</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>Payments</b>												
Personnel	18,370	14,714	14,507	20,441	15,673	14,597	14,561	19,618	15,183	16,865	16,865	16,865
Payments to Suppliers and Providers	26,567	25,297	20,480	26,516	24,560	25,020	25,202	26,672	21,343	25,123	25,123	25,123
Capital Charge	-	-	4,733	-	-	-	-	-	4,732	797	797	797
Interest Paid	-	-	-	-	-	-	-	-	-	33	33	33
<b>Total Payments</b>	<b>44,937</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>42,819</b>	<b>42,820</b>	<b>42,821</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>1,773</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>1,293</b>	<b>1,292</b>	<b>1,291</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	500	1,250	450	1,100	750	1,900	500	1,050	950	167	217	467
Increase in Investments	500	1,250	450	1,100	750	1,900	500	1,050	950	167	217	467
<b>Total Payments</b>	<b>(500)</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>(167)</b>	<b>(217)</b>	<b>(467)</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>-</b>	<b>(547)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>												
Net Increase/(Decrease) in Cash Held	1,273	(244)	770	(271)	246	(814)	498	537	(1,282)	1,126	1,075	824
Plus Opening Balance	30,615	31,888	31,644	32,414	32,143	32,389	31,575	32,073	32,610	31,328	32,454	33,529
<b>Closing Balance</b>	<b>31,888</b>	<b>31,644</b>	<b>32,414</b>	<b>32,143</b>	<b>32,389</b>	<b>31,575</b>	<b>32,073</b>	<b>32,610</b>	<b>31,328</b>	<b>32,454</b>	<b>33,529</b>	<b>34,353</b>