

MEMO

To: Board Members
From: Eric Sinclair, GM Finance & Performance
Date: 21 March 2018
Subject: Financial Report for February 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 \$0.21M surplus (against the planned \$0.15M surplus) for the month has brought the 8 month result to a surplus of \$1.02M (against the planned surplus of \$2.26M). This gives an 8 month adverse variance to the plan of \$1.25M. Detailed financial statements are included in the Appendix attached to this report.

| February 2018 \$Ms | | | |
|--------------------|--------------|-----------------|------------------|
| Actual | Budget | Budget Variance | Last Year Actual |
| 40.10 | 39.67 | 0.43 | 37.75 |
| 14.82 | 14.77 | (0.05) | 13.95 |
| 6.85 | 6.22 | (0.63) | 5.66 |
| 12.62 | 12.99 | 0.37 | 11.75 |
| 3.89 | 3.69 | (0.20) | 3.71 |
| 38.18 | 37.67 | (0.51) | 35.06 |
| 1.92 | 2.00 | (0.08) | 2.69 |
| 1.72 | 1.86 | 0.14 | 1.59 |
| 0.21 | 0.15 | 0.06 | 1.10 |

Revenue

Expenditure

Workforce Costs

Other Operating Costs

External Provider Payments excluding IDFs

Inter District Flows

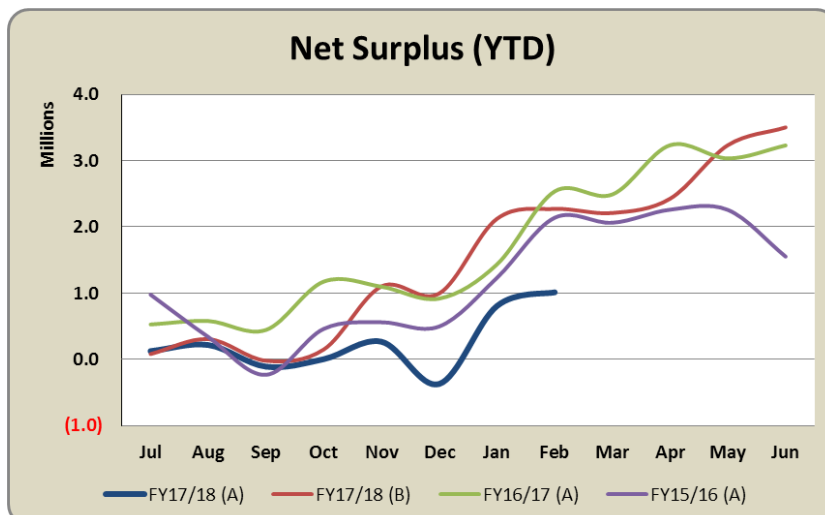
Total Expenditure before IDCC

Surplus/(Deficit) before IDCC

Capital Related Costs

Surplus/(Deficit)

| Year to Date \$Ms | | | | Full Year \$Ms | |
|-------------------|---------------|-----------------|------------------|----------------|---------------|
| Actual | Budget | Budget Variance | Last Year Actual | Budget | Last Yr |
| 331.62 | 330.69 | 0.93 | 310.21 | 493.82 | 468.24 |
| 123.74 | 123.64 | (0.10) | 113.40 | 184.30 | 175.32 |
| 56.82 | 54.04 | (2.78) | 48.51 | 80.29 | 72.90 |
| 105.56 | 106.27 | 0.72 | 102.36 | 159.04 | 153.41 |
| 30.30 | 29.55 | (0.75) | 29.23 | 44.32 | 43.41 |
| 316.42 | 313.51 | (2.91) | 293.50 | 467.95 | 445.04 |
| 15.20 | 17.18 | (1.98) | 16.71 | 25.86 | 23.19 |
| 14.18 | 14.92 | 0.74 | 14.17 | 22.36 | 19.96 |
| 1.02 | 2.26 | (1.25) | 2.54 | 3.50 | 3.23 |



Key messages for the month

- NMH continues to report 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 February result:
 - An adjustment, totalling \$200k, was made to IDFs which reflects the risk previously highlighted to the Board.
 - Pharmaceuticals within the hospital continue to track adverse to plan with the variance \$176k for the month bringing the YTD adverse variance to \$844k. We are accruing the rebate to the October forecast advice and expect to receive the February forecast from Pharmac in early April. Once received we will assess the impact on the financial results.
- The forecast for the full year was lowered to a surplus of \$2.5M following the January result and has remained unchanged following the February result. This reflects:
 - The DHB is living within our means on the basis that we are forecasting a surplus result, albeit lower than we planned, the critical point remains a surplus will be achieved.
 - We have a few challenges around IDFs where we expect to end the year adverse to plan. It is key to note that although NMH is forecasting an adverse result for IDFs 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 where 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 do not expect to see the additional cost increases in the last few months of the year like we saw in the previous year.

Eric Sinclair
GM Finance and Performance

RECOMMENDATIONS:

THAT THE BOARD RECEIVES THE FINANCIAL REPORT.

Appendix A – Detailed Financial Statements

Statement of Financial Performance

| February 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 | | | | | |
| 35,716 | 35,681 | 35 | 33,887 | 296,905 | 295,820 | 1,086 | 277,608 | 442,001 | 418,471 |
| 1,714 | 1,759 | (45) | 1,644 | 15,506 | 15,849 | (343) | 14,368 | 23,530 | 22,090 |
| 1,430 | 1,273 | 157 | 1,257 | 10,783 | 10,785 | (1) | 10,319 | 16,007 | 15,243 |
| 1,241 | 962 | 279 | 967 | 8,422 | 8,232 | 190 | 7,911 | 12,278 | 12,433 |
| 40,101 | 39,675 | 427 | 37,754 | 331,617 | 330,685 | 932 | 310,206 | 493,817 | 468,237 |
| Expenditure | | | | Expenditure | | | | | |
| 14,493 | 14,673 | 179 | 13,615 | 121,312 | 122,764 | 1,453 | 110,836 | 182,993 | 171,259 |
| 325 | 100 | (224) | 330 | 2,430 | 878 | (1,552) | 2,560 | 1,306 | 4,060 |
| 14,818 | 14,773 | (45) | 13,946 | 123,742 | 123,642 | (100) | 113,396 | 184,299 | 175,319 |
| 1,283 | 1,234 | (48) | 866 | 10,720 | 10,599 | (121) | 7,290 | 15,875 | 10,561 |
| 3,146 | 2,661 | (486) | 2,744 | 24,986 | 22,764 | (2,222) | 22,867 | 34,028 | 35,623 |
| 2,423 | 2,323 | (100) | 2,047 | 21,116 | 20,680 | (436) | 18,354 | 30,390 | 26,718 |
| 12,615 | 12,986 | 370 | 11,751 | 105,556 | 106,273 | 718 | 102,356 | 159,040 | 153,409 |
| 3,894 | 3,693 | (200) | 3,706 | 30,301 | 29,547 | (754) | 29,235 | 44,321 | 43,412 |
| 38,179 | 37,670 | (509) | 35,060 | 316,421 | 313,506 | (2,915) | 293,496 | 467,953 | 445,043 |
| 1,923 | 2,005 | (82) | 2,695 | 15,196 | 17,179 | (1,983) | 16,710 | 25,864 | 23,194 |
| 29 | 19 | (9) | 127 | 232 | 170 | (63) | 1,811 | 252 | 1,914 |
| 906 | 1,058 | 152 | 887 | 7,693 | 8,510 | 817 | 7,761 | 12,757 | 11,631 |
| 780 | 780 | (1) | 579 | 6,254 | 6,237 | (17) | 4,599 | 9,355 | 6,418 |
| 1,715 | 1,857 | 141 | 1,593 | 14,179 | 14,917 | 738 | 14,172 | 22,364 | 19,964 |
| 207 | 148 | 59 | 1,102 | 1,017 | 2,263 | (1,245) | 2,538 | 3,500 | 3,230 |
| 366 | 194 | 172 | 289 | 10,689 | 9,554 | 1,135 | 837 | 12,970 | 4,560 |
| 35 | 38 | (3) | (1) | 423 | 253 | 170 | 7 | 355 | (115) |
| (194) | (84) | (110) | 813 | (10,095) | (7,545) | (2,550) | 1,694 | (9,824) | (1,215) |
| 207 | 148 | 59 | 1,102 | 1,017 | 2,263 | (1,245) | 2,538 | 3,500 | 3,230 |

Financial Performance by Division

| February 2018 \$000s | | | |
|----------------------|---------------|-----------------|------------------|
| Actual | Budget | Budget Variance | Last Year Actual |
| 36,529 | 36,474 | 55 | 34,722 |
| 354 | 354 | 0 | 354 |
| 22,883 | 22,448 | 434 | 21,655 |
| (19,664) | (19,601) | (63) | (18,976) |
| 40,101 | 39,675 | 427 | 37,754 |
| 36,163 | 36,280 | 117 | 34,433 |
| 318 | 315 | (3) | 354 |
| 23,077 | 22,532 | (544) | 20,842 |
| (19,664) | (19,601) | 63 | (18,976) |
| 39,894 | 39,526 | (368) | 36,653 |
| 366 | 194 | 172 | 289 |
| 35 | 38 | (3) | (1) |
| (194) | (84) | (110) | 813 |
| 207 | 148 | 59 | 1,102 |

Revenue

| | | | | |
|---------------------------------------|----------------|----------------|------------|----------------|
| Funds | 303,703 | 302,182 | 1,521 | 283,805 |
| Governance and Funding Administration | 2,852 | 2,857 | (5) | 2,856 |
| Provider | 182,218 | 182,454 | (236) | 174,923 |
| Eliminations | (157,157) | (156,808) | (349) | (151,377) |
| Total Revenue | 331,617 | 330,685 | 932 | 310,206 |

Expenditure

| | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Funds | 293,014 | 292,628 | (386) | 282,967 |
| Governance and Funding Administration | 2,429 | 2,604 | 175 | 2,849 |
| Provider | 192,313 | 189,999 | (2,314) | 173,228 |
| Eliminations | (157,157) | (156,808) | 349 | (151,377) |
| Total Expenditure | 330,599 | 328,423 | (2,177) | 307,668 |

Net Contribution

| | | | | |
|---------------------------------------|--------------|--------------|----------------|--------------|
| Funds | 10,689 | 9,554 | 1,135 | 837 |
| Governance and Funding Administration | 423 | 253 | 170 | 7 |
| Provider | (10,095) | (7,545) | (2,550) | 1,694 |
| Net Surplus/(Deficit) | 1,017 | 2,263 | (1,245) | 2,538 |

| Year to Date \$000s | | | | Full Year \$000s | |
|---------------------|----------------|-----------------|------------------|------------------|----------------|
| Actual | Budget | Budget Variance | Last Year Actual | Budget | Last Yr |
| 303,703 | 302,182 | 1,521 | 283,805 | 451,541 | 427,945 |
| 2,852 | 2,857 | (5) | 2,856 | 4,281 | 4,270 |
| 182,218 | 182,454 | (236) | 174,923 | 273,208 | 262,585 |
| (157,157) | (156,808) | (349) | (151,377) | (235,212) | (226,563) |
| 331,617 | 330,685 | 932 | 310,206 | 493,817 | 468,237 |
| 293,014 | 292,628 | (386) | 282,967 | 438,571 | 423,385 |
| 2,429 | 2,604 | 175 | 2,849 | 3,926 | 4,385 |
| 192,313 | 189,999 | (2,314) | 173,228 | 283,032 | 263,800 |
| (157,157) | (156,808) | 349 | (151,377) | (235,212) | (226,563) |
| 330,599 | 328,423 | (2,177) | 307,668 | 490,317 | 465,006 |
| 10,689 | 9,554 | 1,135 | 837 | 12,970 | 4,560 |
| 423 | 253 | 170 | 7 | 355 | (115) |
| (10,095) | (7,545) | (2,550) | 1,694 | (9,824) | (1,215) |
| 1,017 | 2,263 | (1,245) | 2,538 | 3,500 | 3,230 |

Statement of Financial Position

| \$000s | June 2017 Actual | Feb Actual | Feb Budget | Variance | Annual Budget |
|--------------------------------|---------------------|----------------|----------------|----------------|------------------|
| Current Assets | | | | | |
| Bank | 21,561 | 27,283 | 27,257 | 26 | 30,156 |
| Deposits > 3 months | 19,301 | 19,950 | 18,950 | 1,000 | 18,950 |
| Debtors & Prepayments | 18,140 | 19,018 | 15,000 | 4,018 | 15,000 |
| Stock | 2,700 | 2,687 | 2,770 | (83) | 2,770 |
| Assets Held for Sale | 465 | 465 | 191 | 274 | 465 |
| Current Assets | 62,167 | 69,403 | 64,168 | 5,235 | 67,341 |
| Current Liabilities | | | | | |
| Creditors | 28,534 | 32,428 | 29,804 | (2,624) | 29,804 |
| Employee Entitlements | 33,201 | 36,851 | 32,000 | (4,851) | 32,000 |
| Term Debt - Current Portion | 477 | 485 | 500 | 15 | 500 |
| Current Liabilities | 62,212 | 69,763 | 62,304 | (7,459) | 62,304 |
| Working Capital | (46) | (360) | 1,864 | (2,224) | 5,037 |
| Non Current Assets | | | | | |
| Property Plant and Equipment | 171,589 | 172,533 | 170,747 | 1,786 | 168,227 |
| Other Non Current Assets | 3,881 | 3,943 | 3,974 | (31) | 3,998 |
| Non Current Assets | 175,470 | 176,476 | 174,721 | 1,755 | 172,225 |
| Employee Entitlements | 9,923 | 9,923 | 10,200 | 277 | 10,200 |
| Term Debt | 8,663 | 8,337 | 7,300 | (1,037) | 7,300 |
| Non Current Liabilities | 18,586 | 18,260 | 17,500 | (760) | 17,500 |
| Net Assets | 156,838 | 157,856 | 159,085 | (1,229) | 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 | 19,831 | 22,336 | (2,505) | 23,831 |
| DSS | (52) | 591 | 385 | 206 | 17 |
| Mental Health | 873 | 1,206 | 137 | 1,069 | 234 |
| Total Retained Earnings | 20,611 | 21,628 | 22,858 | (1,230) | 24,082 |
| Total Crown Equity | 156,838 | 157,856 | 159,085 | (1,229) | 159,762 |

Statement of Cash Flows

| Feb | | | Year to Date | | | Full Year |
|--|---------------|--------------|----------------|-----------------|--------------|-----------------|
| Actual | Budget | Variance | Actual | Budget | Variance | AP |
| Operating Cash Flow | | | | | | |
| Receipts | | | | | | |
| 39,513 | 38,713 | 800 | 319,746 | 322,456 | (2,710) | 481,490 |
| 136 | 167 | (31) | 1,116 | 1,333 | (217) | 2,000 |
| 1,020 | 961 | 59 | 7,000 | 8,229 | (1,229) | 12,274 |
| 40,669 | 39,841 | 828 | 327,862 | 332,018 | (4,156) | 495,764 |
| Payments | | | | | | |
| 13,797 | 14,633 | 836 | 117,664 | 122,644 | 4,980 | 182,783 |
| 24,201 | 24,747 | 546 | 190,559 | 194,191 | 3,632 | 283,291 |
| - | - | - | 4,693 | 4,677 | (16) | 9,355 |
| 69 | 19 | (50) | 1,201 | 170 | (1,031) | 252 |
| 38,067 | 39,399 | 1,332 | 314,117 | 321,682 | 7,565 | 475,681 |
| 2,602 | 442 | 2,160 | 13,745 | 10,336 | 3,409 | 20,083 |
| Net Cash Inflow/(Outflow) from Operating Activities | | | | | | |
| Cash Flow from Investing Activities | | | | | | |
| Receipts | | | | | | |
| - | - | - | 104 | - | 104 | - |
| - | - | - | 104 | - | 104 | - |
| Payments | | | | | | |
| 1,179 | 450 | (729) | 8,712 | 11,250 | 2,538 | 17,550 |
| - | - | - | (585) | - | 585 | - |
| 1,179 | 450 | (729) | 8,127 | 11,250 | 3,123 | 17,550 |
| (1,179) | (450) | (729) | (8,023) | (11,250) | 3,227 | (17,550) |
| Net Cash Inflow/(Outflow) from Investing Activities | | | | | | |
| Net Cash Inflow/(Outflow) from Financing Activities | | | | | | |
| 1,423 | (8) | 1,431 | 5,722 | (914) | 6,636 | 1,986 |
| 25,860 | 27,265 | (1,405) | 21,561 | 28,171 | (6,610) | 28,171 |
| 27,283 | 27,257 | 26 | 27,283 | 27,257 | 26 | 30,157 |

12-Month Rolling Cash Forecast

| Consolidated 12 Month Rolling Statement of Cash Flows \$000s | Mar 2018 | Apr 2018 | May 2018 | Jun 2018 | Jul 2018 | Aug 2018 | Sep 2018 | Oct 2018 | Nov 2018 | Dec 2018 | Jan 2019 | Feb 2019 |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| Operating Cash Flow | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Government & Crown Agency Received | 37,717 | 39,048 | 43,600 | 38,669 | 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 | 965 | 969 | 1,133 | 978 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 |
| Total Receipts | 38,849 | 40,184 | 44,900 | 39,814 | 41,891 | 41,891 | 41,891 | 41,891 | 41,891 | 41,891 | 41,891 | 41,891 |
| Payments | | | | | | | | | | | | |
| Personnel | 13,743 | 14,936 | 17,023 | 14,437 | 15,348 | 15,348 | 15,348 | 15,348 | 15,348 | 15,348 | 15,348 | 15,348 |
| Payments to Suppliers and Providers | 19,322 | 23,156 | 25,178 | 23,004 | 23,876 | 23,876 | 23,876 | 23,876 | 23,876 | 23,876 | 23,876 | 23,876 |
| Capital Charge | - | - | - | 4,677 | - | - | - | - | - | 4,677 | - | - |
| Interest Paid | 19 | 19 | 24 | 19 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| Total Payments | 33,084 | 38,111 | 42,225 | 42,137 | 39,256 | 39,256 | 39,256 | 39,256 | 39,256 | 43,933 | 39,256 | 39,256 |
| Net Cash Inflow/(Outflow) from Operating Activities | 5,765 | 2,073 | 2,675 | (2,323) | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | (2,042) | 2,635 | 2,635 |
| Cash Flow from Investing Activities | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Sale of Fixed Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Receipts | - | - | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | | |
| Capital Expenditure | 4,400 | 3,300 | 1,600 | 1,100 | 100 | 500 | 500 | 700 | 250 | 1,100 | 600 | 800 |
| Increase in Investments | 4,400 | 3,300 | 1,600 | 1,100 | 100 | 500 | 500 | 700 | 250 | 1,100 | 600 | 800 |
| Total Payments | (4,400) | (3,300) | (1,600) | (1,100) | (100) | (500) | (500) | (700) | (250) | (1,100) | (600) | (800) |
| Net Cash Inflow/(Outflow) from Investing Activities | - | - | - | (547) | - | - | - | - | - | - | - | - |
| Net Cash Inflow/(Outflow) from Financing Activities | | | | | | | | | | | | |
| Net Increase/(Decrease) in Cash Held | 1,365 | (1,227) | 1,075 | (3,970) | 2,535 | 2,135 | 2,135 | 1,935 | 2,385 | (3,142) | 2,035 | 1,835 |
| Plus Opening Balance | 27,283 | 28,648 | 27,421 | 28,496 | 24,526 | 27,061 | 29,196 | 31,331 | 33,266 | 35,651 | 32,509 | 34,544 |
| Closing Balance | 28,648 | 27,421 | 28,496 | 24,526 | 27,061 | 29,196 | 31,331 | 33,266 | 35,651 | 32,509 | 34,544 | 36,379 |