

Pharmaceutical Management Agency  
Te Pātaka Whaioranga

# STATEMENT OF PERFORMANCE EXPECTATIONS

*Te Tauākī o Ngā Mahi  
Hei Whakatutuki*

2024/25



PHARMAC  
TE PĀTAKA WHAIORANGA

**Te Kāwanatanga o Aotearoa**  
New Zealand Government



**Hon Paula Bennett**

Chair

Date



**Dr Peter Bramley**

Deputy Chair

Date

*Presented to the House of Representatives pursuant to Section 149(3) of the Crown Entities Act 2004*

© Pharmaceutical Management Agency



ISSN 2382-0780 (Print)  
ISSN 2382-0799 (Online)

# Contents

Introduction.....	4
What we do.....	5
How we work.....	7
Contributing to Government priorities.....	10
Our vision.....	12
Our values.....	12
Our Strategic Framework.....	13
Our Strategic Priorities.....	14
Strategic Priority 1: Strategic Management of the Combined Pharmaceutical Budget.....	15
Strategic Priority 2: Enhanced Assessment and Decision-making .....	16
Strategic Priority 3: Strategic Management of Hospital Medical Devices.....	17
Organisational excellence.....	18
Our Performance Framework.....	20
Our Appropriations.....	22
Prospective Financial Statements.....	25
Appendix One: Statement of Accounting Policies.....	31

# Introduction

## Kupu whakataki

This Annual Statement of Performance Expectations has been prepared in accordance with the Crown Entities Act 2004 and should be read in conjunction with the July 2023/24 – June 2026/27 Pharmac Statement of Intent<sup>1</sup>. It identifies for Parliament and the New Zealand public what Pharmac intends to achieve in the 2024/25 financial year and how performance will be assessed to deliver on Pharmac's strategy.

---

<sup>1</sup> Available at: <https://pharmac.govt.nz/assets/Uploads/SOI-2023-v1.0.pdf>

# What we do

## Ō mātou mahi

### Our mandate

Therapeutic products are the most common intervention in health care. Ensuring that New Zealanders have timely and equitable access to a wide range of effective medicines, vaccines, medical devices and related products, and are able to use these well, is the key way in which Pharmac will contribute to improved wellbeing and quality of life for all.

Pharmac's legislative objective is set out in section 68 of the Pae Ora (Healthy Futures) Act 2022:

“to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided”.

We are a Crown entity under the Crown Entities Act 2004 and are accountable to the Associate Minister of Health. The Associate Minister of Health appoints Pharmac's Board, which has the powers necessary for the governance and management of Pharmac.

### We manage medicines, vaccines, medical devices and related products

We help protect, promote, and improve the health of all New Zealanders by deciding which medicines, vaccines, medical devices and related products are funded for New Zealanders in a way that is affordable and easy to access. We manage contracts with suppliers and ensure there are sufficient supplies available nationwide. We manage the combined pharmaceutical budget, including securing savings for reinvestment, and managing the Pharmaceutical Schedule (the Schedule). The Schedule lists all government-funded medicines and related products in New Zealand and includes:

- all funded medicines in the community
- all funded medicines that can be used in public hospitals
- the majority of Government-funded vaccines
- all public hospital medical devices with national contracts
- the rules for dispensing or giving medicines
- the price and subsidy (the amount that it is funded for) each medicine
- any rules or limits on access to funding for specific medicines or groups of medicines.



## **We fund treatments for people with exceptional circumstances**

We may approve funding of a medicine, vaccine, or related product for an individual with exceptional clinical circumstances. For example, a prescriber may want to prescribe a treatment that is not funded, or that is funded for other uses, but not the particular health condition they are seeking to treat. The main way we make decisions in these situations is through a process called a Named Patient Pharmaceutical Assessment (NPPA), where a person's prescriber makes an application for them to access funding for these treatments.

## **We manage vaccines in New Zealand**

We manage the funding, purchasing, and distribution of the majority of Government-funded vaccines in New Zealand. This includes vaccines on the National Immunisation Schedule (NIS) and COVID-19 vaccines.

Health New Zealand are responsible for the delivery of the vaccination programme. We are a member of the Immunisation Oversight Board which is a collaborative cross-agency group that exercises strategic governance over immunisation activities and services in New Zealand. We will continue to participate in cross sector activity to support and deliver Government priorities for immunisation services.

## **We promote funded treatments being used in the right way**

We promote the responsible use of medicines, vaccines and related products in New Zealand. We do this by providing information and educational material to health professionals and the public.

## **We participate in research**

Pharmac collaborates with other agencies and organisations to contribute to research projects that are mutually beneficial, including providing funding and sharing data and information. We acknowledge the importance of data sovereignty and will only use data for the purpose for which it was collected.

## **We are working on hospital Medical Devices**

We are applying our expertise and processes to maximise health benefits to New Zealanders from hospital medical devices.

We are building a list of devices that are used in public hospitals by negotiating national contracts to build a solid foundation for strategic management of hospital medical devices. We are implementing, with our sector partners, an integrated approach to the management of hospital medical devices which drives better value and more consistent and equitable access.

## Our funding for 2024/25

Pharmac manages the Combined Pharmaceutical Budget (CPB). The Government has determined that the level of the CPB for 2024/25 is \$1.689 billion.

The CPB comprises Government expenditure for all medicines that are administered in public hospitals as well as medicines, medical devices, vaccines and related products dispensed through community pharmacies, and vaccines, haemophilia treatments, and other health products provided in other primary care settings (such as nicotine replacement therapies).

COVID-19 vaccines and COVID-19 treatments are also part of the CPB. This funding enables Pharmac to procure COVID-19 vaccines and secure access to a range of COVID-19 treatments.

Pharmac's operating budget is used to meet the day-to-day costs of running Pharmac. This operating budget is separate to the CPB and Pharmac cannot use CPB funding to meet its operational costs.

## How we work

### Te haerenga o ngā mahi

In recent years we have sought to make changes and improvements to ensure we are listening to the voices of those with lived experience and involving consumers across our work. We now have patient representatives on a number of our expert advisory committees, and we have patient representatives who present to some of our committees. Making sure we hear from a wide range of New Zealanders during our assessment and decision-making processes remains a priority for Pharmac.

## We seek consumer input

### *Consumer Advisory Committee (CAC)*

CAC provides Pharmac with input from a consumer point of view. CAC advises Pharmac on areas like:

- our strategies, policies and operational activities around funding, access to and optimal use of medicines
- how we can best communicate our decisions, policies and strategies with consumers
- how and when it is best for Pharmac to engage with consumers on its work.

We have consumer or lay members on many of our clinical advisory groups and we have facilitated patient groups presenting to advisory committees to ensure lived experience voices were heard.

## **Consultation**

Consumer feedback is routinely sought during public consultation processes. We issue media releases raising public awareness of the consultations that are of public interest. Consultation feedback is summarised and published on our website.

We consult whenever we are considering funding a medicine or adding a medical device to the Hospital Devices Schedule. Invitations to make submissions on proposals are published on our website.

## **Code of expectations for health entities' engagement with consumers and whānau**

The Code of expectations for health entities' engagement with consumers and whānau (the Code) sets the expectations for how health entities must work with consumers, whānau and communities in the planning, design, delivery and evaluation of health services.

This Code is required by the Pae Ora (Healthy Futures) Act 2022 and is underpinned by the health sector principles. Health entities, including Pharmac, must act in accordance with the Code and will be assessed on how the code has been applied. We shall report on progress throughout the year.

## **We aim for transparency**

Over recent years, and reaffirmed by the Pharmac Review, we have been aiming to increase transparency across all our work. This remains a priority for us and we will continue to do more.

We use our website to publish as much information about our decision making as possible. Our policy is proactive publication of information and a proactive media approach to keep New Zealanders informed. The Pharmaceutical Schedule, information about funding decisions and the evidence behind the decision, and supply issues, are all available on our website. The news and resources section are updated multiple times each week.

## **Information and resources**

We work with He Puna Waiora Healthify (formerly Health Navigator) to publish and translate material for consumers about medicine funding decisions and supply issues.

The application tracker<sup>2</sup> on our website lets you:

- search for a funding application
- see where it is in Pharmac's process
- view relevant meeting records, consultations and decisions
- see the list that Pharmac has ranked the application on.

---

<sup>2</sup> Available at <https://connect.pharmac.govt.nz/apptracker/s/>



We provide regular updates to the sector and key stakeholders on important news, changes and progress towards our strategic goals.

## **We seek expert advice**

### ***Pharmacology and Therapeutics Advisory Committee (PTAC)***

PTAC provides objective clinical advice, underpinned by robust data and evidence, to help Pharmac make decisions about how to use its funds wisely. It provides and promotes critical appraisal of the strength and quality of evidence for funding applications. This is applied rigorously, systematically and consistently across all clinical areas.

PTAC is made up of senior health practitioners from a range of specialities, who regularly work with patients and their families. PTAC also has a consumer member. Te Tiriti and health equity expertise are represented.

We also have 21 specialist advisory committees who provide Pharmac with objective specialist knowledge and expertise within specific clinical areas, such as diabetes, cancer, and mental health. They meet as needed to discuss issues within their clinical areas.

### ***Te Rōpū Māori***

We have established Te Rōpū Māori, an external group of Māori experts nominated by key stakeholder groups, including Māori doctors, pharmacists and nurses, rongoā practitioners and Whānau Ora staff. The role of Te Rōpū is supporting Pharmac to build its capability in te ao Māori and enhance how we give effect to te Tiriti o Waitangi. Te Rōpū works closely with the Pharmac Board and Senior Leadership Team.

## **International collaboration**

We are liaising with health technology assessment and funding agencies overseas. This includes exploring and learning from agencies that have mature public and patient involvement programmes.

# Contributing to Government priorities

## Ngā tāpaetanga ki ngā whakaarotau

### **Pae Ora (Healthy Futures) Act 2022**

The Pae Ora Act came into effect on 1 July 2022. It provides for the public funding and provision of services in order to:

- protect, promote, and improve the health of all New Zealanders; and
- achieve equity in health outcomes among New Zealand's population groups, including by striving to eliminate health disparities, in particular for Māori; and
- build towards pae ora (healthy futures) for all New Zealanders.

### **Government Policy Statement on Health**

The Government Policy Statement on Health (GPS) sets out the Government's priorities and objectives for the publicly funded health sector in New Zealand for the three years from July 2024 to June 2027. It is a public statement of what government expects the health system to deliver and achieve, what support the government will provide, and how progress will be measured, monitored, and reported on. Pharmac must give effect to the GPS.

The Government is focused on achieving timely access to quality health care. This includes both mental and physical health. The Government's vision for health in New Zealand includes:

- Five health targets to ensure a focus on action
- A focus on responding to the five non-communicable diseases of cancer, diabetes, respiratory disease, heart disease and poor mental health.
- Addressing the five modifiable factors of smoking, alcohol consumption, poor nutrition, lack of exercise, and adverse social and environmental factors.
- Five priority areas to guide the health and disability system and how services are delivered – Access; Timeliness; Quality; Workforce and Infrastructure.
- Pharmac will give effect to relevant actions in the GPS and support, where relevant, delivery of targets and actions across priority areas.

## Letter of Expectations

We are accountable to the Associate Minister of Health, who is accountable to the Minister of Health and on behalf of the Crown to Parliament, for our performance. The Ministry of Health - Manatū Hauora supports the Minister in monitoring Pharmac's performance.

This Statement of Performance Expectations is guided by the Associate Minister of Health's 2024/25 annual Letter of Expectations to Pharmac, received on 28 May 2024. Expectations for 2024/25 are that Pharmac:

- Ensure a strong organisational culture through maintaining and improving legitimacy, credibility, and trust. This includes pursuing opportunities to work collaboratively and collectively with other entities, government and non-government where this partnership will result in process improvements, health gains, or enable efficiencies
- Work with the Ministry of Health and sector partners to clarify Pharmac's role and position in respect to prioritising health need; delineation between its health technology assessment and funding roles; and continued responsibility for medical devices
- Ensure that there are appropriate processes and methodologies in place so that consumers and those with lived experience can participate and provide input into Pharmac's assessment and decision making processes
- Enhance and improve Pharmac's methods and processes to improve timeliness and transparency - and explore options for how we could:
  - benefit from considering wider societal impacts; and
  - account for positive fiscal impacts on the Crown
- Give effect to the Government Policy Statement on Health, including: supporting, where relevant, contribution to the Government's health targets and broader system priorities; and meet expectations for system monitoring and reporting.

## Our vision

### Tō mātou whakakitenga

The Pae Ora Act affirms our role, responsibilities, and obligations as kaitiaki for the hauora of our mokopuna- now and into the future. In demonstrating and leading on this commitment to action, we have set out a new vision for Pharmac:

#### ***He Rongoā Pai, He Ahu Pae Ora.***

A narrative that speaks to ancestry and the lineage to our kaitiaki, Hine-Ahu-One. Weaving through whakapapa, time, and space to the present, “*we build on our existing foundations and work together towards a future of health and wellbeing for our whānau*”.

To guide us through the challenges, we draw on our values of Tūhono, Whakarongo, Wānanga, Māia, and Kaitiakitanga to drive the connection to hauora through our work in medicines and medical devices.

## Our values

### Ngā uaratanga

Our values guide us to make decisions that create better health outcomes for New Zealanders. They ground our behaviour and influence our thinking, how we work, and who we work with.

Our five values are:

- **Whakarongo | Listen**

*Āta whakarongo kia puaki te ngākau aroha.* We listen with intent and empathy to understand.

- **Tūhono | Connect**

*Kōtuitui kia piri, tūhono kia whakatatū te ara tika.* We connect with people, communities, the health system, and each other.

- **Wānanga | Learn together**

*Ma te māhirahira ka whāwhāki te māramatanga.* We draw on evidence and people’s experiences to improve.

- **Māia | Be courageous**

*Tū te ihiihi, tū te wanawana, tū te wehiwehi.* We challenge ourselves.

- **Kaitiakitanga | Preserve, protect, and shelter our future**

*Hāpaitia te mana tangata hei whāriki mō ngā uri whakatipu.* We safeguard wellbeing for New Zealanders, now and for the future.

# Our Strategic Framework

## Tō mātou rautaki

### Health Sector Priorities 2024-2027 (Government Policy Statement)

*Achieving timely access to quality health care*

#### GPS priorities



Access



Timeliness



Quality

#### Underpinned by



Workforce



Infrastructure



*We deliver the best health outcomes from the Government's investment in medicines and medical devices work.*

#### Our Strategic priorities

Where we are focusing our efforts to make the biggest impact on Government priorities



Strategic management of the CPB



Enhanced assessment & decision-making



Strategic management of medical devices

#### Our appropriations (output classes)



National management of pharmaceuticals



National pharmaceuticals purchasing

## Our Strategic Priorities

### Ā mātou whāinga tōmua

We have three strategic priorities:

- *Strategic management of the Combined Pharmaceutical Budget:* There are significant opportunities to better plan and manage the CPB over a medium-term horizon. We want to ensure that we achieve the best health outcomes for New Zealanders from medicines, vaccines and related products, while making the best use of the CPB.
- *Enhanced assessment and decision making:* Making improvements to ensure that we make high-quality, evidence-based and timely funding decisions that achieve health outcomes. We will ensure we have clear and consistent processes for assessment and decision-making, including clarity of how we target high risk population groups.
- *Strategic management of medical devices:* We have built strong foundations for medical device contracting and procurement. With our sector partners there are significant opportunities to maximise health benefits to New Zealanders by implementing an integrated approach to hospital medical devices which drives better value, and more consistent and equitable access.

To ensure a strong focus on meeting the health needs of all New Zealanders and delivering improved health outcomes, our strategic priorities are supported by policies on Te Tiriti o Waitangi and health equity.

We will identify and pursue all opportunities to work collaboratively and collectively with government and non-government organisations. We want to ensure these partnerships result in process improvements, health gains, or enable efficiencies across the health system.

Organisational excellence underpins all our work.



# Strategic Priority 1: Strategic Management of the Combined Pharmaceutical Budget

The Combined Pharmaceutical Budget (CPB) has increased over time to enable us to fund new treatments, widen access to treatments already funded, and meet other costs such as those related to population growth and demographic changes.

New multi-year funding arrangements for the health and disability system came into effect from July 2024, bringing significant opportunities for Pharmac to better plan and manage the CPB in the medium term.

## What we want to achieve

To achieve the best health outcomes for all New Zealanders from medicines, vaccines, and related products, we will optimise funding available and take a longer-term view of how and where we direct funding.

Through this priority we seek to:

- use multi-year funding arrangements to take a longer-term view of spending decisions, to ensure that we have funding available for both new investments and unplanned expenditure when we need it, and that we make the right mix of spending decisions across the breadth of our business
- update and adapt our commercial activities to accommodate changes in the (New Zealand and global) pharmaceutical market, and broader government procurement objectives
- enhance how pharmaceuticals are reimbursed in different settings<sup>3</sup>, to make it easier for New Zealanders to collect their medicines, improve our understanding of how and where pharmaceuticals are used, and to ensure an efficient and effective use of available funding.

## What we will focus on in 2024/25

- Work in partnership with Health New Zealand to increase access to cancer treatments and other medicines
- Ensuring the enduring sustainability, both clinically and commercially, of our current portfolio of funded medicines, while maintaining an emphasis on improving health equity
- Updating and developing our commercial approach, including new ways of contracting, in response to the changing pharmaceutical landscape
- Scoping and progressing improvements to reimbursement arrangements for medicines to ensure that our funding is spent efficiently and accurately, and to provide more flexibility in how and where medicines are funded for New Zealanders.

---

<sup>3</sup> By different settings we mean to the range of different types of places where reimbursement occurs eg community pharmacy, hospital pharmacy, general practice, etc.

## **Strategic Priority 2: Enhanced Assessment and Decision-making**

We continually improve how we assess and make funding decisions.

We continue to increase the transparency of our decisions and make our funding assessment and decision-making processes faster, clearer and simpler. We work to ensure stakeholders have confidence that we have genuinely listened to them and taken feedback on-board.

### **What we want to achieve**

We undertake high quality assessment and decision-making processes for medicines, vaccines, and related products. We bring diverse perspectives into our decision-making, strengthening our understanding of the needs and aspirations of Māori, Pacific peoples, consumers, and those with lived experiences in a wide range of health and disability areas. Our assessments and funding decisions are evidence-based, inclusive and timely to achieve the best possible health outcomes.

Through this priority we seek to:

- enhance how we assess and make decisions on funding proposals to make these processes more timely and transparent, better coordinated with sector partners and more strongly centred around health equity and other Pae Ora health sector principles
- bring the voice of the New Zealand public into our consideration of funding proposals
- ensure that people benefit from the funding decisions that we make, by improving how decisions are implemented, enhancing our monitoring of decisions after they are implemented, and finding and removing barriers to the optimal use of these new treatments
- deliver improved health outcomes underpinned by robust data and evidence.

### **What we will focus on in 2024/25**

- Continue to ensure that we have appropriate processes and methodologies for ensuring that consumers and those with lived experience can participate and provide input into our assessment and decision making processes
- Continue to make our assessment and decision-making processes timelier and more efficient
- Continue to make our assessment and decision-making processes more transparent

- Enhance partnerships and harness innovation in the use of the CPB. This will include working in partnership with the health sector to support implementation of our decisions
- Explore options for how our funding model:
  - takes into account positive fiscal impacts for the Crown
  - could benefit from wider assessment of societal impact.

## **Strategic Priority 3: Strategic Management of Hospital Medical Devices**

We are working towards applying the full Pharmac model to maximise health benefits for New Zealanders from hospital medical devices.

To date, our focus has been on building and maintaining a list of medical devices that are used in public hospitals through negotiating national contracts. We have made significant progress with compiling a list of medical devices, with over \$600 million (70%) of medical devices spend and more than 168,000 items listed. This has built a strong foundation for medical device contracting and procurement.

The next step is to implement, with our sector partners, an integrated management approach to hospital medical devices which drives value, more consistent and equitable access. Pharmac is the ideal and proven specialist partner for the health system in the assessment and procurement of medical devices. Our work in hospital medical devices is based on our successful track-record in improving health outcomes for New Zealanders by managing medicines, controlling pharmaceutical cost growth, along with a desire for more consistent and transparent decision making about medical device expenditure. The medical devices used by public hospitals includes consumable and durable products, implantable and complex equipment – everything from a cotton swab to an orthopaedic implant and a home dialysis machine.

Our medical device work has had significant external input over the years. We continue to engage widely to ensure we deliver an approach to hospital medical devices that delivers outcomes for priority populations and meets the needs of the health and disability system.

### **What we want to achieve**

Pharmac's management of hospital medical devices has always been planned to increase over time, as we gradually picked up activity that had previously been managed elsewhere in the health sector. This also allows us to build a system that works for the people using it and introduce changes at a pace that is manageable for them.

Through this priority we seek to:

- improve health benefits for New Zealanders and value for money from hospital medical devices
- increase national consistency and equity of access to hospital medical devices from hospitals choosing the devices to use from the Pharmaceutical Schedule.
- enable the health system to have the right device in the right place at the right time, increase patient safety and improve asset lifespan
- increase transparency of funding decisions for medical devices purchased by public hospitals
- manage the growth of medical device expenditure and new investment in a planned way.

In collaboration with our sector partners, we have begun scaling up Pharmac's management of devices to deliver additional value for the health system. An example is by working with Health NZ to optimise and standardise the devices available and used to improve consistency, efficiency, and savings. Over \$120 million of savings and efficiency gains have been returned to the health system since our work in medical devices began.

We continue to build relationships across the health and disability system, with industry and priority populations.

## **What we will focus on in 2024/25**

- Achieve a comprehensive list that represents the hospital medical devices hospitals are using.
- An overarching strategic category management approach that drives value agreed with sector partners.
- Implement a sustainable national assessment process for hospital medical devices that is aligned and integrated with sector partners.
- Introduce new IT systems to support our medical devices work.

## **Organisational Excellence**

### **Te hiranga tara ā-whare**

#### **Strengthening our Engagement and Collaboration**

We will continue to build greater alignment across the health and disability system for all aspects of medicines and hospital medical devices, including building stronger partnerships and relationships with a range of stakeholders who are central to our work. In doing this, we will also give effect to the Pae Ora Act Health Sector Principles and the Code of expectations for health entities' engagement with consumers and whanau.

These initiatives will be delivered through our engagement work programme. Two self-assessments, against the Code of Expectations will be undertaken and reported on during the year to assess our progress.

## **Health Equity**

Pharmac will make the best contribution we can to health equity through the work we do in medicines and medical devices and across our work. An implementation plan is in place to give effect to our Health Equity policy.

## **Te Tiriti o Waitangi**

### **Te Pātaka Whaioranga Te Tono | Our Pledge**

Te Pātaka Whaioranga acknowledges Te Mana o te Tiriti o Waitangi and the ongoing partnership it instils between the Crown and Māori. Upholding the articles of Te Tiriti o Waitangi is a purpose of Te Pātaka Whaioranga.

In alignment with the wider health system and through our work on behalf of the people of Aotearoa, we strive to give expression to Māori aspirations for mauriora, whānau ora and waiora and to achieve equitable health outcomes for Māori.

## **Te Whaioranga**

Te Whaioranga<sup>4</sup> provides a framework for Pharmac to strengthen our engagement and partnerships with Māori communities, empowering Māori whānau through information and best practice, and build our internal capability. Te Whaioranga's purpose is to give effect to Pharmac's commitment to upholding Te Tiriti o Waitangi. To understand and support whānau Māori to achieve best health and wellbeing through access to, and optimal use of, medicines and medical devices.

## **Pacific Health**

We work alongside the Ministry of Health and the Ministry for Pacific Peoples – helping to support Pacific people in New Zealand to live healthier lives through improved and timely access to, and use of, medicines and medical devices. Our Pacific Health and associated work programme will give effect to this work.

## **Our People and Culture**

Our staff are committed to helping people live better and healthier lives and are our most valuable asset. We have specialist expertise across a number of areas including clinical, pharmaceutical assessment, health economics and procurement and contracting. During the year we will refresh our People and Capability strategy, further demonstrating our commitment to investing in our staff and culture, to ensure they deliver the best work that they can.

---

<sup>4</sup> Available at <https://pharmac.govt.nz/te-tiriti-o-waitangi/te-whaioranga>

We will provide opportunities to develop our staff including taking on new roles, internally and externally, undertaking training and development and supporting formal qualifications.

## **Developing our ICT and Data and insights Capability**

We will continue to improve the systems and processes that consumers, clinicians or suppliers use to make funding applications, as well as continuing to increase the transparency of the decision-making process.

We will invest in systems to support the management of medical devices working closely with Health New Zealand. We will also focus on making it easier for New Zealanders to find the information they are looking for on our website.

We will ensure that data is well governed and managed - and that our products are timely, high quality and accurate. We acknowledge the importance of both privacy and data sovereignty principles in this context.

We will continue to improve the range of data we have, with a strong focus on integrating and collaborating with other parts of the health and disability system.

## **Our Performance Framework**

### **Ngā paearu mahi**

#### **Service Performance Reporting Standard**

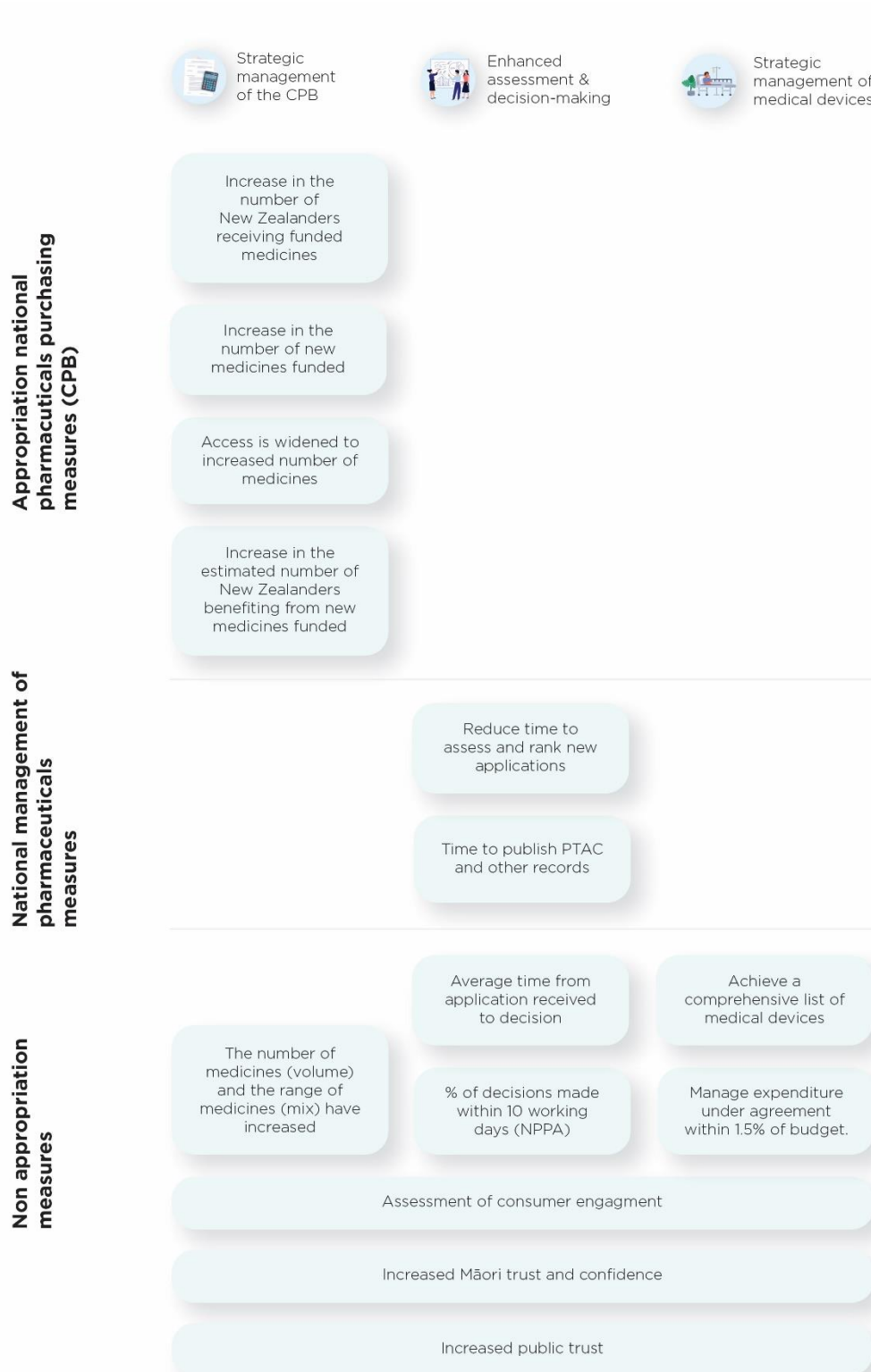
We will report our performance in line with the PBE FRS 48 Service Performance Reporting Standard. The standard sets expectations for:

- identifying and selecting appropriate and meaningful performance information
- disclosing judgements made in selecting, aggregating and presenting performance information
- providing comparative performance information
- ensuring consistency of reporting.



## Framework of Performance Measures

This chart illustrates the connections between our performance measures, our appropriations, and our strategic priorities.



## Our Appropriations

We have two appropriations within Vote Health for 2024/25 that we manage.

### National Pharmaceuticals Purchasing

Pharmac manages the Combined Pharmaceutical Budget (CPB). The Minister of Health has determined that the level of the CPB for 2024/25 is \$1.689 billion.

Pharmac receives this funding directly as an appropriation via Vote Health (National Pharmaceuticals Purchasing).

The CPB comprises government expenditure for all medicines, vaccines and related products that are administered in public hospitals, as well as medicines, medical devices, vaccines and related products dispensed through community pharmacies. Also included in the CPB are vaccines, haemophilia treatments and other health products provided in other primary care settings (such as nicotine replacement therapies).

<b>National Pharmaceuticals Purchasing (the CPB)</b>	<b>Forecast 2023/24 \$000</b>	<b>Budget 2024/25 \$000</b>
<b>Revenue</b>	1,806,231	
Crown revenue	9,185	1,689,634
Other revenue		2,216
<b>Total revenue</b>	1,815,416	1,691,850
<b>Total expenses</b>	1,642,040	1,864,346
<b>Surplus/(deficit)</b>	173,376	(172,496)

### How we will measure performance

<b>No</b>	<b>Performance measure</b>	<b>2023/24 estimate</b>	<b>2024/25 target</b>
1	Increase in the number of New Zealanders receiving funded medicines.	3.81m New Zealanders	Achieved (Total number is accumulated during the year as decisions come into effect.)
2	Increase in the number of new medicines funded.	6 new treatments funded	Achieved (Total number is accumulated during the year as decisions come into effect.)
3	Access is widened to an increased number of medicines that are already funded.	16 access widenings	Achieved (Total number is accumulated during the year as decisions come into effect.)
4	Increase the estimated number of New Zealanders benefitting from new medicines funded.	118,747 additional New Zealanders received new medicines	Achieved (Total number is accumulated during the year as decisions come into effect.)

## National Management of Pharmaceuticals

Pharmac's operating budget is used to meet the day-to-day costs of running Pharmac. This operating budget is separate to the CPB and Pharmac cannot use CPB funding to meet its operational costs. The operating budget is funded as an appropriation via Vote Health (National management of pharmaceuticals).

<b>National management of Pharmaceuticals</b>	<b>Forecast 2023/24 \$000</b>	<b>Budget 2024/25 \$000</b>
<b>Revenue</b>		
Crown revenue	29,907	31,507
Other revenue	2,914	3,183
<b>Total revenue</b>	32,821	34,690
<b>Total expenses</b>	34,665	36,852
<b>Surplus/(deficit)</b>	(1,844)	(2,162)

### How we will measure performance

<b>No</b>	<b>Performance measure</b>	<b>2023/24 estimate</b>	<b>2024/25 target</b>
5	A reduction in the average time to assess and rank new applications.	Achieved	Achieved  average number of months of less than 38.4 months (all proposals).  average number of months of less than 21.5 months (proposals received in last 5 years).
6	A reduction in average time to publish Pharmacology and Therapeutics Advisory Committee (PTAC) and sub-committee records.	Achieved	Achieved  PTAC: Average time of less than 70 days (14 weeks).  Advisory panels: Average time of less than 108 days (22 weeks).

## Additional Non-appropriation Performance Measures

No	Performance measure	2023/24 estimate	2024/25 target
7	Average time from funding application received to first decision date.	Average of 73.2 months (all applications).  Average of 27.7 months (applications received in last 5 years).	Reporting measure only.  Many decisions rely on factors outside of Pharmac's control (such as budget availability).
8	% of decisions on initial Named Patient Pharmaceutical Applications (NPPA) made within 10 working days.	>50%	>50%
9	The number of medicines (volume) and the range of medicines (mix) have increased over time within budget.	Achieved	Achieved  Volume and mix go up compared to previous years.
10	An increase in Māori trust and confidence in Pharmac  Sourced from an external survey and based on an increase in the number of advocates	Achieved	Achieved  More than 22% advocates.  Less than 31% critics.
11	Increased public trust in Pharmac  Sourced from an external survey	Achieved	Achieved  Score greater than 93.2.  Overall reputation greater than 59.
12	Assessment of consumer engagement (based on the Consumer Quality Safety Marker (CQSM) self-assessment)	New measure	Attain a score of 2 or more across the 3 domains.
13	Achieve a comprehensive list of medical devices on the Pharmaceutical Schedule by 30 June 2025  One-off target to replace "% of hospital medical devices under contract". "Comprehensive list" will be a combination of indicators that together represent coverage of medical devices that hospitals currently use.	New measure	Achieved
14	Manage expenditure on hospital medical devices under Pharmac contract to within 1.5% of budget for the year.	New measure	Achieved

# Prospective Financial Statements

## Statement of Forecast Comprehensive Revenue and Expense

	Note 1	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
<b>Revenue</b>						
Crown funding - baseline		29,907	31,507	32,507	32,507	32,507
Te Whatu Ora - Medical Devices Funding		1,006	2,049	-	-	-
National Pharmaceuticals Purchasing - baseline		1,806,211	1,689,634	1,750,435	1,793,245	1,794,065
<b>Other</b>						
Interest received - Operating		1,397	754	640	556	416
- Legal Risk Fund		440	380	396	412	428
- Appropriations		8,563	2,216	2,312	2,394	2,477
Other revenue		693	-	-	-	-
<b>Total revenue</b>		<b>1,848,217</b>	<b>1,726,540</b>	<b>1,786,290</b>	<b>1,829,114</b>	<b>1,829,893</b>
<b>Expenditure</b>						
Personnel costs		23,790	26,197	25,266	25,613	26,214
Operating costs		10,553	10,012	9,849	9,787	9,942
Depreciation and amortisation costs		323	393	523	504	515
Net National Pharmaceuticals Purchasing Expenditure (net of Rebate recoveries)		1,813,062	1,689,634	1,750,435	1,793,245	1,794,065
Net inventory movements		(171,022)	174,712	32,323	(1,000)	(1,000)
Legal Risk Fund expense		-	250	250	250	250
<b>Total expenditure</b>		<b>1,676,706</b>	<b>1,901,198</b>	<b>1,818,646</b>	<b>1,828,399</b>	<b>1,829,986</b>
<b>Net surplus/(deficit) for the period</b>		<b>171,511</b>	<b>(174,658)</b>	<b>(32,356)</b>	<b>715</b>	<b>(93)</b>
Other comprehensive revenue		-	-	-	-	-
<b>Total comprehensive revenue and expense</b>		<b>171,511</b>	<b>(174,658)</b>	<b>(32,356)</b>	<b>715</b>	<b>(93)</b>
<b>Summary by Appropriation</b>						
Pharmac operating		(1,845)	(2,162)	(2,345)	(2,679)	(3,570)
National Pharmaceuticals Purchasing		173,356	(172,496)	(30,011)	3,394	3,477
<b>Total comprehensive revenue and expense</b>		<b>171,511</b>	<b>(174,658)</b>	<b>(32,356)</b>	<b>715</b>	<b>(93)</b>

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

## Statement of Forecast Financial Position

	Note 1	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
<b>Public Equity</b>						
Contribution capital		1,856	1,856	1,856	1,856	1,856
Retained earnings and reserves - operating		13,723	11,431	8,941	6,098	2,351
<b>Restricted reserves</b>						
Retained earnings and reserves - Appropriations		305,186	132,690	102,678	106,074	109,550
Legal Risk Fund		9,369	9,499	9,645	9,807	9,985
<b>TOTAL PUBLIC EQUITY</b>		<b>330,134</b>	<b>155,476</b>	<b>123,120</b>	<b>123,835</b>	<b>123,742</b>
Represented by:						
<b>Current assets</b>						
Cash and cash equivalents - operating		3,013	1,959	2,296	1,464	2,036
Investments		16,400	13,200	10,200	8,000	3,500
Debtors and other receivables		148,020	148,020	148,020	148,020	148,020
Prepayments		200	200	200	200	200
Pharmaceuticals Inventory		293,335	118,623	86,300	87,300	88,300
<b>Current assets associated with Restricted reserves</b>						
Cash and cash equivalents - Appropriations		63,311	66,073	68,385	70,779	73,256
Cash and cash equivalents - Legal Risk Fund		728	858	1,004	1,166	1,344
Investments - Legal Risk Fund		8,600	8,900	9,300	9,700	10,100
<b>Total current assets</b>		<b>533,607</b>	<b>357,833</b>	<b>325,705</b>	<b>326,629</b>	<b>326,756</b>
<b>Non-current assets</b>						
Property, plant and equipment		408	426	432	456	470
Intangible Assets		-	1,051	817	584	350
<b>Total non-current assets</b>		<b>408</b>	<b>1,477</b>	<b>1,249</b>	<b>1,040</b>	<b>820</b>
<b>Total assets</b>		<b>534,015</b>	<b>359,310</b>	<b>326,954</b>	<b>327,669</b>	<b>327,576</b>
<b>Current liabilities</b>						
Creditors and other payables		201,553	201,806	201,806	201,806	201,806
Employee entitlements		1,800	1,500	1,500	1,500	1,500
GST Payable		200	200	200	200	200
<b>Total current liabilities</b>		<b>203,553</b>	<b>203,506</b>	<b>203,506</b>	<b>203,506</b>	<b>203,506</b>
<b>Non-current liabilities</b>						
Make Good Provision		328	328	328	328	328
<b>Total liabilities</b>		<b>203,881</b>	<b>203,834</b>	<b>203,834</b>	<b>203,834</b>	<b>203,834</b>
<b>NET ASSETS</b>		<b>330,134</b>	<b>155,476</b>	<b>123,120</b>	<b>123,835</b>	<b>123,742</b>

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.



## Statement of Forecast Cash Flows

Note	2023/24	2024/25	2025/26	2026/27	2027/28
1	\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS – OPERATING ACTIVITIES</b>					
Cash was provided from:					
- Operating receipts from the Crown	29,907	31,507	32,507	32,507	32,507
- Te Whatu Ora - Medical Devices Funding	1,006	2,049	-	-	-
- Baseline receipts from the Crown	1,806,211	1,689,634	1,750,435	1,793,245	1,794,065
- Interest Operating	1,397	754	640	556	416
- Interest Legal Risk Fund	440	380	396	412	428
- Interest Appropriations	8,563	2,216	2,312	2,394	2,477
- Other Operating	693	-	-	-	-
- Goods and services tax (net)	25,911	-	-	-	-
	1,874,128	1,726,540	1,786,290	1,829,114	1,829,893
Cash was disbursed to:					
- Legal Risk Fund expenses	-	(250)	(250)	(250)	(250)
- Payments to suppliers and employees	(41,299)	(36,802)	(35,115)	(35,400)	(36,156)
- Net Payments for National Pharmaceuticals Purchasing	(1,950,200)	(1,689,088)	(1,750,435)	(1,793,245)	(1,794,065)
	(1,991,499)	(1,726,140)	(1,785,800)	(1,828,895)	(1,830,471)
<b>Net cash flows from operating activities</b>	<b>(117,371)</b>	<b>400</b>	<b>490</b>	<b>219</b>	<b>(578)</b>
<b>CASH FLOWS – INVESTING ACTIVITIES</b>					
- Purchase of property, plant and equipment	(261)	(295)	(295)	(295)	(295)
- Purchase of intangible assets	-	(1,167)	-	-	-
- Proceeds from the redemption of investments	2,800	2,900	2,600	1,800	4,100
<b>Net cash flows from investing activities</b>	<b>2,539</b>	<b>1,438</b>	<b>2,305</b>	<b>1,505</b>	<b>3,805</b>
Net increase/(decrease) in cash	(114,832)	1,838	2,795	1,724	3,227
Cash at the beginning of the year	181,884	67,052	68,890	71,685	73,409
<b>Cash at the end of the year</b>	<b>67,052</b>	<b>68,890</b>	<b>71,685</b>	<b>73,409</b>	<b>76,636</b>

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

## Statement of Forecast Changes in Equity

	Note 1	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
<b>CONTRIBUTION CAPITAL</b>						
Balance at 1 July		1,856	1,856	1,856	1,856	1,856
<b>Balance at 30 June</b>		<b>1,856</b>	<b>1,856</b>	<b>1,856</b>	<b>1,856</b>	<b>1,856</b>
<b>RETAINED EARNINGS AND RESERVES</b>						
Balance at 1 July		141,341	318,909	144,121	111,619	112,172
Net surplus/(deficit) - Operating		(1,845)	(2,162)	(2,345)	(2,679)	(3,570)
Net surplus/(deficit) - Appropriations		173,356	(172,496)	(30,011)	3,394	3,477
Net transfer from/(to) Legal Risk fund		(440)	(130)	(146)	(162)	(178)
Net transfer from/(to) Medical Devices reserve		221	-	-	-	-
Balance from HDPF transfer to Retained Earnings		5,061	-	-	-	-
Balance from Medical Devices Reserve transfer to Retained Earnings		1,214	-	-	-	-
<b>Balance at 30 June</b>		<b>318,908</b>	<b>144,121</b>	<b>111,619</b>	<b>112,172</b>	<b>111,901</b>
<b>HDPF</b>						
Balance at 1 July		5,061	-	-	-	-
Less: Balance transferred to retained earnings		(5,061)	-	-	-	-
<b>Balance at 30 June</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LEGAL RISK FUND</b>						
Balance at 1 July		8,930	9,369	9,499	9,645	9,807
Add: Revenue received transferred from retained earnings and unused litigation budget		440	380	396	412	428
Less: Litigation expenses transferred to retained earnings		-	(250)	(250)	(250)	(250)
<b>Balance at 30 June</b>		<b>9,370</b>	<b>9,499</b>	<b>9,645</b>	<b>9,807</b>	<b>9,985</b>
<b>MEDICAL DEVICES RESERVE</b>						
Balance at 1 July		1,435	-	-	-	-
Less: Devices expenses transferred from/(to) retained earnings		(221)	-	-	-	-
Less: Balance transferred to retained earnings		(1,214)	-	-	-	-
<b>Balance at 30 June</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL PUBLIC EQUITY</b>		<b>330,134</b>	<b>155,476</b>	<b>123,120</b>	<b>123,835</b>	<b>123,742</b>

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

## Reconciliation of Forecast Net Surplus to Cash Flow from Operating Activities

	Note 1	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
Net operating surplus/(deficit)		171,511	(174,658)	(32,356)	715	(93)
<b>Add non-cash items</b>						
Depreciation and amortisation		323	393	523	504	515
Total non-cash items		<b>323</b>	<b>393</b>	<b>523</b>	<b>504</b>	<b>515</b>
<b>Add/(less) movements in working capital items:</b>						
Decrease/(increase) in debtors and other receivables		11,013	-	-	-	-
Decrease/(increase) in prepayments		4	-	-	-	-
Decrease/(increase) in inventories		(171,022)	174,712	32,323	(1,000)	(1,000)
Increase/(decrease) in creditors and other payables		(154,867)	253	-	-	-
Increase/(decrease) in employee entitlements		(244)	(300)	-	-	-
Decrease/(increase) in net GST		25,911	-	-	-	-
Net movements in working capital		<b>(289,205)</b>	<b>174,665</b>	<b>32,323</b>	<b>(1,000)</b>	<b>(1,000)</b>
<b>Net cash flows from operating activities</b>		<b>(117,371)</b>	<b>400</b>	<b>490</b>	<b>219</b>	<b>(578)</b>

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

## Statement of Forecast Comprehensive Revenue and Expense, by Output Class

	Funding MOH \$000	Funding Other \$000	Output expenditure \$000	Net surplus/ (deficit) \$000
<b>2023/24</b>				
National Management of Pharmaceuticals	29,907	2,915	(34,666)	(1,844)
National Pharmaceuticals Purchasing	1,806,211	9,184	(1,642,040)	173,355
<b>Total</b>	<b>1,836,118</b>	<b>12,099</b>	<b>(1,676,706)</b>	<b>171,511</b>
<b>2024/25</b>				
National Management of Pharmaceuticals	31,507	3,183	(36,852)	(2,162)
National Pharmaceuticals Purchasing	1,689,634	2,216	(1,864,346)	(172,496)
<b>Total</b>	<b>1,721,141</b>	<b>5,399</b>	<b>(1,901,198)</b>	<b>(174,658)</b>
<b>2025/26</b>				
National Management of Pharmaceuticals	32,507	1,036	(35,888)	(2,345)
National Pharmaceuticals Purchasing	1,750,435	2,312	(1,782,758)	(30,011)
<b>Total</b>	<b>1,782,942</b>	<b>3,348</b>	<b>(1,818,646)</b>	<b>(32,356)</b>
<b>2026/27</b>				
National Management of Pharmaceuticals	32,507	968	(36,154)	(2,679)
National Pharmaceuticals Purchasing	1,793,245	2,394	(1,792,245)	3,394
<b>Total</b>	<b>1,825,752</b>	<b>3,362</b>	<b>(1,828,399)</b>	<b>715</b>
<b>2027/28</b>				
National Management of Pharmaceuticals	32,507	844	(36,921)	(3,570)
National Pharmaceuticals Purchasing	1,794,065	2,477	(1,793,065)	3,477
<b>Total</b>	<b>1,826,572</b>	<b>3,321</b>	<b>(1,829,986)</b>	<b>(93)</b>

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

## Appendix One:

# Statement of Accounting Policies

### Reporting entity

Pharmac is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing Pharmac's operations includes the Crown Entities Act 2004 and the Pae Ora (Healthy Futures) Act 2022.

Pharmac's primary objective is to provide services to the New Zealand public by deciding which medicines, medical devices and related products are subsidised to secure the best health outcomes reasonably achievable from pharmaceutical treatment. Pharmac's does not operate to make a financial return.

Pharmac has designated itself as a public benefit entity (PBE) for financial reporting purposes.

### Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

### Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Pae Ora (Healthy Futures) Act 2022, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue

The specific accounting policies for significant revenue items are explained below: Pharmac receives operating from the Crown. This funding is restricted in its use for the purpose of Pharmac meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

Pharmac considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

### National Pharmaceutical Purchasing

Pharmac receives funding from the Crown for payment to community pharmacies, acquisition of nationally acquired pharmaceuticals for use in hospitals, vaccines acquired nationally, and pharmaceuticals for COVID-19 treatments and COVID-19 Vaccines.

## Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the statement of forecast comprehensive revenue and expense.

## Cash and cash equivalents

Cash includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

## Receivables

Short term receivables are recorded at their fair value, less any provision for impairment. A receivable is considered impaired when there is evidence that Pharmac will not be able to collect the amount due. The amount of the impairment is the difference between the carrying of the receivable and the present value of the amounts expected to be collected.

## Investments

### Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank term deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

## Property, plant and equipment

Property, plant and equipment consists of leasehold improvements, EDP equipment, and furniture and office equipment. Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses. Any write-down of an item to its recoverable amount is recognised in the statement of forecast comprehensive revenue and expense.

- **Additions** – the cost of items of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and it is not depreciated.

- **Disposals** – gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.
- **Subsequent costs** – costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.



- **Depreciation** – Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Item	Estimated useful life	Depreciation rate
Leasehold Improvements	5 years	20%
Office Equipment	2.5 - 5 years	20%-40%
EDP Equipment	2.5 years	40%
Furniture and Fittings	5 years	20%

Leasehold improvements are capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Capital work in progress is not depreciated. The total cost of a project is transferred to the asset class on its completion and then depreciated. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

## Intangible assets

- **Software acquisition and development** - Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of Pharmac's website are recognised as an expense when incurred.

- **Amortisation** – The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The useful life of software (the only identified intangible asset) and associated depreciation rate have been estimated as follows:

Item	Estimated useful life	Depreciation rate
Software	2 - 5 years	20%-50%

## **Payables**

Short term payables are recorded at their face value.

## **Employment entitlements**

Employee entitlements that are due to be settled within 12 months, after the end of the period in which the employee renders the related service are measured, based on accrued entitlements at current rates of pay. These include salaries and wages accrued to balance date, and annual leave earned but not yet taken at balance date expected to be settled within 12 months. Pharmac recognises a liability and an expense for at-risk provisions where it is contractually bound to pay them.

## **Superannuation schemes**

*Defined contribution schemes* - Obligations of contributions to KiwiSaver and State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

## **Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised and is included in "finance" costs.

## **Public equity**

Public equity is the Crown's investment in Pharmac and is measured as the difference between total assets and total liabilities. Public equity is classified as contribution capital, retained earnings and reserves, Hospital Discretionary Pharmaceutical Fund, and Legal Risk Fund.

## **Goods and Services Tax (GST)**

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the statement of forecast financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of forecast cash flows.

## **Income Tax**

Pharmac is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

## **Cost Allocation**

Pharmac has determined the cost of outputs using the cost allocation system outlined below:

- Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.
- Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information.

## **Critical accounting estimates and assumptions**

In preparing these financial statements Pharmac has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of Pharmac's assets and liabilities within the next financial year are that the value is dependent on the value on the final estimate of Health New Zealand's - Te Whatu Ora Combined Pharmaceutical Budget.

## **Critical judgements in applying Pharmac's accounting policies**

Management has not exercised any critical judgements in applying Pharmac's accounting policies for the years ended 30 June 2024 – 30 June 2028.