

# MEMO

**To:** Board Members  
**From:** Eric Sinclair  
 GM Finance, Performance & Facilities  
**Date:** 20 March 2019  
**Subject:** Financial Report for February 2019

*Status*

This report contains:

- For decision
- Update
- Regular report
- For information

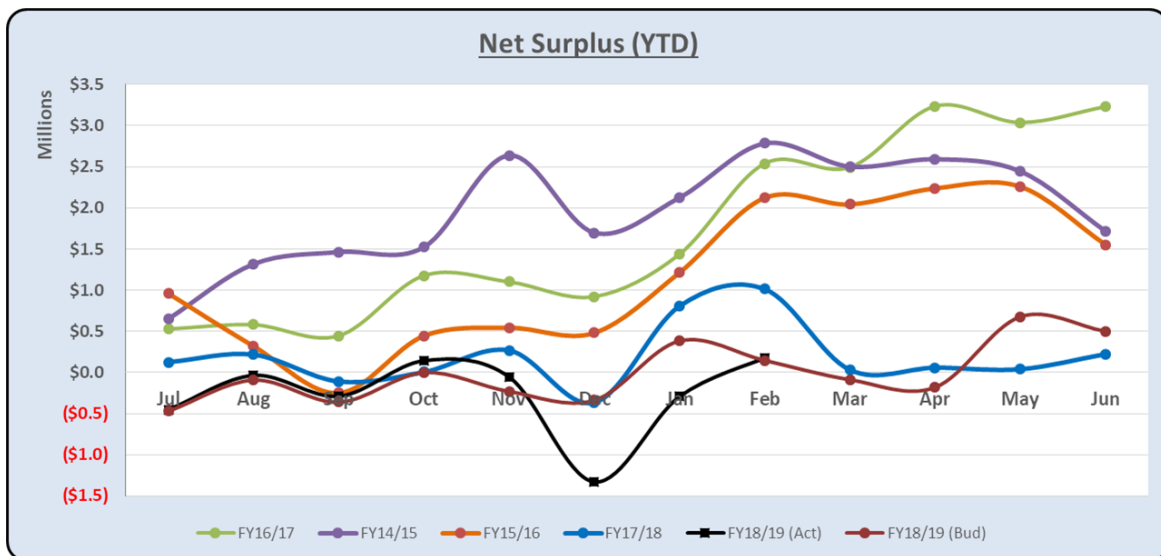
## Overview

The YTD net result shows a small surplus of \$0.2M which is favourable to the planned result by \$0.03M. The improvement which is reflected in the February result, follows the confirmation of additional revenue from the MOH to cover the gap between DHB budgets and the settlements for the PSA Nursing and the PSA Allied Health MECAs.

The overall result sitting at budgeted levels is very pleasing given the significant fiscal pressure that the health sector is currently facing with most DHBs running with not only significant deficits but also running adverse to their planned results. I have attached (refer Appendix B at the end of this report) a summary from the latest DHB sector financial report we have received with the results as at December 2019. It is a credit to all our team at NMH that we are delivering the results we are.

There are still a number of employment agreements to be settled in the coming months and we remain under pressure to cover these within the budgeted parameters.

We have been reviewing the costs to determine whether there has been any significant impact on the financial results arising from the Pigeon Valley fires. At this point we are estimating a cost impact of \$30k. Costs related to the relocation of aged care residents that occurred are still to be fully assessed.



### Operating Statement for the period ending February 2019

Month \$000s			
Actual	Budget	Variance	Last Yr
37,696	37,061	635	35,716
2,575	1,653	922	1,714
440	515	-75	464
839	852	-13	966
1,179	978	201	1,241
<b>42,729</b>	<b>41,059</b>	<b>1,670</b>	<b>40,101</b>
15,620	15,974	354	14,493
510	128	-382	325
16,130	16,102	-28	14,818
1,523	1,360	-163	1,283
2,162	1,990	-172	2,107
3,183	3,510	327	3,649
120	247	127	313
2,097	2,325	228	2,415
10,792	10,114	-678	9,692
3,904	3,900	-4	3,894
<b>39,911</b>	<b>39,548</b>	<b>-363</b>	<b>38,171</b>
<b>2,818</b>	<b>1,511</b>	<b>1,307</b>	<b>1,930</b>
27	19	-8	29
1,022	1,002	-20	914
1,181	728	-453	780
<b>2,230</b>	<b>1,749</b>	<b>-481</b>	<b>1,723</b>
<b>588</b>	<b>-238</b>	<b>826</b>	<b>207</b>
-92	0	-92	0
-30	0	-30	0
0	0	0	0
<b>466</b>	<b>-238</b>	<b>704</b>	<b>207</b>

	YTD \$000s				Full Year \$000s	
	Actual	Budget	Variance	Last Yr	Budget	Last Yr
<b>Revenue</b>						
MOH devolved funding	313,122	310,290	2,832	296,905	463,268	444,601
MOH non-devolved funding	17,274	15,631	1,643	15,506	23,322	23,088
ACC revenue	3,804	4,030	-226	3,394	6,034	5,264
Other government & DHBs	6,856	6,784	72	7,389	10,173	10,845
Other income	9,400	8,285	1,115	8,418	12,368	14,456
<b>Total Revenue</b>	<b>350,456</b>	<b>345,020</b>	<b>5,436</b>	<b>331,612</b>	<b>515,165</b>	<b>498,254</b>
<b>Expenses</b>						
Employed workforce	130,005	131,858	1,853	121,312	196,196	184,566
Outsourced workforce	3,919	1,142	-2,777	2,429	1,677	4,131
<b>Total Workforce</b>	<b>133,924</b>	<b>133,000</b>	<b>-924</b>	<b>123,741</b>	<b>197,873</b>	<b>188,697</b>
Outsourced services	11,726	11,177	-549	10,720	16,716	16,352
Clinical supplies	18,573	17,424	-1,149	17,295	25,890	26,702
Pharmaceuticals	30,682	30,957	275	31,647	46,357	47,573
Air Ambulance	2,411	2,054	-357	2,032	3,089	3,162
Non-clinical supplies	21,520	21,166	-354	21,042	31,058	27,183
External provider payments	83,506	82,665	-841	79,568	124,107	121,406
Inter District Flows	31,228	31,200	-28	30,301	46,801	45,330
<b>Total Expenses before IDCC</b>	<b>333,570</b>	<b>329,643</b>	<b>-3,927</b>	<b>316,346</b>	<b>491,891</b>	<b>476,405</b>
<b>Surplus/(Deficit) before IDCC</b>	<b>16,886</b>	<b>15,377</b>	<b>1,509</b>	<b>15,266</b>	<b>23,274</b>	<b>21,849</b>
Interest expenses	223	170	-53	232	252	346
Depreciation	8,840	8,692	-148	7,767	13,056	11,906
Capital charge	7,463	6,371	-1,092	6,254	9,465	9,376
<b>Total IDCC</b>	<b>16,526</b>	<b>15,233</b>	<b>-1,293</b>	<b>14,253</b>	<b>22,773</b>	<b>21,628</b>
<b>Operating Surplus/(Deficit)</b>	<b>360</b>	<b>144</b>	<b>216</b>	<b>1,013</b>	<b>501</b>	<b>221</b>
MECA related costs	-158	0	-158	0	0	0
Other one-off cost implications	-30	0	-30	0	0	0
Impairment of NOS asset	0	0	0	0	0	-2,255
<b>Net Surplus/(Deficit)</b>	<b>172</b>	<b>144</b>	<b>28</b>	<b>1,013</b>	<b>501</b>	<b>-2,034</b>

### **Key messages for the month**

- Revenue from the MOH is showing as favourable in the month reflecting three main areas:
  - As stated earlier in the report we have recognised additional revenue that has been confirmed by the MOH for the PSA Nursing and PSA Allied Health MECA settlements. We have aligned the revenue to match the costs incurred so the February result reflects a YTD adjustment.
  - We continue to receive additional funding for a variety of initiatives that offset additional cost to external providers.
  - We have completed the capital charge wash up process from the first six months from both the revenue and cost perspective. This resulted in additional revenue of \$0.4M being recognised to offset the additional \$0.4M of capital charge costs also showing in the results.
  
- The majority of cost lines within the February result are a continuation of what we have seen in the earlier months with no new variances of any significance occurring.
  
- The pharmaceutical spend continues to vary as we balance the accrual adjustment, based on the Pharmac November forecast, with the actual expenditure being incurred. I am hoping the February forecast from Pharmac, which we are still to receive, provides greater clarity for our end of year position.
  
- An action arising from the last Board meeting was for more information on whether the higher costs in clinical supplies for orthopaedic work was arising are from elective or acute orthopaedic surgeries. It is difficult to provide a definitive answer on the split of costs however a look at the current caseweights (CWDs) delivered provides a good proxy that the costs are being driven by the acute orthopaedic work. The following table shows the CWDS for orthopaedic work (as coded and reported for the end of February) is as follows:

	Actual	Planned	LY Actual
Acute	1,748	1,284	1,421
Elective	1,150	1,345	1,416
Total	2,897	2,629	2,838

Eric Sinclair  
**GM Finance and Performance**

### **RECOMMENDATIONS:**

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

## Appendix A – Detailed Financial Statements

### Financial Performance by Division

February 2019 \$000s					Year to Date \$000s			
Actual	Budget	Budget Variance	Last Year Actual		Actual	Budget	Budget Variance	Last Year Actual
				<b>Revenue</b>				
38,492	37,863	629	36,529	Funds	319,646	316,709	2,938	303,703
326	330	(3)	354	Governance and Funding Administration	2,855	2,881	(26)	2,852
23,601	22,283	1,318	22,883	Provider	200,256	195,322	4,934	182,214
(19,690)	(19,416)	(273)	(19,664)	Eliminations	(172,301)	(169,892)	(2,409)	(157,157)
<b>42,730</b>	<b>41,060</b>	<b>1,670</b>	<b>40,101</b>	<b>Total Revenue</b>	<b>350,457</b>	<b>345,020</b>	<b>5,437</b>	<b>331,612</b>
				<b>Expenditure</b>				
37,375	36,356	(1,020)	36,163	Funds	314,524	309,596	(4,928)	293,014
364	292	(72)	318	Governance and Funding Administration	2,826	2,467	(359)	2,429
24,212	24,065	(146)	23,077	Provider	205,231	202,703	(2,529)	192,313
(19,690)	(19,416)	273	(19,664)	Eliminations	(172,301)	(169,892)	2,409	(157,157)
<b>42,263</b>	<b>41,296</b>	<b>(967)</b>	<b>39,894</b>	<b>Total Expenditure</b>	<b>350,283</b>	<b>344,874</b>	<b>(5,409)</b>	<b>330,599</b>
				<b>Net Contribution</b>				
1,117	1,508	(391)	366	Funds	5,122	7,112	(1,990)	10,689
(37)	38	(75)	35	Governance and Funding Administration	29	414	(385)	423
(611)	(1,782)	1,171	(194)	Provider	(4,975)	(7,380)	2,405	(10,099)
<b>469</b>	<b>(237)</b>	<b>706</b>	<b>207</b>	<b>Net Surplus/(Deficit)</b>	<b>176</b>	<b>146</b>	<b>30</b>	<b>1,013</b>

**Statement of Financial Position**

\$000s	June 2018 Actual	Feb Actual	Feb Budget	Variance	Annual Budget
<b>Current Assets</b>					
Bank	18,468	23,017	21,902	1,115	20,841
Deposits > 3 months	19,950	21,284	19,950	1,334	19,950
Debtors & Prepayments	18,436	21,205	18,436	2,769	18,636
Stock	2,715	2,734	2,715	19	2,715
Assets Held for Sale	465	465	-	465	-
<b>Current Assets</b>	<b>60,034</b>	<b>68,705</b>	<b>63,003</b>	<b>5,702</b>	<b>62,142</b>
<b>Current Liabilities</b>					
Creditors	27,437	32,163	31,453	(710)	32,086
Employee Entitlements	37,032	39,466	34,851	(4,615)	34,851
Term Debt - Current Portion	490	498	502	4	507
<b>Current Liabilities</b>	<b>64,958</b>	<b>72,127</b>	<b>66,806</b>	<b>(5,321)</b>	<b>67,444</b>
<b>Working Capital</b>	<b>(4,924)</b>	<b>(3,422)</b>	<b>(3,803)</b>	<b>381</b>	<b>(5,302)</b>
<b>Non Current Assets</b>					
Property Plant and Equipment	208,262	206,596	206,934	(338)	208,111
Other Non Current Assets	1,762	1,761	1,763	(2)	1,763
<b>Non Current Assets</b>	<b>210,024</b>	<b>208,358</b>	<b>208,697</b>	<b>(339)</b>	<b>209,874</b>
Employee Entitlements	9,406	9,406	9,406	-	9,406
Term Debt	8,172	7,835	7,852	17	7,692
<b>Non Current Liabilities</b>	<b>17,578</b>	<b>17,241</b>	<b>17,258</b>	<b>17</b>	<b>17,098</b>
<b>Net Assets</b>	<b>187,522</b>	<b>187,695</b>	<b>187,636</b>	<b>59</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	18,579	18,753	18,693	60	19,079
<b>Total Crown Equity</b>	<b>187,522</b>	<b>187,695</b>	<b>187,636</b>	<b>59</b>	<b>187,474</b>

## Statement of Cash Flows

	Year to Date			Full Year
	Actual	Budget	Variance	AP
<b>Operating Cash Flow</b>				
<b>Receipts</b>				
Government & Crown Agency Received	339,377	336,735	2,642	502,797
Interest Received	1,051	1,333	(282)	2,000
Other Revenue Received	8,352	8,282	70	12,363
<b>Total Receipts</b>	<b>348,780</b>	<b>346,350</b>	<b>2,430</b>	<b>517,160</b>
<b>Payments</b>				
Personnel	129,235	131,781	2,546	195,964
Payments to Suppliers and Providers	200,007	200,824	817	298,597
Capital Charge	6,015	4,733	(1,282)	9,465
Interest Paid	1,035	-	(1,035)	-
<b>Total Payments</b>	<b>336,292</b>	<b>337,338</b>	<b>1,046</b>	<b>504,026</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>12,488</b>	<b>9,012</b>	<b>3,476</b>	<b>13,134</b>
<b>Cash Flow from Investing Activities</b>				
<b>Receipts</b>				
Sale of Fixed Assets	84	-	84	-
<b>Total Receipts</b>	<b>84</b>	<b>-</b>	<b>84</b>	<b>-</b>
<b>Payments</b>				
Capital Expenditure	7,173	5,100	(2,073)	9,500
Increase in Investments	850	-	(850)	-
<b>Total Payments</b>	<b>8,023</b>	<b>5,100</b>	<b>(2,923)</b>	<b>9,500</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(7,939)</b>	<b>(5,100)</b>	<b>(2,839)</b>	<b>(9,500)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>-</b>	<b>(478)</b>	<b>478</b>	<b>(1,262)</b>
Net Increase/(Decrease) in Cash Held	4,549	3,434	1,115	2,372
Plus Opening Balance	18,468	18,468	-	18,468
<b>Closing Balance</b>	<b>23,017</b>	<b>21,902</b>	<b>1,115</b>	<b>20,840</b>

Consolidated 12 Month Rolling Statement of Cash Flows \$000s	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Cash Flow</b>												
<b>Receipts</b>												
Government & Crown Agency Received	39,556	39,609	46,582	40,316	44,500	42,900	42,900	42,900	42,900	42,900	42,900	42,900
Interest Received	167	167	167	167	169	169	169	169	169	169	169	169
Other Revenue Received	977	983	1,130	990	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
<b>Total Receipts</b>	<b>40,700</b>	<b>40,759</b>	<b>47,879</b>	<b>41,473</b>	<b>45,712</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>	<b>44,112</b>
<b>Payments</b>												
Personnel	14,842	14,813	19,091	15,438	16,865	16,865	16,865	16,865	16,865	16,865	16,865	16,865
Payments to Suppliers and Providers	25,016	25,199	26,666	20,891	25,123	25,123	25,123	25,123	25,123	25,123	25,123	25,123
Capital Charge	-	-	-	5,532	-	-	-	-	-	5,580	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Payments</b>	<b>39,858</b>	<b>40,012</b>	<b>45,757</b>	<b>41,861</b>	<b>41,989</b>	<b>41,990</b>	<b>41,991</b>	<b>41,992</b>	<b>41,993</b>	<b>47,574</b>	<b>41,995</b>	<b>41,996</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>842</b>	<b>747</b>	<b>2,122</b>	<b>(388)</b>	<b>3,723</b>	<b>2,122</b>	<b>2,121</b>	<b>2,120</b>	<b>2,119</b>	<b>(3,462)</b>	<b>2,117</b>	<b>2,116</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	1,900	500	1,050	950	1,017	217	467	667	1,367	1,267	767	3,300
Increase in Investments	1,900	500	1,050	950	1,017	217	467	667	1,367	1,267	767	3,300
<b>Total Payments</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>(1,367)</b>	<b>(1,267)</b>	<b>(767)</b>	<b>(3,300)</b>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(57)</b>	<b>(58)</b>	<b>(63)</b>	<b>(605)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>	<b>(60)</b>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>												
Net Increase/(Decrease) in Cash Held	(1,115)	189	1,009	(1,943)	2,646	1,845	1,594	1,393	692	(4,789)	1,290	(1,244)
Plus Opening Balance	23,017	21,902	22,091	23,100	21,157	23,803	25,648	27,242	28,635	29,327	24,538	25,828
<b>Closing Balance</b>	<b>21,902</b>	<b>22,091</b>	<b>23,100</b>	<b>21,157</b>	<b>23,803</b>	<b>25,648</b>	<b>27,242</b>	<b>28,635</b>	<b>29,327</b>	<b>24,538</b>	<b>25,828</b>	<b>24,584</b>

## Appendix B – National DHB Financial Results to 31 December 2018

	Actual	Plan	Variance	Full Year Plan
Auckland DHB	(12,555)	(2,893)	(9,662)	1
Counties Manukau DHB	(24,245)	(26,392)	2,147	(53,494)
Northland DHB	(3,808)	(2,238)	(1,570)	(5,995)
Waitemata DHB	(8,044)	(8,347)	303	(14,700)
<b>Northern Region Total</b>	<b>(48,652)</b>	<b>(39,870)</b>	<b>(8,782)</b>	<b>(74,188)</b>
Bay of Plenty DHB	(5,287)	(1,699)	(3,588)	(10,474)
Lakes DHB	(4,655)	(2,446)	(2,209)	(5,100)
Tairāwhiti DHB	(5,316)	(4,505)	(811)	(9,500)
Taranaki DHB	(8,446)	(7,512)	(934)	(13,733)
Waikato DHB	(24,395)	(22,822)	(1,573)	(56,071)
<b>Midland Region Total</b>	<b>(48,099)</b>	<b>(38,984)</b>	<b>(9,115)</b>	<b>(94,879)</b>
Capital & Coast DHB	(9,410)	(8,298)	(1,112)	(15,864)
Hawke's Bay DHB	(7,992)	(5,500)	(2,492)	(5,000)
Hutt Valley DHB	(1,548)	(4,225)	2,677	(8,049)
MidCentral DHB	(7,911)	(5,551)	(2,360)	(4,950)
Wairarapa DHB	(5,557)	(4,776)	(781)	(8,995)
Whanganui DHB	(5,535)	(5,125)	(410)	(7,886)
<b>Central Region Total</b>	<b>(37,953)</b>	<b>(33,475)</b>	<b>(4,478)</b>	<b>(50,744)</b>
Canterbury DHB	(41,297)	(39,871)	(1,426)	(98,475)
Nelson Marlborough DHB	(1,330)	(385)	(945)	500
South Canterbury DHB	(376)	172	(548)	11
Southern DHB	(25,925)	(17,581)	(8,344)	(22,390)
West Coast DHB	(3,152)	(3,280)	128	(6,087)
<b>Southern Region Total</b>	<b>(72,080)</b>	<b>(60,945)</b>	<b>(11,134)</b>	<b>(126,442)</b>
<b>All DHBs</b>	<b>(206,784)</b>	<b>(173,274)</b>	<b>(33,510)</b>	<b>(346,253)</b>