

12 May 2017

Health Sector Workers Network

Email: fyi-request-5738-3802e313@requests.fyi.org.nz

Dear Madam/Sir:

Re Official Information Act Request – Explanation of variance in expenditure for NGO funder payments

I refer to your Official Information Act request dated 17 April 2017 requesting the following information:

In the April Board meeting minutes there was reference to “favourable Funder NGO expenditure (\$15.7M, mainly pharmaceuticals, Age Related Residential Care and Mental Health services)”. This appears to be part of a wider favourable expenditure pattern in NGO funder payments in the 2016/2017 financial year.

Could you please explain this variance in expenditure and give account as to why there was \$24,589,000 less than budget in 2016/2017 financial year for these NGO funder payments?

There are multiple factors contributing to the forecasted \$24.6 million favourable variance against budget for Funder NGO expenditure.

Approximately \$5 million of this favourable variance is forecast to result from the normally expected variations in business as usual factors across Funder NGO services. These are forecast to mostly arise out of demand/utilisation variances in Age Related Residential Care services and Primary Health Organisation services.

The remaining favourable variance is forecast to result from a combination of one-off upsides relating to accounting adjustments as well as budget realignments that have taken place subsequent to the submission of the financial plan (the budget compilation for submission occurs well in advance of the financial planning year). Budget alignment variances are organisational wide and include the Funder component of organisational risk and savings initiatives. As such, the favourable variance within Funder NGO expenditure should be viewed within the wider context of organisational position inclusive of the Auckland Provider and related revenue allocations which substantively offset.

It should be noted these budget-related savings are not a consequence of reductions in our Funder NGO services in these areas.

Are these figures included in the 2016/2017 efficiencies data?

Yes, as referenced above.

What specific mental health services and age related residential care were included in these figures?

The figures include mental health services, residential rest home care services, and private hospital care services supplied by NGOs.

On a business as usual basis mental health services expenditure is forecast to be on budget with any related upside resulting from one off prior year accounting adjustments and budget realignments. The favourable variance in age related residential care services is forecast to result from both residential rest home care services and private hospital care services. It includes demand/utilisation variances as well as upsides resulting from prior year accounting adjustments.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Ailsa Claire', written in a cursive style.

Ailsa Claire, OBE
Chief Executive