

Briefing

Manatū Hauora summary of Te Whatu Ora performance – November 2022

Date due to MO:	9 February 2023	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	H2023019102
To:	Hon Dr Ayesha Verrall, Minister of Health		

Contact for telephone discussion

Name	Position	Telephone
Robyn Shearer	Deputy Chief Executive, Deputy Director-General, Te Pou Mahi Pūnaha - System Performance and Monitoring	s 9(2)(a)
Jess Smaling	Associate Deputy Director-General, Te Pou Mahi Pūnaha - System Performance and Monitoring	s 9(2)(a)

Minister's office to complete:

- | | | |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Decline | <input type="checkbox"/> Noted |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn | |

Comment:

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Purpose of report

1. Te Whatu Ora have provided their November 2022 monthly financial and non-financial report. This briefing can be read as an annex to the *Quarter 1 2022/23 monitoring report, Te Whatu Ora and system performance* briefing that incorporated the October 2022 monthly report (HR202219239 refers, subsequently referred to as our Quarter 1 report).

Focus of the report

2. In order to focus the reporting that you receive, the Manatū Hauora monthly performance reports will concentrate on financials and identification of material risks to Crown Entity performance. We will continue to review non-financial information each month, but this will only be reported to you as required and according to materiality and risk. The weekly report will be used to provide information and advice to you to ensure timely reporting of any emerging issues.
3. Manatū Hauora quarterly reporting will be more comprehensive and cover:
 - reporting against core accountabilities and government priorities
 - board leadership and accountability
 - entity establishment and progress of change processes
 - financial performance and processes
 - risk management processes
 - operational performance in priority areas
 - capital and infrastructure.
4. For this month's report we consider that our recently submitted Quarter 1 report adequately covers non-financial performance concerns and no additional performance risks have been identified.

Financial assessment of Te Whatu Ora performance by Manatū Hauora

5. The Te Whatu Ora November 2022 financial performance report shows a year-to-date (YTD) net surplus of \$244 million, \$10 million favourable to budget, following a \$230 million surplus for November 2022 (versus budgeted \$225 million surplus). Within the result is a reported adverse \$62 million deficit from COVID-19 versus budget, which is offset by a \$72 million favourable to budget underlying business as usual surplus.
6. Full time equivalents (FTEs) are reported to be 1,892 under budget for the month with monthly staffing costs \$27 million favourable to budget. FTEs are 1,885 under budget for the YTD, while staffing costs are on budget reflecting much higher average costs per FTE

overall (plus 2 percent versus budget). We note that overall they are forecasting a \$60 million underspend for internal personnel costs for the full year.

7. The cash balance at the end of November 2022 was \$1.316 billion, a decline of approximately \$200 million on the cash position at the end of October 2022. However, the cashflow statement shows a YTD overall net positive movement i.e., positive \$456 million net cashflow from operating activities, offset by net \$409 million capital investment.
8. Overall, the report and the information it contains continues to improve. This month the report contains a full year financial forecast showing an expected breakeven result, in line with budget. However, this forecast excludes COVID-19 revenue and costs post December 2022. s 9(2)(g)(i)
9. s 9(2)(g)(i)
10. This month's report does not include a 'National Services' financial summary (as they do for each of the 4 regions). This means that we cannot see the detail behind the National Services YTD \$116 million favourable variance to budget and have no sense of what the year-end position will be and what areas of underspend and activity is driving it.
11. s 9(2)(g)(i)
12. Manatū Hauora continues to work with Te Whatu Ora to obtain additional information and greater levels of underlying detail as required.

Next steps

13. Manatū Hauora will discuss the financial concerns raised in this report with Te Whatu Ora Corporate Finance team at their regular monthly meeting. The next meeting is scheduled for 16 February 2023. We are expecting the following information:
 - a. The underlying drivers of the reported YTD \$244 million surplus and confidence that the forecast breakeven position can be delivered.
 - b. Quantified risks that are likely to affect the current year-end forecast against the 2022/23 budget.
 - c. A November 2022 'National Services' financial summary, as they do for each of the 4 regions.
 - d. Revenue attributed to the outputs being delivered against appropriations, and an indication on when Te Whatu Ora will start reporting an output expense perspective.

14. An update on this will be provided in the December 2022 report due to you on 17 February 2023.
15. Should the requested information not be forthcoming or be unsatisfactory, Manatū Hauora will escalate concerns to the Chief Financial Officers of both Manatū Hauora and Te Whatu Ora for resolution.
16. The Director-General of Health and the Manatū Hauora executive team are setting expectations with the Te Whatu Ora Board for future reporting and to increase transparency and timeliness of information flows.

ENDS

Recommendations

We recommend you:

- a **Note** Te Whatu Ora has provided you with its fourth monthly report covering the month of November 2022. (October monthly reporting was included in Quarter 1 2022/23).
- b **Note** actions underway by Manatū Hauora to improve future reporting to inform performance by Te Whatu Ora.



Robyn Shearer
Deputy Chief Executive
Deputy Director-General
Te Pou Mahi Pūnaha
System Performance and Monitoring
Date: 31 January 2023

Hon Dr Ayesha Verrall
Minister of Health
Date:

Minister's Notes