

Aide-Mémoire

Health New Zealand
Te Whatu Ora

HNZ Financial Update

Due to MO:	27 February 2025	Reference	HNZ00080324
To:	Hon Simeon Brown, Minister of Health		
From:	Roger Jarrold, Deputy Commissioner		
Copy to:	n/a		
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Consulted	n/a		

Contact for further discussion (if required)

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Dr Dale Bramley	Interim Chief Executive		

Attachments

Appendix 1: Case-weighted discharge per FTE 2015/16 to 2024/25 YTD (November)

Purpose

1. Following your meeting with Officials on 24 February 2025, you requested for written information on Health New Zealand | Te Whatu Ora's (Health NZ) financial position. This Aide-Mémoire responds to that request.

Financial position

2. The subsections below set out Health NZ's headline financial performance. Some data remains provisional subject to Health NZ Finance Risk and Audit Committee review. Seven topics are covered here as per the verbal briefing from Roger Jarrold at the 24 February 2025 Officials meeting. Additional information on other topics or indicators can be provided as needed.

Provisional flash result

3. Health NZ's provisional flash month-end result for January 2025 was a deficit of \$69.4m.
4. The provisional flash year-to-date (YTD) result to January 2025 is a deficit of \$803.5m.

Admissions - rapid dataset

5. Health NZ's January 2025 rapid dataset inpatient admissions per day was 2,910 which is similar to January 2024. Admissions in January 2024 were 2,839 per day, a growth of 2.5% over the January 2024 to January 2025 period. This change is not uniform across the districts.

Note: rapid dataset are unvalidated and represent a specific point in time

Productivity

6. The graph in **Appendix 1** shows the case-weighted discharges per FTE as a productivity trend since 2015/16.
7. There are nine statutory days (for the Auckland, Wellington, Nelson, Taranaki, Otago and Southland Regions) in the second half of the year, which may affect the current upward productivity trend. Productivity may decrease if a high number of staff take leave alongside the statutory days, which is common. This decrease is due to lost theatre time from statutory days and increased overtime and outsourcing costs to cover staff on leave.

Headcount

8. Both Health NZ's headcount and historical "spend to budget" behaviour are being closely monitored. Some revenue has been deferred and held in contingency in the first six months. This is to match increased cost structures expected in the second half of the financial year and to provide for savings targets that may not be achieved.
9. As part of the provisional flash report, the accrued management and administration FTE has decreased by 1,023 FTE between January 2024 and January 2025.
10. The January flash report also showed that the accrued outsourced personnel across all FTE types fell by 657 FTE between January 2024 and January 2025. This is important to counterbalance the significant beyond budget FTE recruitment in FY 2023/24.

Current financial performance

11. Considering the net deficit and contingency/risk reserve position, Health NZ's current financial position is a YTD deficit of \$803.5m
12. The full-year budgeted deficit is \$1,100m and this remains the forecast. By way of example, if Health NZ was to operate with a monthly deficit of \$80m (or \$400m total over the next five months) the year-end deficit would be \$1,200m – which is above budget. If this scenario was to eventuate, Health NZ would draw from the current contingency of \$231m to offset and return to the budgeted deficit position of \$1,100m.
13. The risk reserve of \$143.8m has largely been committed or spent. Examples of expenditure include covering higher-than-expected gas prices, repairs and maintenance costs (as authorised by the Commissioner for Deputy Regional CEOs to utilise), and spending on electives as outlined to you separately.

Capital expenditure (capex) position

14. Health NZ's capex funded by the Health Capital Envelope (HCE) is currently close to budget.
15. Depreciation-funded capex, however, is an estimated \$140m behind budget YTD. This underspend has helped contribute to a higher than budget cash balance position. We are still forecasting to spend the full depreciation-funded capex budget by financial year end.

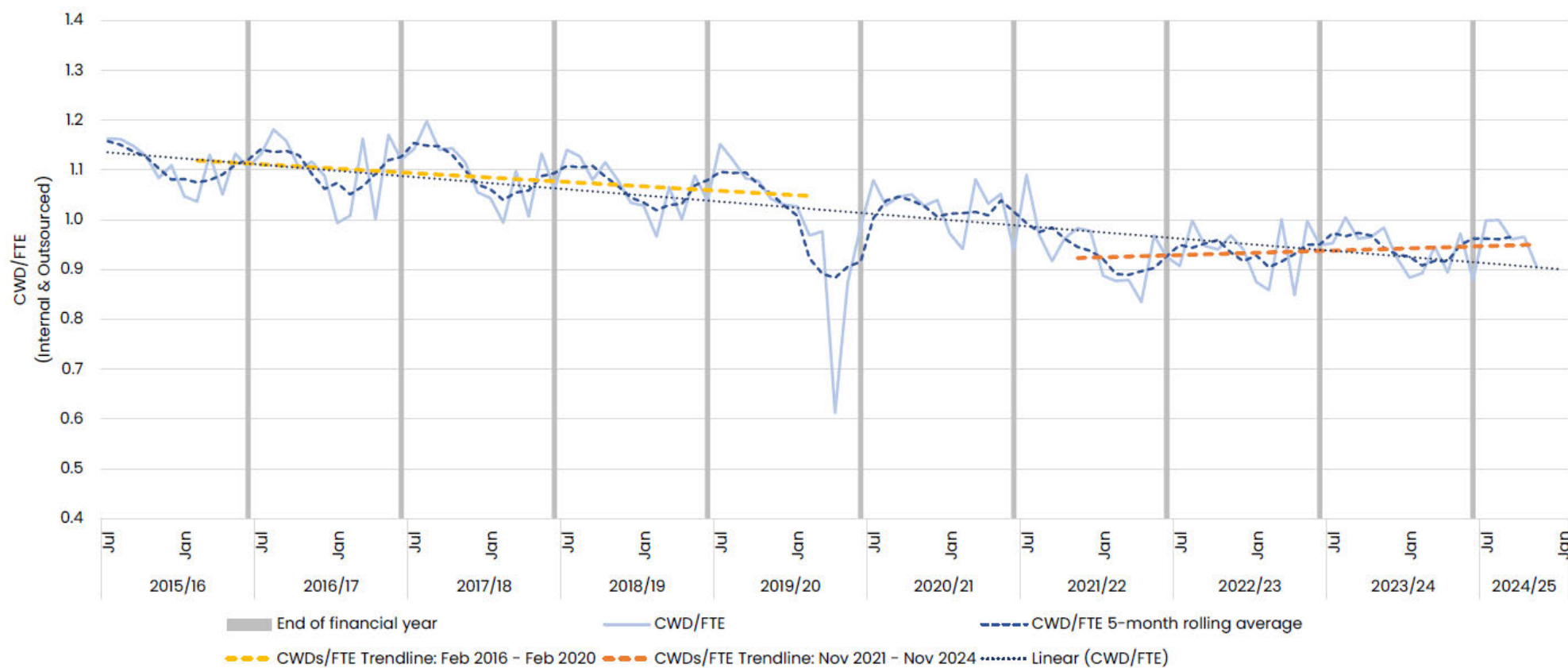
Cash-on-hand position

16. Health NZ's cash balance at 31 January 2025 was \$1,404m. This is compared to a closing balance in December 2024 of \$1,568m, which is a \$164m reduction.
17. The cash balance forecast for February 2025 is \$1,257m. This is a forecast reduction of \$147m, reflecting a general trend of about \$145m cash reduction per month, which covers holiday pay remediation, increased Capex and redundancy costs.
18. Forecasted cash balance as set out in the Statement of Performance Expectations 2024/25 at the end of financial year is \$31m. Our current forecast is higher, at \$526m. We anticipate the overall cash movement between the end of January 2025 and the end of the financial year will be \$878m.
19. If this anticipated cash balance at the end of the year eventuates, Health NZ may not need an equity injection until the first quarter of the 2025/26 financial year to support losses and provide sufficient headroom. We will continue to update you on this monthly.

Next steps

20. Health NZ can provide additional information as required and answer any questions in our regular Officials meeting with you.

Appendix 1: Case-weighted discharges (CWD) per FTE 2015/16 to 2024/25 YTD (Nov)



*Note November 2024 is used as the most complete month of data in NMDS (clinical coding/submissions lag by up to 12 weeks. As such, December 23 to November 24 is used as a 12-month reference period to earlier financial years.

Data sources: NMDS, Accrued FTE reporting. CWDs are limited to casemix activity which occurred in a public facility with the agency code corresponds to a DHB. FTE includes all types of FTE (Medical, Nursing, Allied Health, Support, and Management/Admin), and includes Internal Personnel and estimated Outsourced Personnel.