New Zealand Blood Service Statement of Intent

1 July 2011 – 30 June 2014

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PART I

1. INTRODUCTION

Purpose

This Statement of Intent (SOI) has been prepared in accordance with part 4 of the Crown Entities Act 2004. It sets out how the New Zealand Blood Service (NZBS) will organise itself and prudently deploy resources (in line with the 22 December 2008 Enduring Letter of Expectations from the Ministers of Health and Finance) to ensure value for money in the support of New Zealand's healthcare sector. It informs Parliament and the New Zealand public about the organisation, the issues it faces and its response to those issues, specifying the objectives and performance measures for the period 1 July 2011 to 30 June 2012 and, in general terms, for the subsequent two years.

Overview

NZBS is a Crown entity established under the New Zealand Public Health and Disability Act 2000. Its primary purpose and core activity is the safe, timely, high quality and efficient provision of blood and blood products and services to clinicians for the people of New Zealand. In addition to this, NZBS provides services for matching of patients and donors prior to organ/tissue transplantation and the provision of tissue banking (skin and bone) and stem cell services. These activities contribute to achievement of the organisation's single enduring Outcome:

To provide the people of New Zealand with safe, appropriate and timely access to blood and tissue products and related services to meet their health needs.

NZBS receives payment for its products and services on a fee-for-service basis from the District Health Boards (DHBs).

Government Expectations

NZBS is a Crown agent for the purposes of the Crown Entities Act 2004. Pursuant to section 7 of the Act, NZBS is required to give effect to Government policy when directed by the Responsible Minister, the Minister of Health.

This SOI has been prepared taking into account the Minister's 21 February 2011 Letter of Expectations including:

- recognition of the need for different parts of the health system to co-operatively work together in responding to the on-going constrained fiscal environment
- NZBS maintaining financial sustainability and setting tight, realistic budgets and managing within those budgets through on-going focused cost management activities
- salary budgets being in line with the Government's expectations for pay and employment conditions in the State Sector
- an on-going focus on business improvement initiatives looking at how services can be delivered better and more cost effectively
- ensuring that fee increases in 2011/12 (if any) be kept to an absolute minimum
- NZBS focusing to end the financial year at breakeven rather than planning for surpluses and then rebating the DHBs in the next financial year.

Financial and Management Constraints

The NZBS financial plan has been prepared in line with the Minister's expectations, delivering a modest positive result over the 3-year SOI period, which has been set to enable:

- adherence to existing banking credit facility conditions, imposed by the Ministers of Health and Finance in 2009; whereby all capital expenditure must be funded from operating cash flows and the outstanding term bank debt of $3.3m must be repaid by 30 June 2015
- management of safety requirements
- mitigation of risks related to the biological nature of blood products and variable product demand
- maintenance of medium term financial sustainability

Business improvement activities

As a demand driven service within the public health sector, NZBS has an on-going focus on improving its performance, increasing efficiencies and containing costs. NZBS has demonstrated this with a net price increase (annual price increases minus rebated surplus payments – see below) to the sector for the five years from 1 July 2007 to 30 June 2012 of just 7.7%. This level of compound price increase compares favourably to the sector's allowable contribution to cost pressure compound percentage of 13.6% over the same period and the same period CPI compound movement of 15.3%. NZBS will continue to look for business improvement opportunities over the 2011/12 financial year.

DHB charging for 2011/12

NZBS is acutely aware of the ongoing cost pressures on the health sector and in particular the DHBs; therefore in accordance with the Minister's clearly stated expectations, the NZBS Board has elected to absorb expected cost increases and seek a smaller price increase of 0.65% in 2011/12. This level of increase compares favourably to the health sector's contribution to cost pressure percentage of 1.72%.

The Board assessed the need for a price increase in the context of adhering to its financial responsibilities imposed by the Crown Entities Act 2004 at a time when NZBS is midway through a major capital project replacing the Progesa blood management system.

Prior to making a final decision, NZBS management liaised with the DHB Lead CEO, to obtain his assessment of the various options with respect to rebates and price increases both for the 2010/11 year and the three year period of this SOI. The position taken was in agreement with him, on behalf of the sector.

Rebates

NZBS will provide a rebate to the DHBs if there is an unplanned surplus which is not required by NZBS in meeting and discharging its own financial obligations and responsibilities. Savings may be generated by such events as:

- favourably changed product mix demand;
- improved fractionation yields;
- exchange rate gains; and
- internal cost efficiencies.

Financial Plan

A break-even position, a modest surplus of $61k, is forecast over the three year SOI period.

	FY 2012 $'000	FY 2013 $'000	FY 2014 $'000	Total $'000
Price increase	0.65%	1.72%	1.72%	4.60%
Net surplus/(deficit)	920	(967)	108	61
Net cash flow	(4,124)	(1,297)	80	(5,341)
Cash at year end	5,580	4,283	4,363	4,363
Term borrowings at year end	4,057	3,822	2,270	2,270

NOTE: The Financial Plan has made no allowance for the financial impact of any loss caused by blood component contamination or major manufacturing problems. In the unlikely event that such a situation should occur, NZBS will follow the process outlined in 2005 by the Ministry of Health[1].

Key Project and Sector Changes

NZBS has commenced implementation of a major upgrade of its Blood Management System which is due to be completed in mid-2012. This business improvement initiative, which will impact both NZBS and the DHBs, will provide opportunities to enhance the use of technology to improve blood banking services across the sector.

The organisation looks forward to participating in opportunities to share services (including back office functions) as these are identified and developed by the National Health Board and Health Benefits Ltd.

SOI Structure

The SOI is structured in two parts. Part I provides a high-level overview of the context and structure of NZBS, the Forecast Statement of Service Performance (SSP) which NZBS will report on in its Annual Report for 2011/12, and the linkage of performance measures to NZBS's six strategic goals[2] and organisational capability and issue management. Part II presents the Forecast Financial Statements and supporting assumptions. As the organisation has now matured to a point where organisational structure and context are consistent year-on-year, this information has been moved to Appendix 1.

Anne Urlwin	**David Wright**	**Fiona Ritsma**
Chairperson	Deputy Chairperson	Chief Executive

21 June 2011

[1] See Assumption 25 on pg 37
[2] See Section 5 from pg 13 for detail of NZBS' Strategic Goals

2. ORGANISATION OVERVIEW

2.1 New Zealand Blood Service Outcome Statement

To provide the people of New Zealand with safe, appropriate and timely access to blood and tissue products and related services to meet their health needs

2.2 NZBS in the context of the New Zealand health sector

NZBS is the only provider of blood and blood products and tissue typing services in New Zealand.

A collaborative relationship with both the prescribing clinicians in the DHBs and more than 120,000 loyal donors is at the heart of the organisations success. Strong relationships also exist with DHB management; the Ministry of Health; CSL Biotherapies based in Melbourne, Australia; recipient organisations (in particular the Leukaemia and Blood Foundation, Immunodeficiency Foundation of New Zealand and the Haemophilia Foundation of New Zealand); and international partners in the blood sector. Collectively our shared aim is to ensure that New Zealand continues to enjoy a safe and secure supply of blood and blood products and related services now and into the future.

2.3 NZBS Organisation Structure and Locations

NZBS was established in 1998 to integrate the formerly fragmented hospital based blood services into a single national organisation.

NZBS maintains four major collection and manufacturing hubs in Auckland, Hamilton, Wellington and Christchurch; supported by two collection co-ordinating centres in Palmerston North and Dunedin. Regional static collection sites are located in Manukau, Takapuna, Tauranga, Napier and Nelson Regular mobile collections are also made in a number of cities and towns across New Zealand.

The national Tissue Typing and Red Cell Reference Laboratories and the administrative National Office are located in Auckland. NZBS also runs the hospital blood banks in Auckland, Hamilton, Palmerston North, Wellington, Christchurch and Dunedin Hospitals. All other hospital blood banks are staffed and operated by local DHB staff; however NZBS maintains overall responsibility for blood banking services across the country and has an active DHB oversight programme in place to achieve this. Figure 1 shows which specific activities are conducted at each of the NZBS locations.

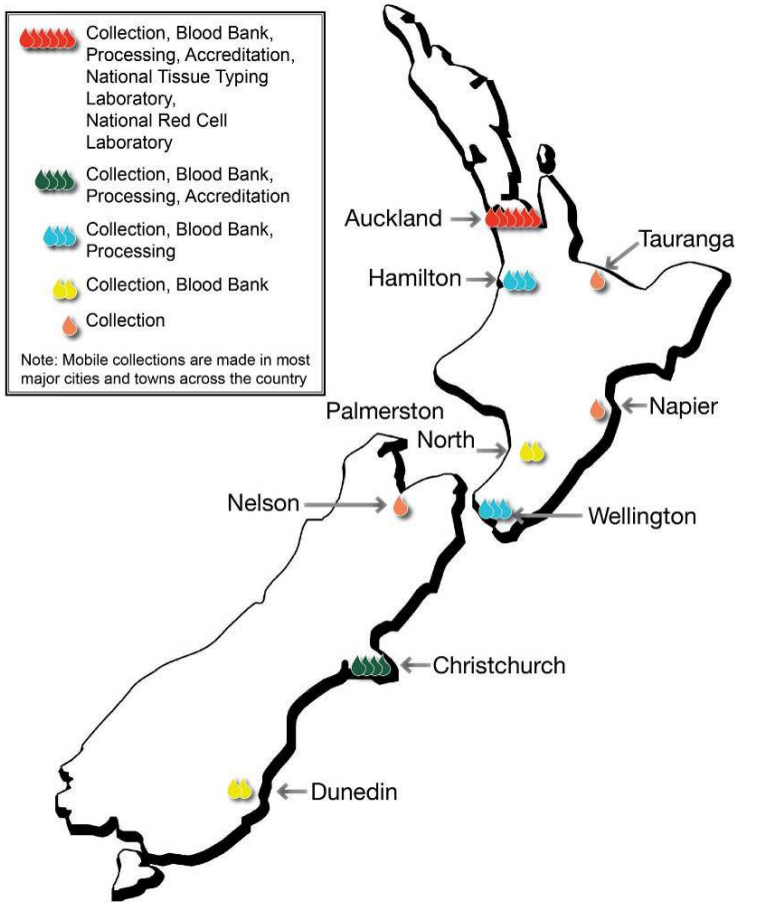

Figure 1: Distribution of NZBS activities across New Zealand

More information about NZBS's established governance and management structure, including the strong focus on quality, organisational values and identification of key external relationships and statutory obligations can be found in Appendix 1.

3. OUTCOMES FRAMEWORK

NZBS activities contribute to achievement of the government and health and disability system's goals as detailed in Figure 2.

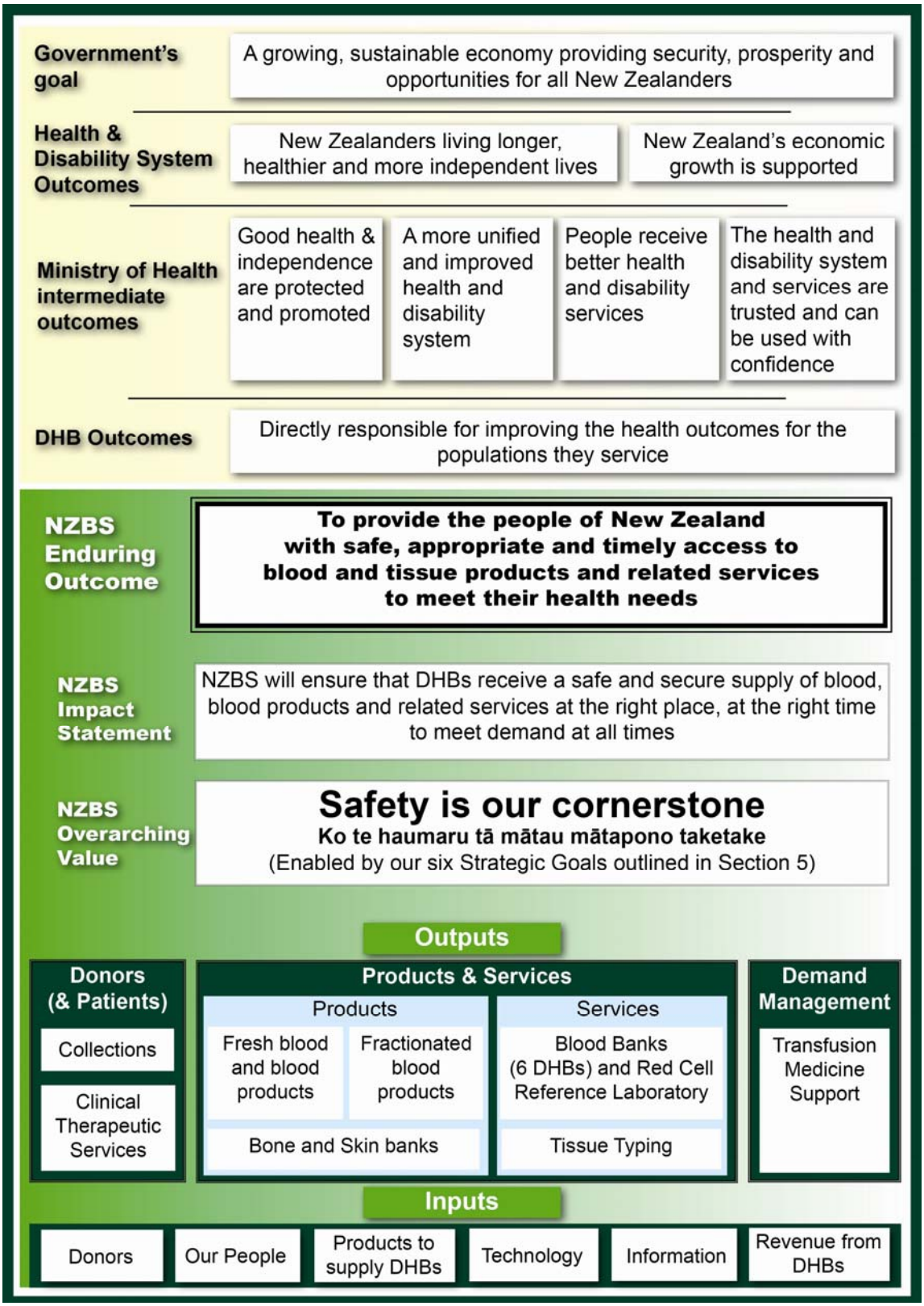

Figure 2: NZBS Outcomes Framework

4. FORECAST STATEMENT OF SERVICE PERFORMANCE 1 JULY 2011 TO 30 JUNE 2012

NZBS has one overall Output Class, comprising three interrelated outputs related to:

- Donors (and patients)
- Products and Services
- Demand Management

each of which collectively contributes to the achievement of the outcome below:

New Zealand Blood Service Outcome

To provide the people of New Zealand with safe, appropriate and timely access to blood and tissue products and related services to meet their health needs

OUTPUT	Value 2011/12 $ (excl GST)
Provision of a safe and effective blood service for all New Zealanders through supply and delivery of: • Fresh Blood Components • Fractionated Blood Products • Other products and related services	Revenue of $107.94 M Expenses of $107.02 M

IMPACT STATEMENT
New Zealand Blood Service will ensure that the District Health Boards receive a safe and secure supply of blood, blood products and related services at the right place, at the right time to meet demand at ALL times.

The following table details the service performance measures for 2011/12 that will be reported against in the NZBS Annual Report. These performance measures are linked to NZBS's enduring outcome, strategic goals and outputs. They will apply for the three years of this SOI, except for Performance Measure 4 which is related to a specific project to be complete within the next two years.

Performance Measures continued	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
NOTE: Changing clinical demand may result in the need to adjust collection and production activity, causing variations from forecast levels. Should this occur, an explanation will be provided in the Annual Report.							
1. Measures related to Donors (and patients)	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
1.1 Donor Population NZBS maintains a donor population capable of supporting the on-going demand for blood and blood products. • Active whole blood & apheresis donor panel.	125,234	130,243	128,347	126,000	126,000	127,000	128,000
				(minimum Whole Blood donor panel of 120,000 donors)			
1.2 Donor Satisfaction Measure of Overall Satisfaction with the Quality of Service using the Common Measurement Tool questionnaire. • Greater than 90% of donors surveyed state that they are either "Satisfied" or "Very Satisfied" with the overall quality of service.	New measure in 2011/12				>90% rating	Equal to or better than baseline year	Equal to or better than baseline year
1.3 Targeted donor recruitment strategies							
1.3.1 Increase percentage of Māori donors on the active donor panel from the 2010/11 level of 6% of all donors.	New measures in 2011/12 based off snapshot in 2010/11			6%	> 6%	Equal to or better than prior year	Equal to or better than prior year
1.3.2 Increase the percentage of youth donors between the ages of 19 – 25 years on the active donor panel from the 2010/11 level of 18.8% of all donors.				18.8%	>18.8%	Equal to or better than prior year	Equal to or better than prior year
2. Measures related to Products and Services	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
KEY OUTPUT MEASURE **2.1 Product and Service availability** No instances of inability to supply key products and services are reported.	0	0	0	0	0	0	0
2.2 Donation Testing Each donation will be tested prior to use in accordance with the NZBS Manufacturing Standards (as approved by Medsafe). • 100% of donations are tested prior to issue and associated records are maintained.	100% tested	100% tested	100% tested	100% tested	100% tested	100% tested	100% tested

Performance Measures continued	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
2.3 Key Products and Services							
2.3.1 Raw Material Inputs	Actual Supply	Actual Supply	Actual Supply	Forecast Supply	Forecast Supply	Forecast Supply	Forecast Supply
2.3.1.1 Total Whole Blood donations.	149,410	150,756	149,711	150,000	150,000	150,000	150,000
2.3.1.2 Total Plateletpheresis donations.	5,583	6,313	6,534	6,600	6,600	6,700	6,800
2.3.1.3 Total Plasmapheresis donations.	27,292	22,772	15,222	23,600	30,500	33,300	40,100
2.3.1.4 Total donations.	182,285	179,841	171,467	180,200	187,100	190,000	196,900
2.3.2 Key Therapeutic Service Outputs	Actual Demand	Actual Demand	Actual Demand	Forecast Demand	Forecast Demand	Forecast Demand	Forecast Demand
2.3.2.1 Plasma Exchanges - used to remove antibodies & toxins in patients with a range of haematological and neurological diseases.	491	444	404	320	320	320	320
2.3.2.2 Stem Cell Harvests – used for cancer patients undergoing chemotherapy and bone marrow transplantation.	275	262	312	300	310	320	330
2.3.2.3 Therapeutic venesections – predominantly used to treat haemochromatosis or polycythaemia.	4,444	4,939	5,003	5,400	5,550	5,700	5,800
2.3.3 Key Fresh Blood Component Outputs	Actual Demand	Actual Demand	Actual Demand	Forecast Demand	Forecast Demand	Forecast Demand	Forecast Demand
2.3.3.1 Total Red Cells (units) - used to treat people with cancer, kidney failure & acute blood loss due to trauma or surgery.	140,874	141,519	141,347	142,600	142,700	143,100	143,500
2.3.3.2 Total Platelets (units) - used to support treatment for cancer, some blood diseases & to control bleeding following cardiac surgery or trauma.	16,804	19,061	19,392	19,000	19,300	19,700	20,000
2.3.3.3 Total plasma (units) - used in patients following trauma or transplantation.	20,271	20,211	20,889	20,300	20,300	20,400	20,400
2.3.3.4 Total Cryoprecipitate (units) - contains clotting factors used to treat trauma and during cardiac/transplant surgery.	2,118	2,725	3,120	3,400	3,500	3,700	3,900
2.3.3.5 Total plasma for fractionation (kgs) - sent to CSL in Australia to be manufactured into products and returned for use in NZ.	50,908	49,942	44,612	49,500	58,600	62,100	66,600
2.3.4 Key Fractionation Product Outputs	Actual Demand	Actual Demand	Actual Demand	Forecast Demand	Forecast Demand	Forecast Demand	Forecast Demand
2.3.4.1 IntragamP (200ml 12gm equivalent vials) – Immunoglobulin product used to treat people with immune deficiencies or diseases which compromise patients' immune system.	19,566	19,328	20,799	22,100	23,900	25,900	28,000

Performance Measures continued	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
2.3.4.2 Biostate (250IU equivalent) - used to manage the inherited bleeding disorder haemophilia A.	26,777	20,652	13,358	12,500	12,000	12,000	12,000
2.3.5 Other Key Products /Services Outputs	Actual Demand	Actual Demand	Actual Demand	Forecast Demand	Forecast Demand	Forecast Demand	Forecast Demand
2.3.5.1 Tissue Typings associated with transplant patients/donors and disease studies.	4,354	7,464	7,945	7,350	7,650	8,000	8,350
2.3.5.2 Antibody screens for patients awaiting transplant.	5,886	7,068	7,741	7,100	7,300	7,500	7,750
2.3.5.3 Femoral head issues.	508	537	613	585	590	595	600
2.3.5.4 Blood groupings.	137,749	144,284	144,284	148,000	149,100	150,200	151,400
2.3.5.5 Antibody Screens.	134,033	140,249	142,770	143,500	144,200	144,900	145,700
2.4 Revenue per Full Time Equivalent (FTEs) - $000's	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
Monitor NZBS total revenue per Full Time Equivalent employee.	$198.54	$205.65	$216.95	$215.82	$215.95	$224.93	$235.05
KEY OUTPUT MEASURE **2.5 Regulatory Compliance - Medsafe** NZBS will ensure it is GMP (Good Manufacturing Practice) compliant 100% of the time by maintaining current Medsafe licences for its 6 hub sites.	100%	100%	100%	100%	100%	100%	100%
2.6 Financial Management Assure cost efficiency and value for money management through maintenance of financial sustainability in an environment which is demand driven (i.e. changes in product demand - mix and volume by the DHBs, impacts on the NZBS financial result).	Achievement of budget or better Budget - $(660k) deficit Actual - $7.0m surplus	Achievement of budget or better Budget - $101 surplus Actual - $3.3m surplus with a $2.4M rebate to DHBs	Achievement of budget or better Budget - $1.5M surplus Actual - $1.6M surplus with a $2.0M rebate to DHBs	Achievement of budget or better Budget - $4.1 surplus Forecast - $9.8m surplus** No Rebate planned	Achievement of budget or better Budget - $920k surplus No Rebate Planned	Achievement of budget or better Budget - $(976k) deficit No Rebate Planned	Achievement of budget or better Budget - $107 surplus No Rebate Planned

** Note: The 2010/2011/11 forecast surplus of $9.8m is $5.7m higher than budget due to $2.3m of additional to budget favourable inventory adjustments, combined with net income up $4.3m (+4.3%) after the sector elected not to take a rebate in the 2010/11 year (budgeted at $3.5m) in preference to receiving a smaller than CCP % price increase in the 2011/12 year. This is in compliance with the Minister's Letter of Expectations and was progressed after consultation and agreement with the Lead DHB CEO. The retained earnings from the 2010/11 year will be used to absorb cost increases not passed to the sector including the additional costs related to the Blood Management System upgrade and to cover the funding of forward capital expenditure programme requirements not covered from operating cash flows.

Performance Measures continued	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
KEY OUTPUT MEASURE **2.7 Regulatory Compliance – IANZ (International Accreditation New Zealand)**	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories.	100%	100%	100%	100%	100%	100%	100%
2.8 Regulatory Compliance – ASHI (American Society of Histocompatibility and Immunogenetics) NZBS will maintain ASHI accreditation 100% of the time at the national Tissue Typing laboratory.				100% First formal on-site audit	100%	100% Biennial on-site audit	100%
3. Measures related to Demand Management	Actual	Actual	Actual	Measure	Measure	Measure	Measure
3.1 Planning and Communication with District Health Boards (DHBs) NZBS will demonstrate a productive and supportive relationship with the DHBs, including proactively engaging with them through the Lead DHB CEO to agree pricing for the next financial year, ensuring that this information is provided in sufficient time to inform preparation of DHB Annual Plans. NOTE: Exact measure has changed over recent years.	NZBS worked successfully with MOH and Lead DHB CEO to ensure price engagement process was effective and provision of information to DHBs met requirements. As agreed with DHBs formal confirmation of FFT price increase for 2008/09 was delayed until May 2008.	DHBs through Lead DHB CEO agreed to a price increase in 2009/10 equivalent to FFT and returned amendments to the Supply Agreements signed by 21 DHB CEOs prior to the end of the financial year.	The price increase for the 2010/11 year was held to the level of the MOH announced CCP increase. The DHBs signed off the NZBS FY11 price list in time to inform their annual budget and planning documents.	Proactive engagement with Lead DHB CEO resulted in a price increase for 2010/11 of 0.65% (i.e. less than the 1.72% CCP level). Sector communication has commenced regarding implementation of NZBS rebalanced prices in FY12, following a comprehensive costing review.	Feedback on the timely and relevant provision of information, including issue resolution will be provided by the Lead DHB CEO at the end of each year.	Feedback on the timely and relevant provision of information, including issue resolution will be provided by the Lead DHB CEO at the end of each year.	Feedback on the timely and relevant provision of information, including issue resolution will be provided by the Lead DHB CEO at the end of each year.
3.2 NZBS Reports for DHBs NZBS will prepare and share monthly demand management reports outlining purchase volumes by key product line, to assist DHBs to manage local demand and costs.	Monthly reports detailing product use and expiry information provided to all 21 DHBs throughout 2007/08.	Monthly reports detailing product use and expiry information provided to all 21 DHBs throughout 2008/09.	Monthly reports detailing product use and expiry information provided to all DHBs throughout 2009/10.	Monthly reports detailing product use and expiry information provided to all DHBs throughout 2010/11.	Reports are provided to each DHB by the 12th working day of the following month.	Reports are provided to each DHB by the 12th working day of the following month.	Reports are provided to each DHB by the 12th working day of the following month.

Performance Measures continued	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
3.3 Clinical Oversight Programme	Actual	Actual	Actual	Measure	Measure	Measure	Measure
100 % achievement of a minimum of one clinical oversight visit and report per year to all Blood Banks located in main DHB hospitals (other than the 6 DHBs where NZBS is responsible for Blood Bank provision) in order to enable DHB managed Blood Banks to meet the requirements of ISO15189 for IANZ Accreditation.	100%	100%	100%	100%	100%	100%	100%
3.4 Haemovigilance Reporting							
To promote risk awareness and best practice in transfusion, NZBS will prepare and publish a Haemovigilance Report for each calendar year and will share this information with all DHBs to assist them to reduce the incidence of adverse transfusion events.	Annual Haemovigilance Report distributed to DHBs in December 2007 and available on NZBS web-site.	Annual Haemovigilance Report distributed to DHBs in September 2008 and available on NZBS web-site.	Annual Haemovigilance Report distributed to DHBs in November 2009 and available on NZBS web-site.	Annual Haemovigilance Report distributed to DHBs in November 2010 and available on NZBS web-site.	Haemovigilance Report for the previous calendar year provided to all DHBs by Quarter 2.	Haemovigilance Report for the previous calendar year provided to all DHBs by Quarter 2.	Haemovigilance Report for the previous calendar year provided to all DHBs by Quarter 2.
4. Measures related to a key enabler for Donors (and patients), Products and Services and Demand Management	Actual	Actual	Actual	Measure	Measure	Measure	
4.1 e-Progesa implementation							
Successful achievement of project milestones in the upgrade of the Progesa Blood Management System to e-Progesa.	Project not formally launched until 2010/11.			Key Project milestones to 31 June 2011 achieved as per Board approved Project Plan.	Quarter 1 – achievement of Milestone 12 – see below. Quarter 4 – achievement of Milestone 29 – see below.	Quarter 1 – Successful e-Progesa go-live.	No measure project complete

e-Progesa Project Milestone goals for 2011/12

Milestone 12 – Release Acceptance: e-Progesa meets high level functionality and performance requirements enabling detailed testing and development work to commence.

Milestone 29 – Functional Acceptance: e-Progesa meets all functional and performance requirements and is considered to be acceptable by the internal NZBS Business Owners, enabling training and go live activities to commence, with a planned go-live in Quarter 1 2012/13

5. OPERATING INTENTIONS AND MEASURES FOR SOI PERIOD

The following section presents how NZBS intends to perform its functions and conduct its operations in order to achieve its key outputs and six Strategic Goals, in an environment constrained by the on-going depressed economic situation.

EXTERNALLY FOCUSED STRATEGIC GOALS

(2011/12 and medium term performance measures are presented in the SSP - section 4.)

"Externally Focused Strategic Goals" generate inter-related outputs primarily to external parties and relate to three key output areas:

1. **Donors (and patients)**

   Collecting blood from donors, ensuring maintenance of their good health and that there are sufficient donors to support product demand, plus a small range of clinical therapeutic services.

2. **Products and Services**

   Testing/manufacturing and supplying blood and tissue products together with related services.

3. **Demand Management**

   Maintaining an excellent relationship with the DHBs as the primary NZBS customers; providing information to assist their management of product demand and informing NZBS production schedules to ensure 100% product availability at all times.

Specific measures for achievement of these Externally Focused Strategic Goals over the period of this SOI are included in section 4, the Forecast Statement of Service Performance (SSP).

STRATEGIC GOAL 1 **NZBS maintains a sustainable donor population capable of supporting on-going blood product demand in New Zealand.**

New Zealand is primarily self-sufficient for blood and blood products however; this does not preclude the procurement of imported product if clinically necessary and/or in exceptional circumstances. The active donor population is the source of the raw product that NZBS requires to manufacture its range of blood and blood products for transfusion; therefore maintenance of good donor health is an essential requirement. To achieve this strategic goal NZBS will:

- maintain a sustainable number of active donors (people who have donated whole blood and apheresis plasma/platelets more than once in the last 24 months) at the level of between 120,000 – 125,000 whole blood donors and 5,600 apheresis donors in 2011/12, growing to 7,000 over the period of this SOI in response to the forecast increasing demand for IntragamP product.
- continue to develop donor recruitment and retention strategies to maintain sufficient voluntary donors to replace retiring or deferred donors including:
  - maximising use of the electronic Donor Relationship Management system for communicating with donors;
  - monitoring and implementing strategies to maintain good donor health;

- targeting initiatives contained in the NZBS Māori Responsiveness Strategy (MRS) to improve engagement with Māori, with the aim of increasing the number of Māori who donate blood; and
- targeting initiatives to recruit and retain youth donors (in particular between the ages of 19-25 years) to ensure sustainable donor support into the future.

Figure 3 shows the current age profile of active donors (i.e. donors who have donated at least once in the last 24 months). Note: the decline in donors less than 20 years old was the result of a deliberate strategy to reduce school based collections to only one annual visit per school.

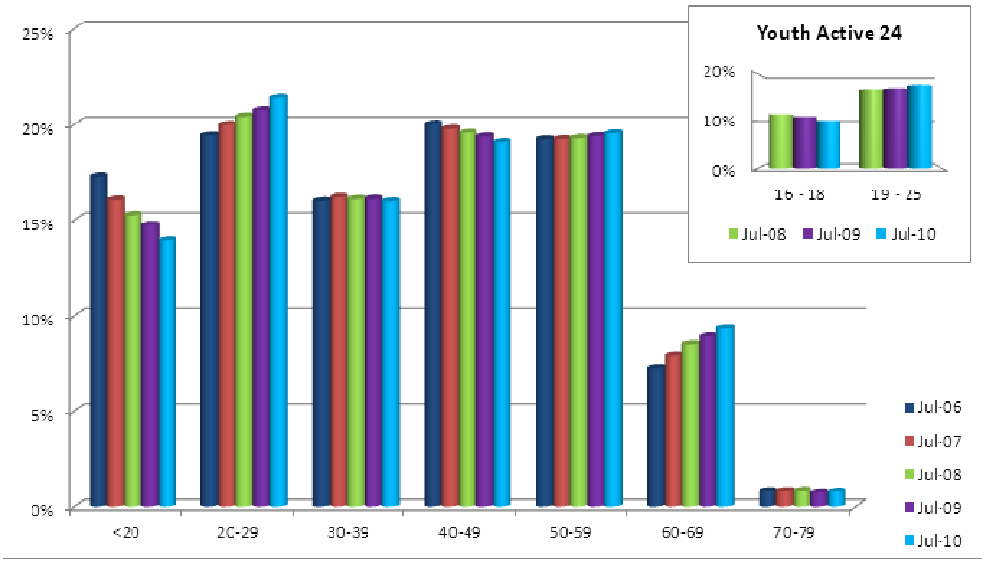

Figure 3: Active Donors by Year and Age Group for 2006- 2010

Achievement of Strategic Goal 1 will be measured in the SSP by:

1. meeting targeted whole blood and apheresis collection volumes[3]
2. achieving annual donor population target numbers[4]
3. meeting youth and Māori donor growth targets[5]
4. greater than 90% of donors stating that they are either "Satisfied or "Very Satisfied" with the overall quality of service delivery on the NZBS Donor Survey[6]

STRATEGIC GOAL 2 **NZBS provides its products and services effectively, efficiently and safely within available resources underpinned by a sustainable business model.**

NZBS's "vein-to-vein" business model is the envy of many blood services around the world. In particular the close relationship this model promotes between the DHBs and NZBS, which ensures a good alignment of priorities and on-going focus on cost control. The underlying principles of the business model will

[3] See SSP Performance Measure 2.3.1 on pg 9
[4] See SSP Performance Measure 1.1 on pg 8
[5] See SSP Performance Measures 1.3.1 and 1.3.2 on pg 8
[6] See SSP Performance Measure 1.2 on pg 8

continue to be reviewed over the 3 years of this SOI to ensure that NZBS continues to meet the nation's requirement for a high quality, safe, cost effective and financially sustainable demand driven support service to the New Zealand health sector.

Key principles within the current model include:

- **Self Sufficiency** where clinically appropriate (and to ensure surety of supply) whereby NZBS collects sufficient blood to meet all of New Zealand's requirements for blood and blood products
- **Plasma fractionation** contractual arrangements with CSL Biotherapies, Melbourne, Australia which in 2010 was extended to June 2014, with rights of renewal beyond that.

NZBS activities (contributing to the Ministry of Health's outcome that "the health and disability system and services are trusted and can be used with confidence") are focused on:

- ensuring the safety of the nation's blood supply
- respecting the gift status of every voluntary donation through minimising product expiry and maximising efficient utilisation
- ensuring safety and certainty of supply of blood and tissue products and services to the healthcare community
- meeting 100% of demand, 24 hours per day, 7 days per week, every year

NZBS acknowledges the financial pressures on the country and the health sector and will:

- maintain financial sustainability in response to any change in product mix and volumes through a strong focus on cost containment and internal business improvement activities
- provide to the DHBs, by way of rebate, the portion of any unbudgeted annual surplus delivered which is not required by NZBS in discharging its own financial obligations and responsibilities, in accordance with the NZBS Financial Guidelines Policy introduced in 2009.

Achievement of Strategic Goal 2 will be measured in the SSP by;

1. Achievement of its Impact Statement – ensuring that DHBs receive a safe and secure supply of the right blood, blood products and related services at the right place at the right time to meet demand at all times.[7]

2. Achievement of specific key product and service output targets[8]

   Note: Targets are set based on forecast demand. Therefore unlike conventional outputs, comparative data should not be used to judge current performance with a view to demonstrating improvement trends, as targets will be flexed up or down throughout the year (and between years) in response to changing demand patterns, in order to always meet demand and at the same time minimise product expiry.

3. Monitoring and assessing the Revenue per Full Time Equivalent employee ratio each year to demonstrate efficiency of service provision and sustainability of the business model.[9]

[7] See SSP Performance Measure 2.1 on pg 8
[8] See detailed SSP Performance Measures under 2.3 on pgs 9-10
[9] See SSP Performance Measure 2.4 on pg 10

4. Meeting budget each year whilst continuing to implement required internal initiatives to ensure on-going safety and surety of supply.[10]

STRATEGIC GOAL 3 NZBS - DHB relationships are mutually supportive and productive

NZBS is funded on a fee for service basis by its customers, primarily the DHBs. Note: the provision of blood and blood products to private hospitals and other users is coordinated and paid for by the DHBs.

As the only supplier of blood and blood products to the New Zealand health sector, the fiscal and operating environments within the DHBs have a direct impact on NZBS. To successfully achieve this Strategic Goal NZBS needs to work in partnership with the DHBs and ensure on-going efficient and effective management of its internal operations.

Activities related to NZBS' achievement of this Strategic Goal also contribute directly to supporting:

a) the government's policy focus for "better public services"

b) the Ministry of Health outcome of "a more unified and improved health and disability system"

c) the Minister of Health's expectation as outlined in his 21 February 2010 Letter of Expectations of "the need for different parts of the health system to work together" and for "Crown Entities to think as part of the system and work in cooperation and coordination with the wider sector".

NZBS Support to DHBs

NZBS supports the DHBs who are the prescribers and purchasers of blood and tissue products and services (i.e. the DHBs determine demand). This support includes:

1. Provision of reports and analysis

   - Monthly clinical product utilisation data assists DHB clinicians and management to maximise product utilisation, minimise expiry and cost
   - Ensuring appropriate blood product stock levels (and hence DHB expenditure) to most efficiently support anticipated clinical demand
   - Two to three clinical audit reports each year, based on work carried out by the NZBS clinical team (Transfusion Medical and Nurse Specialists) working in partnership with DHB clinical staff to assess targeted specific product utilisation
   - Monitoring with the aim of minimising adverse reactions in donors and in recipients (as identified by DHBs). This is achieved by publication of an annual Haemovigilance Report (a key tool used internationally by blood services) to help prescribers, treating clinicians and the blood service track trend changes and together ensure appropriate, clinically safe and efficacious product utilisation
   - Representation and reporting to the National Haemophilia Management Group to ensure a managed transition from plasma-derived to recombinant product for the treatment of haemophilia.

[10] See SSP Performance Measure 2.6 on pg 10

2. Clinical Oversight of DHB Blood Banks

   - NZBS Transfusion Medicine Specialists visit all DHB Blood Banks not directly managed by NZBS to provide guidance and clinical oversight; ensuring that nationally consistent quality systems and processes are used in the provision of blood components and products to patients
   - DHB blood bank responsiveness to NZBS clinical oversight visit recommendations enables them to meet the requirements for International Accreditation New Zealand (IANZ) accreditation
   - NZBS participation in the local DHB Hospital Transfusion Committees

3. Planning and Communication

   - The Lead DHB CEO continues to be the key sector contact for NZBS to:
     - agree the annual price engagement process in time for DHBs to budget for price changes in their Annual Plans
     - identify and implement reporting change requirements, particularly to facilitate improved product utilisation
     - identify business improvement opportunities, efficiencies and areas where working together can deliver savings to both DHBs and NZBS (e.g. in the management of Bone Banking Services) and any other mutually beneficial activities/projects.

Achievement of Strategic Goal 3 will be measured in the SSP by the following key areas of interaction between the DHBs and NZBS:

1. monthly distribution of the key product utilisation monitoring reports.[11]
2. production and circulation of an annual Haemovigilance Report.[12]
3. a minimum of one clinical oversight visit to each DHB each year, including timely production of a report outlining any corrective actions and/or recommendations for improvement.[13] Note: implementation of recommendations is the responsibility of the DHBs.
4. feedback on the NZBS : DHB relationship from the Lead DHB CEO.[14]

INTERNALLY FOCUSED STRATEGIC GOALS

(Medium term performance measures are presented in the following section.)

"Internally Focused Strategic Goals" primarily enhance internal capability - maintaining and/or building capacity and capability and delivering internal business improvements within NZBS, to enable the organisation to deliver key deliverables (products and services) to the DHBs as safely, efficiently and cost-effectively as possible. With the exception of Goal 4 (maintenance of legislative and regulatory compliance - which is critical to assuring public confidence) medium term measures related to achievement of these internally focused strategic goals are only presented in this section and will not be reported in the Statement of Service Performance (SSP).

[11] See SSP Performance Measure 3.2 on pg 11
[12] See SSP Performance Measure 3.4 on pg 12
[13] See SSP Performance Measure 3.3 on pg 12
[14] See SSP Performance Measure 3.1 on pg 11

STRATEGIC GOAL 4 Effective systems ensure maintenance of NZBS regulatory and legislative compliance

Safety and quality are the over-riding principles of highly regulated blood services across the world. To assure public confidence in the safety of New Zealand's blood supply, NZBS will ensure that regulatory accreditation and compliance requirements are maintained at all times in each of the three years of this SOI and beyond.

In the NZBS setting, in addition to standard public sector legislative requirements the following regulatory compliance is required:

- Annual Manufacturing Licences in the 6 NZBS collection and manufacturing sites - audited by Medsafe against the Code of Good Manufacturing Practice (GMP)
- IANZ accreditation against International Standard ISO 15189 – "Medical Laboratories – particular requirements for quality and competence" in all NZBS diagnostic laboratories, including the six hospital Blood Banks run by NZBS
- ASHI (American Society for Histocompatibility and Immunogenetics) accreditation in the national Tissue Typing laboratory which requires annual monitored self-assessment and a formal inspection and external audit every two years (next due in 2012)

NZBS also complies with the requirements of FACT (Foundation for the Accreditation of Cellular Therapy) for processing of haemopoietic progenitor cells in order to support the FACT accreditation held by Auckland City Hospital and Starship Stem Cell Transplant Programme. Because NZBS does not hold the accreditation this is not listed as a measure below.

Achievement of Strategic Goal 4 closely linked to Strategic Goal 2, assures public confidence in alignment with the Ministry of Health's outcome and is a fundamental requirement for any blood service; therefore although an internal goal, maintenance of the following regulatory requirements will be measured in the SSP:

1. Medsafe licences[15]
2. IANZ accreditation[16]
3. ASHI accreditation in 2012[17]

STRATEGIC GOAL 5 NZBS systems are aligned with international "best practice" as appropriate for New Zealand (particularly in respect of product safety, IT and product development initiatives)

Activities associated with achievement of this internal goal contribute to the government's policy driver for growth of "support for science, innovation and trade" and are aligned with the health sector's National Health IT Plan and Health Quality and Safety Commission's aspirations. NZBS activities related to the achievement of this goal include:

- Monitoring and, where appropriate, prioritising internal activities/projects to keep abreast of international developments in transfusion medicine practise and deliver business improvements.

[15] See SSP Performance Measure 2.5 on pg 10
[16] See SSP Performance Measure 2.7 on pg 11
[17] See SSP Performance Measure 2.8 on pg 11

For example:

- use of a Platelet Additive Solution (PAS) is in the process of being implemented by NZBS, with consequent patient safety and efficiency gains (through plasma, which has historically been used for storing platelets, being released for fractionation into clinical products)
- the move to male only plasma for transfusion to reduce the risk of transfusion related acute lung injury (TRALI)

- Adherence to the Council of Europe *Guide to the preparation, use and quality assurance of blood components* ("The Guide") as NZBS's external reference standard. The Guide is annually reviewed by an expert internationally constituted committee. By undertaking its own regular review of this internationally recognised Guide, NZBS will assure relevance and appropriate alignment of New Zealand blood safety standards with standards applied in European countries and Australia.
- Benchmarking with international blood services. NZBS is a member of the Asia Pacific Blood Network (APBN) and participates in an annual Comparison of Practise benchmarking analysis looking at metrics such as:
  - issues of components per 1,000 population
  - overall population participation rate in blood donation, including analysis in specific age bands
  - donor deferral rates, with more analysis being conducted about reasons for deferral
  - donor and recipient adverse events
  - FTE / specific outputs – however the complexities of definitions of what specific roles are called and what activities they contribute to means that it will be some years before meaningful comparisons can be made
- Upgrading the blood management system Progesa to the web-based e-Progesa. With a planned go-live in Quarter 1 2012/13, this major project will impact on both NZBS and the DHB Blood Banks at the time of implementation. This upgrade will ensure on-going vendor support for this critical software package (used to manage the supply chain of product from the donor, through production and warehousing to cross matching and transfusion to a patient) and provide system resilience to meet future needs and opportunities for business improvements and service enhancements consistent with the national health IT strategy (subject to independent business case approval) in the future.

Achievement of Strategic Goal 5 will also be measured in the SSP as the blood management system upgrade is a critical internal project impacting on both NZBS and the DHB blood banks. Measurement will be by:

1. Achievement of key e-Progesa Project Plan milestones.[18]

Other projects to support achievement of Strategic Goal 5 are internal to NZBS and their measures are therefore not reported in the SSP.

[18] See SSP Performance Measure 4.1 (and provided milestone details) on pg 12

STRATEGIC GOAL 6 NZBS has a sustainable, competent and engaged workforce.

NZBS people management strategies, policies, programmes and practices over the three year period of this SOI will:

- be consistent with the Government's expectations for pay and employment conditions in the State Sector as required by the Minister's Letter of Expectations
- promote the seven key elements of a "Good Employer"[19]
    1. Leadership, accountability and culture
    2. Recruitment, selection and induction
    3. Employee development, promotion and exit
    4. Flexibility and work design
    5. Remuneration, recognition and conditions
    6. Harassment and bullying prevention
    7. Safe and healthy environment
- meet good faith and employment contract obligations in line with government expectations
- align with NZBS vision and values
- assist in the development of quality leaders (both management and clinical) attracting, optimising and retaining top talent to achieve strategic objectives
- support staff to achieve high safety and quality standards, including on-going professional development requirements to achieve annual professional registration

NZBS recognises the importance of listening to staff and understanding what they see as important in order to enhance:

- engagement
- participation
- productivity
- retention and reduction in staff turnover
- achievement of strategic and operational objectives

Employee commitment will be measured biennially through a workforce engagement survey, next conducted in 2011 (enabling internal benchmarking by identifying the percentage of staff in each of three defined engagement categories - engaged, ambivalent and disengaged over time).

As New Zealand's only blood service, international collaboration at both a clinical and management level ensures that the nation's transfusion service and blood safety standards continue to be contemporary and cost-effective.

Achievement of Strategic Goal 6 will be measured by:

1. an improvement in the Employee Engagement Index from 74% (achieved at the last survey in 2009) using the JRA and Associates engagement level (in the context of 6 months of on-going industrial action in 2010).

[19] As defined by the Human Rights Commission in the published guidance from the Equal Employment Opportunities Commissioner (June 2006).

2. reduction in turn-over from the 2007/08 pre-economic recession level of 18.5% to 12% by July 2013 and maintain it at this level.

As activities associated with achieving this objective are internal to NZBS they will not be measured in the SSP.

6. CAPABILITY AND ISSUE MANAGEMENT

To achieve the outputs and strategic goals outlined in this document NZBS must maintain or enhance its organisational capability and operate effective systems to identify and manage any issues that may arise as external or internal business needs/conditions alter. Current organisational capability and some of the issues presently identified in key business areas are discussed in the table below along with management activities planned or currently active to address them.

Business Area	Current Status	Management Activities
DHB Relationships, Revenue/Funding	NZBS is a provider of essential products and services to the New Zealand health sector and recovers its costs of operation from revenue obtained on a fee for service basis from its customers. An effective relationship with its primary customers, the DHBs, is vital. The DHB CEOs have identified a Lead DHB CEO for the NZBS relationship which simplifies communication. NZBS acknowledges the sector expectation of working within the annual "Contribution to Cost Pressures" (CCP) increase to fund "business as usual" and NZBS controlled activities. NZBS has set a price increase in 2011/12 which is less than the CCP%. The mechanism still exists to share with the DHBs the portion of any unbudgeted annual surplus that it may achieve due to changed product mix demand, improved fractionation yields and cost efficiencies, and which is not required by NZBS in discharging its own financial obligations and responsibilities in accordance with NZBS policy (established in consultation with DHBs and Ministry of Health representatives).	The relationship that exists between NZBS and the Lead DHB CEO is well maintained and provides an effective channel of communication for on-going planning and issue resolution for both NZBS and DHBs. NZBS has incorporated its financial policy settings, internal efficiencies and anticipated volume growth for specific products and services; along with findings from a comprehensive review of its costing and pricing framework completed in 2010/11 into the financial forecasts. Specific funding requirements under Ministerial directive require the retirement of bank debt by 30 June 2015, and the meeting of all capital expenditure requirements out of operating cash flows, noting the planned level of capital spend in 2011/12 of $7.1m of which the e-Progesa blood management system implementation project is the major component at $2.74m.
National Health Board, Health Benefits Ltd, Health Workforce New Zealand initiatives	NZBS is actively linked in to sector wide developments with respect to shared services and is participating in the All-of-Government procurement activities.	Maintaining active engagement with key government organisations with a view to adopting changes where a meaningful benefit can be achieved through shared services or other sector wide initiatives.

Business Area	Current Status	Management Activities
Blood Collection / Donor Management	A donor panel of between 120,000 – 125,000 (122,880 in March 2011) active whole blood donors is sufficient to meet current and projected whole blood collection requirements for 2011/12. However the apheresis donor panel will need to increase from the March 2011 number of 5,482 to 7,000 by 2013/14 to meet the growth in plasma requirement expected as a consequence of the increasing demand for IntragamP. Demand for plasma products in New Zealand continues to increase, consistent with international trends. Analysis demonstrates that plasmapheresis remains the most cost-effective mechanism to collect plasma required, additional to that recovered from whole blood collected to supply red cells. NZBS will therefore focus on effective management of plasmapheresis donors to match donation numbers with plasma requirements. Changes in the Council of Europe Guide in 2008 permitted an increase in the volume of plasma collected during each plasmapheresis donation which has improved the overall efficiency of NZBS plasma collection operations.	Donor recruitment and retention will continue to be a focus for NZBS and there are a number of new and on-going initiatives to support optimal utilisation of the donor database and, in particular, recruit youth donors to address the generally aging demographic of New Zealand blood donors. NZBS committed to a defined Māori Responsiveness Strategy in 2010 to improve its engagement with Māori. This compliments targeted initiatives to encourage Māori support for the New Zealand Bone Marrow Donor Registry (NZBMDR) for which NZBS (working in partnership with the Leukaemia and Blood Foundation) carries out both recruitment and tissue typing services for potential donors. Regular use of computer survey and targeted focus groups enables NZBS to ensure donor satisfaction and to assess donor views on selected issues, facilitating service improvement. A Facebook site launched in mid-2009 to communicate with youth donors has more than 7, 500 “fans.” In response to donor requests and to reduce postal costs, it is planned to increase the use of text and email to contact donors during the period of this SOI following a pilot in early 2011.
Blood and Tissue Processing, Testing and Accreditation	NZBS maintains full capability to process, test and accredit all collected blood in a manner consistent with accepted international standards (Council of Europe). NZBS complies with the Human Tissue Act 2008 and is the predominant supplier of human bone and sole supplier of human skin to DHBs and private healthcare providers.	NZBS will continue to manage introduction of new standards and/or technologies to ensure alignment with international best practice, making modifications as necessary to meet the specific requirements in New Zealand. An annual review of international blood safety is carried out to monitor and inform maintenance of testing standards.

Business Area	Current Status	Management Activities
	NOTE: New Zealand is not self-sufficient in the supply of cadaver skin, needing to rely on importation to meet demand. Due to global shortages, this does mean that NZBS does not have the same surety of supply that it has for blood and blood products.	NZBS will expand the number of international cadaver skin suppliers and explore opportunities to increase NZ based collection, in an attempt to limit out-of-stock situations. NZBS is in the process of implementing platelet additive solution (PAS). This reduces the volume of plasma used to store platelet concentrates, liberating additional plasma for fractionation from within current collection levels. PAS also provides additional safety through reducing the risk of adverse reactions in recipients, which can happen following transfusion of blood products containing plasma.
Plasma Fractionation	NZBS contracts with a third party fractionator (CSL Biotherapies) to ensure fractionated products of required specifications, prepared from New Zealand plasma, are available when clinically required. This contract was renegotiated in 2010 as part of the procurement process to deliver value for money and now includes the option for larger (more cost efficient) fractionation pools. The contract extends to 2014. Consistent with international experience, fractionation fees are the single largest contract cost to NZBS. Unlike a standard manufacturing environment, the protein composition of raw plasma entering each fractionation batch is determined by the individual donors contributing to it. This introduces an unknown human variable into the production model which adds complexity and risk to forecasting exact yield and hence the amount of manufactured product ultimately derived from each pool of plasma fractionated. Variations in product yield can have significant impacts upon per unit costs of production and production volumes.	NZBS and its predecessors have had a long standing relationship with Australian based CSL Biotherapies which is responsive to the changing needs of NZBS. Key staff at NZBS and CSL work together to manage production of fractionated products by altering the amount or timing of plasma fractionation pools to most effectively meet product requirements at all times. CSL also keeps NZBS informed of variations in yield due to changes in manufacturing processes or protein composition of plasma.

Business Area	Current Status	Management Activities
Product Mix and Volume	Like blood services all over the world, NZBS is vulnerable to unexpected or unmanaged changes in the mix or volume of products utilised by its customers throughout the year. Even small changes in mix, volume or fractionation yield have the potential to affect revenue and result in significant over or under recovery of operating costs. Clinical appropriateness of various treatment options/ products is the key driver to utilisation alongside cost and efficiency considerations. <u>Biostate (a Factor VIII product)</u> Volumes are determined by the National Haemophilia Management Group (NHMG) following a three year transition process when all haemophilia patients who elected to, changed from plasma derived Biostate to recombinant product. <u>Monofix (a Factor IX product)</u> In 2010 the NHMG made the decision to allow patients on plasma-derived Monofix who elect to change, to transition to recombinant product in a planned way over a 3 year period. <u>Immunoglobulin products</u> Consistent with blood services around the world, immunoglobulin continues to be the primary product driver for plasma collection in New Zealand. NZBS clinical audit data indicates that the prescribing of intravenous immunoglobulin (IVIg) in New Zealand is largely consistent with published international guidelines.	Working in partnership with DHB clinicians, NZBS plays an active role in product management activities to ensure appropriate utilisation of blood and blood products (i.e. demand management). Some issues in respect of key products and brief discussion of their management are presented below: <u>Biostate</u> Arrangements are in place with CSL Biotherapies for the sale of surplus Biostate, to ensure that the donor's gift is maximised and providing a financial return for any surplus product no longer required in New Zealand. <u>Monofix</u> NZBS will work with the NHMG to manage the Monofix transition in the same way as for Biostate. Unfortunately, consistent with international advice, CSL Biotherapies has confirmed that there is no market for surplus Monofix. <u>Immunoglobulin products</u> NZBS works closely with DHBs to manage use of IVIg. Based on utilisation over the last 12 months, NZBS planning assumes that in the next 3-5 years New Zealand's use of IVIg will grow at the rate of 8% per annum. This rate of growth is lower than that seen in other countries (for example growth in Australia continues to increase at 13% per annum). This SOI is based on plasma collection volumes to support an 8% annual growth in IVIg prescribing; however this will be adjusted up or down if there is a sustained change in demand.

Business Area	Current Status	Management Activities
		It is important to understand that there will be a lead time from any change in donor collection activity (which cannot be easily "turned on and off") to provision of finished product.
Facilities	Details about the location of NZBS facilities can be found on page 5. Regular internal and external audit of how facilities are meeting current GMP requirements and organisational needs is undertaken. A comprehensive review of collection strategies and all facilities was completed in 2009 to model future requirements and to ensure continuation of the most cost-effective and efficient methods of collection as New Zealand's blood service requirements change.	GMP Compliance issues identified in Christchurch have been prioritised to be addressed within the period of this SOI. Investigation commenced in 2010 to identify a greenfields site for the South Island based hub-site in Christchurch; however the impact of the 22 February earthquake means that these plans will need to be revisited. Future capacity requirements at all NZBS facilities will once again be reviewed during the period of this SOI, utilising the most recent product and service demand forecasts.
Labour Costs	Labour costs are the largest single cost in running the blood service. Over recent years clinical staff numbers have increased in response to higher collection, processing and issuing requirements. Operating in the same labour market, NZBS employment terms and conditions need to be consistent with health sector collectives that have been negotiated by the DHBs.	Recognising the significant impact that DHB employment relations practices and collective agreement negotiations have on the organisation, NZBS actively participates in sector forums whenever possible and seeks to keep abreast of employment relations matters in the wider DHB health sector. NZBS is required under the NZPHD Act to consult with the Director-General of Health on its bargaining strategy prior to commencing any Collective Agreement negotiations and settlement with staff on Individual Employment Agreements. This bargaining strategy also needs to be consistent with the Government's 20 February 2009 published expectations for pay and employment conditions in the State Sector. For some employee groups NZBS is directly linked as part of sector wide Multi Employer Collective Agreements.

Business Area	Current Status	Management Activities
Being a "Good Employer"	Consistent with government expectations and to achieve its Strategic Goal 6, NZBS needs to be a "Good Employer". It is critical to the organisation that it can attract and retain skilled, committed employees to ensure that the on-going viability and safety of the blood supply are not compromised; therefore training will always be a primary focus. Turnover over the last couple of years has been low. NZBS has reviewed its recruitment policies to ensure they meet best practice and are non-discriminatory. Training is provided to relevant staff on recruitment practices to ensure that the organisation's obligations as an equal opportunity employer are met. There will be a focus in 2011/12 to rebuild the culture within the Technical Services function following the period of prolonged industrial action in 2010 and also to support our Christchurch based team as they work through the longer-term implications of the February 22 earthquake.	To ensure it has a staff sufficient in both number and skill to provide its specialist services, NZBS places considerable emphasis on creating a work environment capable of attracting and retaining skilled employees. Learning and Development initiatives and attention to succession planning also mitigate the risks inherent in loss of key personnel and ensure best utilisation of financial resources in respect of labour costs An NZBS Recruitment strategy streamlines the recruitment process helping to attract and retain key talent. This will continue to be monitored and developed over the period of this SOI. NZBS has an integrated Learning and Development framework informed by a comprehensive Training Needs Analysis to support appropriate development of the skills and talent necessary to maximise employee potential. NZBS Human Resources policies, practices and programmes have been developed and reviewed to ensure legislative requirements are met and that there is alignment with the seven key elements of being a "Good Employer".
Risk Management	An established organisational risk management framework ensures that all significant NZBS risks are effectively identified, assessed, managed and monitored.	Risk identification, and escalated incident management are agenda items at each Executive Team meeting. The NZBS Board receives regular reports on major incidents, reviews the Risk Register and Organisational Health and Safety metrics on a quarterly basis and the Risk Management Policy annually. Financial sustainability is reviewed monthly by NZBS management, Executive and the NZBS Board.

Business Area	Current Status	Management Activities
Regulatory compliance and Quality Systems management	All NZBS manufacturing sites are GMP compliant and hold licences to manufacture blood components. NZBS diagnostic laboratories, including the 6 hospital Blood Banks, are IANZ accredited. The National Tissue Typing laboratory is also accredited by ASHI. Maintaining registration and appropriate licences is part of "business as usual" with continuous quality improvement fundamental to the organisation at all levels.	NZBS works closely and successfully with regulators/ auditors to ensure that all manufacturing centres retain required licences to manufacture blood components, and all diagnostic laboratories hold appropriate accreditation at all times.
Information Service Initiatives and Usage Reporting	NZBS has established IT systems that promote efficiency in business processes and support maintenance of GMP (most notably through the national Blood Management System, Progesa, which is the key IT system for NZBS and is also utilised in each of the DHBs to support their blood bank activities). Detailed monthly product utilisation/demand management reports are generated for DHBs to enable them to better understand and manage their use of blood products and costs.	A key focus for 2011/12 is progressing the upgrade to e-Progesa (in both NZBS and the DHBs). This upgrade will ensure that this essential system (which is the back-bone to all NZBS activities – both clinical and financial) is vendor supported and capable of maintaining safety (primarily through ensuring reliable donation/product information and traceability) and enhancing performance and future functionality. The planned go-live is in Quarter 1 of 2012/13. On-going hardware and software upgrades are planned throughout the three years of this SOI to ensure that the electronic systems supporting NZBS operations are robust and effective.

PART II

7. FINANCIAL PLAN

7.1 Overview of Financial Plan

The 2011/12 Financial Plan has been based on the 2010/11 forecast, incorporating actual results to 28 February 2011.

The financial forecast has been prepared as required by the Crown Entities Act 2004 for disclosure in this SOI and may not be appropriate for any other purpose. If NZBS becomes aware that there are changes to the assumptions detailed below, which may impact the stated financial position, this SOI will be amended accordingly under section 148 of the Crown Entities Act 2004.

The NZBS Board has agreed the financial forecast at the date of signing of this SOI.

7.2 Key Assumptions

The following assumptions (and risk assessments where appropriate) are key elements underpinning the financial forecasts for 2011/12 through to 2013/14:

	Assumption	Comment / Risk
1.	**Price Setting** - Forecast annual price increases for the DHBs have been aligned, except for 2011/12, with the sector's Contribution to Cost Pressures settings (CCP%) as advised by the MOH. The price settings for the 3 year forecast period are: • 0.65 % in 2011/12 (CCP % 1.72%) • 1.72% in 2012/13 • 1.72% in 2013/14	It is acknowledged that should unbudgeted costs create unforeseen financial risks over the period then NZBS may be required to utilise its reserves and may require a price increase greater than CCP in the two outer years **Risk Assessment:** LOW – Cost increases could exceed the CCP% price increase causing deterioration in the NZBS financial position, resulting in a requirement for price increases greater than CCP in the 2 outer years.
2.	**Revenue Forecasts –** revenue growth over the forecast period has been assumed as: • 3.76 % in 2011/12 • 4.37% in 2012/13 • 4.50% in 2013/14	Revenue growth is a combination of price and demand (volume) increases. The specific demand assumptions for the primary revenue sources of blood products and services are detailed in Assumption 3. **Risk Assessment:** MEDIUM - With price settings agreed under annual contractual terms, the major risk to revenue growth stems from the uncertainty of demand for any given product or service. The demand assumptions taken within these Forecasts reflect recent trend indications as well as allowance for any known forward demand impact factors.

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Demand (Volume) Assumptions – Demand growth over the forecast period has been assessed on a product by product basis and the outcome of those assessments is detailed below at product category level.

(a) Blood Product Demand Growth

Product	2011/12	2012/13	2013/14
Red Cells	0.31%	0.26%	0.26%
Platelets	1.28%	1.31%	1.30%
Cryoprecipitate	5.03%	5.08%	5.09%
FFP Plasma	0.31%	0.32%	0.34%
Fresh Products	0.37%	0.36%	0.36%
Fractionated	5.48%	5.67%	5.58%
Bought-in	5.42%	5.78%	6.07%
Other Products	7.44%	9.80%	7.50%
Total Blood Products	**2.68%**	**2.84%**	**2.85%**

(b) Service Demand Growth

Service	2011/12	2012/13	2013/14
Testing	1.02%	1.06%	1.10%
Tissue Typing	4.2%	4.59%	5.04%
Other	1.73%	1.62%	1.73%
Total Services	**1.88%**	**2.00%**	**2.17%**

(c) Total Products and Services Demand Growth

Category	2011/12	2012/13	2013/14
Product	2.68%	2.84%	2.85%
Service	1.88%	2.00%	2.17%
Total	**2.56%**	**2.71%**	**2.75%**

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Demand volatility is an ever present reality for NZBS, although the health sector demographics indicate demand growth can be reasonably assumed. As a manufacturer NZBS endeavours to maintain flexibility within its production settings in order to minimise product expiry and ensure inventory levels are keep aligned to the current individual product demand profiles.

The two major products - Red Cells and IVIg IntragamP (a fractionated product) are specifically commented upon in Assumptions 6 and Assumption 7 respectively.

Risk Assessment: HIGH - Demand volatility, both upside and downside, is a risk inherent within the NZBS business model. Historically NZBS has seen uneven demand growth for all products and services as the last 4 years trend line indicates:

- 4.16% in 2007/08
- 1.51% in 2008/09
- 0.87% in 2009/10
- 2.59% in 2010/11 (forecast)

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Collection volumes - Based on forecast demand patterns for 2011/12 required collection volumes are estimated to be:

Collection Method	2011/12
Whole Blood	150,000
Plasmapheresis	30,500
Plateletpheresis	6,600
Total Collections	187,100

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2010/11 target volumes were:

Collection Method	2010/11
Whole Blood	148,000
Plasmapheresis	19,000
Plateletpheresis	6,100
Total Collections	173,100

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<tr><th></th><th>Assumption</th><th>Comment / Risk</th></tr>
<tr><td></td><td>The forecast for the out years is as follows:
<table><tr><th>Collection Method</th><th>2012/13</th><th>2013/14</th></tr><tr><td>Whole Blood</td><td>150,000</td><td>150,000</td></tr><tr><td>Plasmapheresis</td><td>33,300</td><td>40,100</td></tr><tr><td>Plateletpheresis</td><td>6,700</td><td>6,800</td></tr><tr><td>Total Collections</td><td>190,000</td><td>196,900</td></tr></table></td><td>Note: The increase in whole blood collection volumes is in the context of health sector demographics and the expectation of a higher level of healthcare intervention and the Minister signalling increased levels of elective surgery. The growth in plasmapheresis volumes is required to meet the forecast 5.5% demand for Fractionated Product (also see Assumptions 3 and 7).

Risk Assessment: MEDIUM - collection volumes are very sensitive to product demand assumptions and will be flexed up or down to align with that demand. This would be managed with an increase (or decrease) in donor recruitment and encouragement to existing donors to increase (or decrease) their donation frequency.</td></tr>
<tr><td>5.</td><td>Platelet Additive Solution (PAS) will be implemented for platelets recovered from whole blood collections and for apheresis platelets by June 2011.

PAS liberates plasma previously used to suspend platelets, for fractionation, thus reducing plasmapheresis collection requirements.</td><td>Plasmapheresis collection targets have been based on the assumption that fewer collections will be required after the implementation of PAS.

Risk Assessment: MEDIUM - risk is that PAS will not be fully implemented by 1 July 2011 requiring more plasma to be collected via plasmapheresis collection and incurring the associated costs.</td></tr>
<tr><td>6.</td><td>Sales volume for Red Cells, the major product within the Fresh Product sales category, is assumed to have a positive growth factor over the three years of this SOI – refer Assumption 3.</td><td>Sales volumes are totally dependent on health sector demand. Collection volumes will be flexed as required to align with that demand.

Risk Assessment: MEDIUM – despite blood conservation activities (project with some DHBs); the aging population and increased elective surgery may see demand increase beyond forecast levels. If demand increases beyond that forecast (refer Assumption 3) whole blood collections (refer Assumption 4) would need to be increased and such increase accommodated within the current donor population.</td></tr>
</table>

<table>
<tr><th></th><th>Assumption</th><th>Comment / Risk</th></tr>
<tr><td>7.</td><td>IntragamP as the primary fractionated product has a sales volume forecast expected to increase at 8% per annum.

IntragamP sales volume assumptions are:

<table>
<tr><th>Year</th><th>IntragamP Sales Volumes
(200mL 12 gm equivalent)</th></tr>
<tr><td>2011/12</td><td>23,900</td></tr>
<tr><td>2012/13</td><td>25,900</td></tr>
<tr><td>2013/14</td><td>28,000</td></tr>
</table>

Inventory levels will be managed at a minimum 4 months stock on hand to ensure surety of supply.</td><td>In the 2010/11 year there has been an increase in demand growth for IntragamP, which since 2002 had been consistently increasing at 8% per annum. In 2008/09 that growth slowed, then picked up again in late 2009/10 back to an average growth rate of 8%. Internationally growth in the use of this class of products is approximately 13% per annum.

Should prescribing increase or decrease from the budgeted assumption of 8% growth each year, then collection targets will be flexed to ensure demand is met and product expiry is minimised. (Note: IntragamP has a two year shelf-life which enables stock to be managed up and down).

Risk Assessment: MEDIUM - risk of demand being either greater or less than the forecast 8% growth which would be mitigated by collection target flexing (refer assumption 4). This could be accommodated financially without significant short term financial impact due to the 2 year shelf-life of IntragamP.</td></tr>
<tr><td>8.</td><td>Biostate sales volumes are based on 12,000 vials (250 IU equivalent) each year as agreed with the NHMG.</td><td>Biostate utilisation will continue to be monitored by the NHMG and Haemophilia Treaters.

Risk Assessment: LOW – indications are that usage has stabilised at the agreed 12,000 vials per annum level.</td></tr>
<tr><td>9.</td><td>Monofix sales volumes are based on progressively decreasing requirements over the 3 year SOI period as agreed with the NHMG and outlined below:

<table>
<tr><th>Year</th><th>Monofix Sales Volumes
(500 IU equivalent)</th></tr>
<tr><td>2011/12</td><td>2,600</td></tr>
<tr><td>2012/13</td><td>2,000</td></tr>
<tr><td>2013/14</td><td>1,500</td></tr>
</table>
</td><td>Prior to the NHMG decision to transition haemophilia patients on plasma derived factor IX (Monofix) to recombinant product; utilisation in 20010/11 was 3,000 x 500 IU equivalent vials.

Monofix utilisation will need to be carefully managed to the agreed budgeted volumes by the NHMG and Haemophilia Treaters.

Risk Assessment: LOW – as the volumes will be carefully managed by the NHMG working with the Haemophilia Treaters on a patient by patient basis.</td></tr>
</table>

	Assumption	Comment / Risk
10.	Only Biostate, Monofix and Albumex products will have revenue associated with sale of surplus production volumes, with the Monofix surplus having no market value.	NZBS has a developed stock management process to minimise product expiry and maximise product utilisation, however; if stocks of other fractionated product exceed demand and there is a limited or no market for sale of surplus product, then the unrecovered production costs will be carried by the higher demand product lines. **Risk Assessment:** LOW – with clearly defined contract arrangements for surplus product sales in place with the manufacturer.
11.	New Zealand will remain self-sufficient for all major blood products including IntragamP.	The principle of self-sufficiency (including financial viability) is regularly reviewed, based on financial, clinical and surety of supply criteria, as outlined in discussion of NZBS Strategic Goal 2. There are likely to be financial implications for NZBS and the wider sector if self-sufficiency is not sustained. Self Sufficiency does not preclude the procurement of imported product if clinically necessary and in exceptional circumstances. **Risk Assessment:** LOW - NZBS collects sufficient blood and blood products to maintain self-sufficiency and the most recent financial analysis also supports this principle being maintained.
12.	Current fractionation yields are maintained over the period of the SOI.	Changes in the yield of fractionated product obtained from a volume of plasma will impact either adversely (in the case of reduced yield) or favourably (in the case of improved yield) on NZBS' forecast financial position. **Risk Assessment:** LOW – based on the prior yield performance of the manufacturer.
13.	Plasma Fractionation costs in 2011/12 and subsequent years will increase in accordance with the increase as provided for in the CSL Manufacturing Agreement. Note: This agreement includes increasing the sizing of fractionation pools from 7.5 tonne to 10 tonne, which will result in higher inventory levels after each fractionation pool.	The CSL Manufacturing Agreement is priced in Australian dollars so there is an exposure to movements in exchange rate. **Risk Assessment:** MEDIUM – NZBS endeavours to mitigate this risk via Forward Exchange contracts purchased in accordance with the NZBS Treasury policy. Also refer to the foreign exchange assumption 19 below.

<table>
<tr><th></th><th>Assumption</th><th>Comment / Risk</th></tr>
<tr><td>14.</td><td>The stock turn ratios for the total inventory holding over the forecast period is set out below:

<table><tr><th>Stock Turns</th><th>Turns per Annum</th></tr><tr><td>2011/11 Year</td><td>4.31</td></tr><tr><td>2011/12 Year</td><td>3.94</td></tr><tr><td>2012/13 Year</td><td>4.16</td></tr><tr><td>2013/14 Year</td><td>4.40</td></tr></table></td><td>NZBS sets a minimum stock holding of 4 months demand across its non-fresh product range to ensure surety of supply. This sets the minimum benchmark stock turn for all inventory held at 4 times, a benchmark figure NZBS aims to exceed in the context of efficient working capital management.

Risk Assessment: MEDIUM – risk is an unexpected drop in demand increasing the risk of product expiry (fresh product) and higher short term inventory holding (fractionated product). The primary risk stock category is fractionated product (due to 4 month minimum stock holding) however the risk is mitigated in large part by this product category having a 2 year shelf life.</td></tr>
<tr><td>15.</td><td>Establishment level FTEs incorporated in the financial forecasts are:

<table><tr><th>Year</th><th>Establishment Level FTEs</th></tr><tr><td>2010/11</td><td>482</td></tr><tr><td>2011/12</td><td>500</td></tr><tr><td>2012/13</td><td>501</td></tr><tr><td>2013/14</td><td>501</td></tr></table></td><td>The increases in 2011/12 are primarily related to required collection levels and production throughput, with a number of those positions approved by the board in 2010/11. As an essential service provider NZBS must adapt quickly to changes in demand and/or safety requirements. Staffing levels are therefore subject to increases or decreases in response to changing business requirements, particularly changes in demand for products.

Risk Assessment: MEDIUM – risk is the inability to source new appointments with the required skills mix. NZBS is competing with the health sector at large for resources mitigated in part by participating in the same collective agreements as the DHBs.</td></tr>
<tr><td>16.</td><td>The majority of NZBS staff will continue to be employed on collective agreements (either Multi-Employer Collective Agreements (MECAs) or Single-Employer Collective Agreements).

Assumptions regarding employee cost increases have taken into account the Government’s Expectations for Pay and Employment Conditions in the State Sector published on 20 February 2009 and direct consultation with the Ministry of Health.

Best estimates in respect of possible future settlements have been included in financial forecasts, projected out over the next three years.</td><td>Staff costs make up approximately 34.2% of NZBS costs. Most collectives have built into them an annual increase and merit step increases which have a significant impact on NZBS’ overall annual cost increases.

Settlements in relation to Collective Agreement negotiations have a direct flow on effect to costs associated with staff working under Individual Employment Agreements.

Risk Assessment: MEDIUM - risk of settlement outside of budgeted parameters, depending on wider sector settlements, including negotiations currently in progress with senior and junior doctors. (Assumption 1 also refers.)</td></tr>
</table>

<table>
<tr><th></th><th>Assumption</th><th>Comment / Risk</th></tr>
<tr><td>17.</td><td>Plasmapheresis, Plateletpheresis and whole blood consumable costs will reflect forecasted collection requirements.

Consumable costs (based on current contracts, or expected CPI increases) and employee costs (FTE's required) are in turn based on meeting the projected collection volume targets for 2011/12 and subsequent years.</td><td>Forecast collection volumes are subject to change in response to alterations in demand for products, variation in production yields and/or collection / processing methods.

Further staffing and consumable reductions would be considered in the event that collection volume requirements decrease for a sustained period of time.

Likewise, if collection volume levels are required to increase significantly beyond those forecast; an increase in staffing and consumables may be required to collect and process additional volumes.

Note: Many NZBS consumables purchased from international markets are subject to foreign exchange fluctuations. Potential additional costs due to the global economic situation have not been factored into the financial forecast.

Risk Assessment: MEDIUM - risk that input price increases are higher than budgeted allowances. (Assumption 1 also refers.)</td></tr>
<tr><td>18.</td><td>Changes to regulatory costs will only include costs associated with initiatives to achieve compliance with the Public Records Act 2005.</td><td>With the Government decision in 2007 to put establishment of ANZTPA on hold, this SOI is based on existing Medsafe and other NZBS regulatory costs.

Risk Assessment: LOW – as ANZTPA currently not part of the Government's planned intentions.</td></tr>
<tr><td>19.</td><td>Foreign exchange rates over the forecast period of this SOI have been assumed as:

<table><tr><th>Year</th><th>AUD$</th><th>Eur€</th><th>US$</th></tr><tr><td>2011/12</td><td>0.76</td><td>0.55</td><td>0.74</td></tr><tr><td>2012/13</td><td>0.79</td><td>0.55</td><td>0.74</td></tr><tr><td>2013/14</td><td>0.80</td><td>0.55</td><td>0.74</td></tr></table>
These rates have been based on the latest information available at time of SOI preparation, and represent the combined views of banking industry forecast economic data, underpinned by advice from NZBS treasury advisors.</td><td>NZBS has exposure to foreign exchange fluctuations, primarily the Australian dollar through its plasma fractionation contract with CSL Biotherapies

Based on 2011/12 settings a 1 cent movement in the AUD exchange rate increases or reduces fractionation costs by approximately $225k.

NZBS manages this risk via forward exchange contracts in accordance with the NZBS Treasury Management policy settings.

Risk Assessment: MEDIUM to HIGH – the full impact of the 22 February 2011 earthquake in Christchurch on New Zealand exchange rates is uncertain. It is clear this event will adversely change New Zealand's economic settings in the short to medium term.</td></tr>
</table>

<table>
<tr><th></th><th>Assumption</th><th>Comment / Risk</th></tr>
<tr><td>20.</td><td>As a demand-driven service provider to the health sector, NZBS will share with the DHBs any unbudgeted realised net financial gains that it may achieve due to optimal product mix demand, improving yields and cost efficiencies, in accordance with the NZBS Financial Guidelines policy.</td><td>NZBS has a Financial Guidelines policy that clearly sets out the Board's obligations (having regard to NZBS longer term financial viability) to assess on an annual basis, whether any realised net financial gains will be shared with the DHBs.</td></tr>
<tr><td>21.</td><td>The Capital Charge, paid to the MOH, is based on the forecast closing equity position and has been assumed at the current 8% pa over the forecast period.</td><td>This is a Government mandated charge over which NZBS has no direct control.</td></tr>
<tr><td>22.</td><td>The quantum of capital expenditure will be tightly managed, but will require flexing year-on-year in response to clinical requirements.

Examples of significant capital expenditure planned in the 2011/12 year are:
e-Progesa Blood Management System - $2.74m
National replacement programme for blood separation equipment - $1.19m
Collection logistics software - $0.25m
Non-invasive haemoglobin readers - $0.22m</td><td>Safety requirements and the capital intensive nature of the blood service operations means that smooth capital spend year-on-year is not realistic.

Risk Assessment: LOW - the capital expenditure plan is a carefully considered and managed document ensuring a low risk of being greater than budget</td></tr>
<tr><td>23.</td><td>Interest rates on borrowings over the period of this SOI have been based off the projected 90 day bill rate and are assumed to be:

<table><tr><th>Year</th><th>Interest Rate</th></tr><tr><td>2011/12</td><td>4.4 %</td></tr><tr><td>2012/13</td><td>5.9%</td></tr><tr><td>2013/14</td><td>6.4%</td></tr></table></td><td>These rates are based on the funding facility in place with Westpac New Zealand Limited.

The level of available funds has been set to ensure forecast funding needs can be accommodated without need for facility renegotiation. The term of the facility covers the majority of the forecast period.

The facility is operated in accordance with the approval terms of the Ministers' of Finance and Health. The Ministers' approval terms requires the facility debt to have been repaid by 30 June 2015.

Risk Assessment: LOW - based on the forecast level of facility debt NZBS exposure to any interest rate movement is minimal in the context of the overall NZBS cost structure.</td></tr>
</table>

	Assumption	Comment / Risk
24.	Timing of product extraction during fractionation of plasma pools will not result in “pooling gains” or “losses” which straddle balance date.	The exact timing of fractionation and extraction of product from plasma pools by CSL can affect the year end reported result if fractionation of a pool straddles the 30 June balance date. **Risk Assessment:** LOW - unless there is an urgent requirement to bring forward a fractionation pool to meet unexpected increase in demand for fractionated product with such requirements covered under the contract with the manufacturer.
25.	There will be no financial impact on the forecast financial performance as a result of any plasma pool incident (e.g. loss of a pool of plasma through contamination or manufacturing problem).	NZBS would follow the process outlined in 2005 by the MOH to secure additional funding to off-set financial losses that are unable to be managed by NZBS. **Risk Assessment:** LOW – the basis for managing such a situation was established with the MOH in 2005 and would be enacted if required.

7.3 Forecast Financial Statements

Forecast Statement of Financial Performance

	Budget FY 11 $000	Forecast FY 11 $000	%	Forecast FY 12 $000	%	Forecast FY 13 $000	%	Forecast FY 14 $000	%
Income									
Revenue from supplying Blood Products	85,524	86,153	82.82%	89,117	82.57%	93,186	82.72%	97,450	82.78%
Revenue from supplying Services	16,025	16,361	15.73%	17,012	15.76%	17,637	15.66%	18,317	15.56%
Revenue from Overseas Sales	1,408	1,200	1.15%	1,524	1.41%	1,613	1.43%	1,718	1.46%
Interest Income	273	303	0.29%	275	0.26%	209	0.19%	225	0.19%
Other Income	7	7	0.01%	7	0.01%	7	0.01%	7	0.01%
Gross Income	**103,236**	**104,023**	100.00%	**107,935**	100.00%	**112,651**	100.00%	**117,717**	100.00%
Less Distribution of Surplus to DHBs	(3,500)	-		-		-		-	
Net Income	**99,736**	**104,023**	100.00%	**107,935**	100.00%	**112,651**	100.00%	**117,717**	100.00%
Expenditure									
Production and Bought-in Costs (excluding Labour costs)	41,033	41,531	39.92%	47,224	43.75%	49,318	43.78%	51,190	43.49%
Changes in Inventory ***	(2,393)	(4,698)	-4.52%	(2,547)	-2.36%	209	0.19%	279	0.24%
Employee Benefit Expense	33,689	34,076	32.76%	37,468	34.71%	38,268	33.97%	39,362	33.44%
Depreciation and Amortisation	3,415	3,238	3.11%	3,597	3.33%	4,284	3.80%	4,619	3.92%
Other Operating Expenses	17,286	16,949	16.29%	18,107	16.78%	18,417	16.35%	19,071	16.20%
Finance Costs	290	280	0.27%	255	0.24%	289	0.26%	247	0.21%
Capital Charge	2,300	2,840	2.73%	2,910	2.70%	2,833	2.51%	2,842	2.41%
Revaluation of Derivative Financial Instruments									
Total Expenses	**95,620**	**94,215**	90.57%	**107,015**	99.15%	**113,618**	100.86%	**117,609**	99.91%
Net Surplus / (deficit) for the Year	**4,116**	**9,808**	**9.43%**	**920**	**0.85%**	**(967)**	**-0.86%**	**108**	**0.09%**
Other Comprehensive Income	-	-		-		-		-	
Total Comprehensive Income	**4,116**	**9,808**	**9.43%**	**920**	**0.85%**	**(967)**	**-0.90%**	**108**	**0.10%**
Surplus Attributable to NZ Blood Service	**4,116**	**9,808**	**9.43%**	**920**	**0.85%**	**(967)**	**-0.90%**	**108**	**0.10%**
Total comprehensive Income Attributable to NZ Blood Service	**4,116**	**9,808**	**9.43%**	**920**	**0.85%**	**(967)**	**-0.90%**	**108**	**0.10%**

Forecast Statement of Changes in Equity

	Budget FY 11 $000	Forecast FY 11 $000	Forecast FY 12 $000	Forecast FY 13 $000	Forecast FY 14 $000
Opening Equity balance	**24,292**	**25,653**	**35,461**	**36,381**	**35,414**
Total comprehensive Income Attributable to NZ Blood Service	4,116	9,808	920	(967)	108
Total recognised income / expense for the year ended 30 June	**4,116**	**9,808**	**920**	**(967)**	**108**
Contribution from owner	-	-	-	-	-
Closing Equity balance	**28,408**	**35,461**	**36,381**	**35,414**	**35,522**
Forecast changes in Equity over the forecast period					
(a) Crown Equity					
Opening Balance	15,717	15,717	**15,717**	**15,717**	**15,717**
Total Comprehenive Income for year	**-**	**-**	**-**	**-**	**-**
Closing balance	**15,717**	**15,717**	**15,717**	**15,717**	**15,717**
(b) Retained Earnings					
Opening Balance	8,575	9,937	19,745	20,665	19,698
Total Comprehenive Income for year	4,116	9,808	920	(967)	108
Closing balance	**12,691**	**19,745**	**20,665**	**19,698**	**19,806**
Closing Equity Balance	**28,408**	**35,461**	**36,381**	**35,414**	**35,522**

*** Note re 'Changes in Inventory'

For ease of reporting, the 'Changes in Inventory' category is an aggregated reporting category comprising 'cost of goods sold', 'production recoveries' and 'inventory valuation adjustments' consistent with the application of manufacturing standard costing methodologies and generally accepted inventory valuation principles.

Forecast Statement of Financial Position

	Budget FY 11 $000	Forecast FY 11 $000	Forecast FY 12 $000	Forecast FY 13 $000	Forecast FY 14 $000
Equity					
Crown Equity	15,717	15,717	15,717	15,717	15,717
Retained Earnings/(Losses)	12,691	19,745	20,665	19,698	19,806
Total Equity	**28,408**	**35,461**	**36,381**	**35,414**	**35,522**
Equity %	56.0%	64.9%	63.9%	62.8%	63.7%
Represented by:					
Assets					
Current Assets					
Cash and Cash Equivalents	6,207	9,704	5,580	4,283	4,363
Trade and Other Receivables	12,323	11,000	11,143	11,254	10,997
Inventories	16,783	21,139	23,887	23,662	23,486
Total Current Assets	35,314	41,843	40,610	39,198	38,846
Non Current Assets					
Property, Plant and Equipment	12,050	9,150	9,697	10,547	11,103
Intangible Assets	3,387	3,652	6,611	6,690	5,803
Total Non Current Assets	15,437	12,802	16,308	17,237	16,906
Total Assets	50,751	54,645	56,918	56,434	55,752
Liabilities					
Current Liabilities					
Trade and Other Payables	5,449	5,595	6,673	6,937	7,267
Provisions	8,042	3,732	3,854	3,936	3,993
Employee Benefit Liabilities	2,804	3,403	3,491	3,581	3,672
Total Current Liabilities	16,295	12,729	14,018	14,454	14,932
Non Current Liabilities					
Employee Benefit Liabilities	777	1,153	1,329	1,506	1,682
Provisions	995	1,026	1,132	1,239	1,345
Term Borrowings	4,276	4,276	4,057	3,822	2,270
Total Non Current Liabilities	6,048	6,455	6,518	6,566	5,297
Total Liabilities	22,343	19,184	20,537	21,020	20,229
Net Assets	**28,408**	**35,461**	**36,381**	**35,414**	**35,522**

Forecast Statement of Cash Flows

	Budget FY 11 $000	Forecast FY 11 $000	Forecast FY 12 $000	Forecast FY 13 $000	Forecast FY 14 $000
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from Blood Products and Services Revenue	113,741	116,805	121,930	127,332	133,382
Interest Received	273	303	275	209	225
Receipts from Other Revenue	1,414	1,115	1,496	1,610	1,716
	115,428	118,223	123,702	129,151	135,323
Cash was disbursed to:					
Payments to Employees	33,596	33,600	37,173	37,970	39,086
Payments to Suppliers	65,559	64,931	72,441	75,395	78,134
Distributions to Primary Stakeholders	2,000	2,000			
Interest Paid	242	219	210	236	200
Capital Charge Paid	2,318	2,540	2,874	2,839	2,841
Net GST Payable to IRD	5,242	7,178	7,806	8,559	9,142
	108,957	110,468	120,504	125,000	129,403
Net Cash Flow from Operating Activities	**6,471**	**7,755**	**3,197**	**4,150**	**5,920**
Cash Flows from Investing Activities					
Cash was provided from:					
Proceeds from the sale of Property, Plant & Equipment					
Cash was disbursed to:					
Acquisition of Property, Plant & Equipment	(5,472)	(3,866)	(3,666)	(4,143)	(4,166)
Acquisition of Intangible Assets	(2,765)	(2,825)	(3,436)	(1,070)	(122)
	(8,237)	(6,692)	(7,102)	(5,213)	(4,288)
Net Cash Flow from Investing Activities	**(8,237)**	**(6,692)**	**(7,102)**	**(5,213)**	**(4,288)**
Cash Flow from Financing Activities					
Cash was provided from:					
Advances from Term Borrowings					
Cash was disbursed to:					
Repayment of Term Borrowings	(204)	(204)	(219)	(235)	(1,552)
	(204)	(204)	(219)	(235)	(1,552)
Net Cash Flow from Financing Activities	**(204)**	**(204)**	**(219)**	**(235)**	**(1,552)**
Net increase/(Decrease) in Cash and Cash Equivalents	**(1,970)**	**859**	**(4,124)**	**(1,297)**	**80**
Cash and Cash Equivalents at the beginning of the year	8,177	8,844	9,704	5,580	4,283
Cash and Cash Equivalents at the end of the year	**6,207**	**9,704**	**5,580**	**4,283**	**4,363**

Reconciliation of Surplus with Net Cash Flow from Operating Activities

	Budget FY 11 $000	Forecast FY 11 $000	Forecast FY 12 $000	Forecast FY 13 $000	Forecast FY 14 $000
Surplus/(Deficit) post Distributions	4,116	9,808	920	(967)	108
Add Back Non Cash Items:					
Depreciation & Amortisation	3,415	3,238	3,597	4,284	4,619
Property, Plant & Equipment Write Off Provision	-	-	-	-	-
Changes in Premises Reinstatement Provision	92	92	106	106	107
Movement in Working Capital:					
(Increase)/ Decrease in Trade and Sundry Receivables	(477)	131	(122)	(91)	275
(Increase) / Decrease in Prepayments	(16)	(15)	(21)	(19)	(18)
(Increase) / Decrease in Inventories	(2,386)	(6,184)	(2,748)	226	176
Increase / (Decrease) in Trade Creditors & Other Payables	49	46	60	55	56
Increase / (Decrease) in Other Payables	9	2,237	1,043	199	265
Increase / (Decrease) in General Accruals	1,577	(2,074)	67	61	58
Increase / (Decrease) in Employee Entitlements	93	476	295	297	276
Net Cash Inflow/(Outflow) from Operating Activities	**6,471**	**7,755**	**3,197**	**4,150**	**5,920**

8. REPORTING

8.1 Formal Reports

The following information will be made available by NZBS:

Statement of Intent

A Statement of Intent will be prepared and provided to the Minister of Health within the timeframe required.

Annual Report

An Annual Report and audited financial statements will be prepared and provided to the Minister of Health within the timeframe required.

Quarterly Report

In addition to routine financials, NZBS will report quarterly to the MOH on its performance against the performance measures in section 4 of this Statement of Intent. The report will be provided within four weeks following the end of each quarter.

Monthly Financial Reports

NZBS will report each month on its financial performance in delivery of its functions under the NZPHD Act. Each report will be provided on or before the twentieth day of the following month in a form set by the MOH.

In the event that there is a material variance from budget, on request from the MOH, NZBS will supply such further information as may be appropriate, including the reason for the variation. Revised year-end forecasts will be provided to the MOH on request.

8.2 Informal Reports

NZBS will provide the Minister through the MOH with information that enables monitoring of its performance in delivery of its outputs. On-going dialogue and meetings between the Minister of Health, MOH representatives and NZBS will support formal reporting.

In addition to the formal reports specified above, the NZBS Board will at any time:

- alert the Minister and the Ministry of Health to any material factors that could preclude the achievement of any obligation or expectation set out in this SOI or in any Statement of Owner's Expectations issued by the Minister;
- consult with the MOH on issues having, or likely to have, substantial effects on consumers, or the provision of blood products or services or on the ability of NZBS to carry out its function under the Gazette notice of 2 July 1998 or to comply with these terms and conditions. When the likelihood of such issues is foreseen by NZBS, or where the issues come to the attention of NZBS, the consultation shall be as soon as is reasonably practicable;
- inform the Minister or the Ministry of Health of any issue likely to be of significance to the Minister or the Government.

8.3 Information for Ministers

NZBS will provide:

- the MOH with information that will enable it to prepare Ministerial briefings and draft speech notes. Where practicable, the information provided will be in an agreed form (and normally within 10 working days of request); and
- the MOH with information (in an agreed form) that will enable the relevant Minister to:
  - (i) respond to written and oral Parliamentary questions; and
  - (ii) process routine Ministerial correspondence, semi-urgent correspondence (letters to Members of Parliament) and urgent correspondence; and
  - (iii) process Select Committee inquiries

within the timeframes outlined in the NZBS Output Agreement.

9. RESTRICTIONS

Use of Money

NZBS acquisition of securities is regulated under section 161 of the Crown Entities Act 2004.

NZBS borrowing is regulated by section 162 of the Crown Entities Act 2004.

Retention of Crown Equity

In relation to delivery of its outputs NZBS may retain Crown Equity (surpluses), subject to S165 of the Crown Entities Act 2004.

Guarantees and Indemnities

In accordance with section 163 of the Crown Entities Act 2004 NZBS may not, with or without security, give a guarantee to or indemnify another person other than provided in section 160 of the Crown Entities Act 2004.

Dealings with Land

NZBS has no land assets. However, should any land be acquired by NZBS over this period then it will not dispose of any estate or interest in any land without first having consulted with the Minister of Health and having obtained consent to do so, in accordance with Clause 28, Schedule 6, of the NZPHD Act.

Acquisition of shares or interests in companies, trusts, and partnerships, etc

NZBS is restricted by section 100 of the Crown Entities Act 2004 from acquiring shares or interests in companies, trusts, and partnerships, etc. It may only do so after giving notice to the responsible Minister and in accordance with procedures and conditions in its SOI or as specified by its Minister.

Banking Facilities

NZBS operates a Multi Option Credit Facility to manage its banking and funding needs. The facility was approved (Gazette notice dated 25 June 2009) pursuant to section 160(3) of the Crown Entities Act 2004 subject to the following conditions:

a. Use of the facility, in addition to the existing term debt component, is restricted to covering short-term fluctuations in working capital requirements,

b. The facility cannot be used for long term debt financing or funding capital expenditure above the level of planned depreciation as contained in the annual Statement of Intent,

c. The existing term debt component within the facility must be repaid by 30 June 2015.

10. OTHER

Records

NZBS will continue to manage its records in accordance with all legislative and regulatory requirements and good commercial practice.

NZBS adopts the generally accepted accounting principles and policies prescribed by the Institute of Chartered Accountants, New Zealand. (Refer to Appendix 2 for the Abridged Statement of Accounting Policies).

APPENDIX I
NZBS Organisational Structure and Context

To support achievement of its enduring outcome:

> ***To provide the people of New Zealand with safe, appropriate and timely access to blood and tissue products and related services to meet their health needs***

NZBS is organised and supported by an established structure as outlined below.

Governance

NZBS is governed by a board appointed by and responsible to the Minister of Health and forecasts and reports on performance to the Minister through the Ministry of Health.

The NZBS Board performs the roles and responsibilities of a Crown Entity board as defined in the Crown Entities Act 2004.

Management

While responsibility for overall NZBS performance rests with the Board, operational management matters have been delegated to the Chief Executive.

The Chief Executive is supported by an Executive Team as shown below. Reporting to the NZBS Executive Team are key national specialist roles, along with the senior clinical and operational roles. The key national specialist roles include: National Manager Logistics; National Manager Marketing; National Manager Information Services; National Manager Procurement; regionally based Area Managers and Transfusion Medicine Specialists and Nurses.

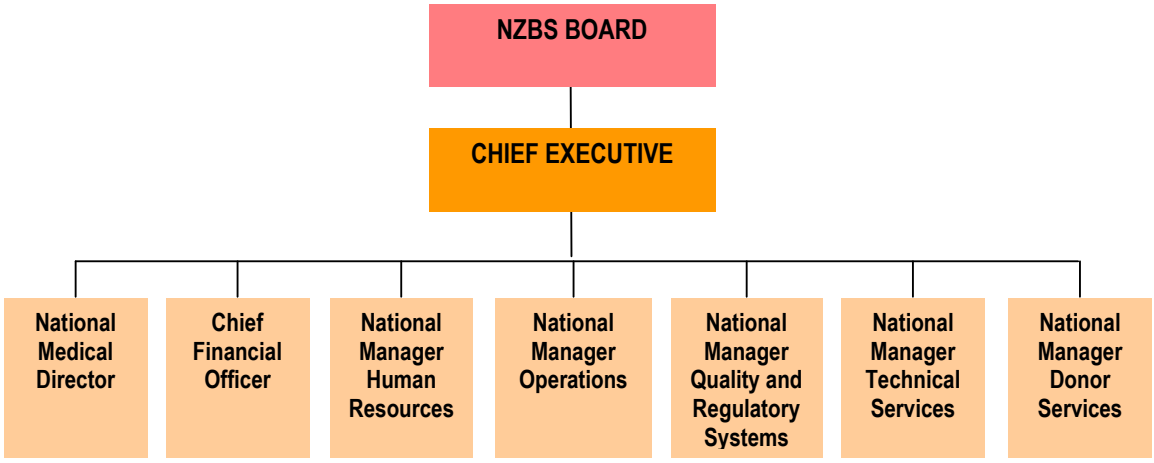

Figure 4: NZBS Board and Executive Management
Details about incumbents can be found on: www.nzbloood.co.nz

NZBS Staff

Teamwork is fundamental to the success of NZBS. Eighty nine percent of NZBS staff are classified as "front-line" (i.e. staff whose role is directly related to the provision of NZBS products and services including maintenance of regulatory and GMP compliance.) Front-line excludes Executive, National and Area Managers and staff employed in functions such as: Finance; Human Resources; Payroll; Information Services and Marketing.

Staff by Operational Area

Figure 5 below provides an overview of NZBS staff groupings by operational area.

"National" refers to the following national roles:

- National Management
- Finance and Procurement
- Information Services
- Marketing
- Human Resources and Payroll
- Operational Support Officers
- Training and Development Co-ordinators

This centralised national structure is the most efficient management model and facilitates effective control and co-ordination of the national blood service.

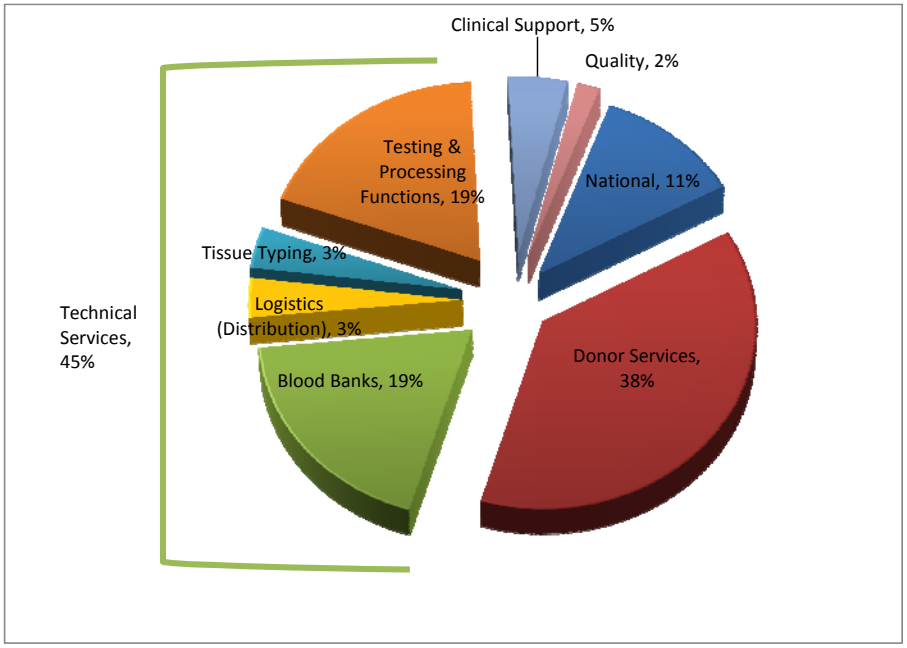

Figure 5: Composition of NZBS staff by operational area

Principle front-line activities can be described as being either clinical, donor or technically related as outlined in Figure 6.

	Key Activities	Responsible for	Location
Donor Services	Donor Recruitment	Maintaining a sustainable donor population - recruiting new donors and retaining existing donors through relationship development & scheduling appointments to achieve collection targets	All NZBS sites
	Collections	Collecting whole blood and apheresis plasma & platelets whilst ensuring maintenance of good donor health	All NZBS sites
Technical Services	Testing	Testing every blood donation for: HIV, HCV, HBV, syphilis, with selective testing for some donors	Auckland Christchurch
	NZBS Processing	Separating whole blood into: Red Cells, Plasma and Platelets through a range of manufacturing processes	Auckland Waikato Wellington Christchurch
	CSL Processing (Fractionation)	Frozen New Zealand plasma is sent to CSL Bioplasma, fractionated and returned to NZBS for distribution	CSL Bioplasma Melbourne, Australia
	Tissue Bank	The national skin bank in Auckland and bone banks at each of the Processing sites and in the blood banks in Palmerston North and Dunedin	Auckland Waikato Palmerston North Wellington Christchurch Dunedin
	Distribution	The logistics function in the 4 hub sites distributes product to each of the DHB hospital blood banks (NOTE: the DHB blood banks supply all private hospitals) and overseeing inventory management, minimising expiry and ensuring that product is always available to meet demand	Auckland Waikato Wellington Christchurch
	Blood Bank	Cross-matching and antibody screening to ensure compatibility between the donated blood and the patient (recipient) prior to dispatching to the appropriate hospital staff for transfusion	At the following hospitals: Auckland Waikato Palmerston North Wellington Christchurch Dunedin
	National Red Cell Reference Laboratory	Undertakes complex pre-transfusion testing and antibody identification. Runs a national quality assurance programme and inhouse reagent manufacturing	Auckland
	National Tissue Typing Laboratory	Key testing and assessment services to DHBs undertaking organ and haemopoetic stem cell transplantation	Auckland
Clinical Services	Clinical Support	Medical and transfusion nursing support to both DHB and NZBS staff on all transfusion medicine related issues	Auckland Waikato Palmerston North Wellington Christchurch Dunedin
	Clinical Services	Provision of therapeutic services such as plasma exchanges, stemcell harvests and therapeutic venesections	Auckland Waikato Palmerston North Christchurch
	Supported by National functions of: Clinical, Quality & Regulatory Systems, Logistics, Marketing, Information Services, Finance and Human Resources		

Figure 6: Key front-line NZBS activities

A focus on Quality

Clinical Service

The NZBS Clinical Team plays a key role in maintaining clinical quality - ensuring that the right product is provided to the right patient at the right time. The clinical role within NZBS impacts on all areas in the "vein to vein" blood service from selection of donors to provision of advice and support for the management of patients with complex clinical problems.

A multidisciplinary Clinical Advisory Group, chaired by the National Medical Director oversees NZBS clinical activity; providing advice to the Chief Executive on clinical issues and taking a proactive role in setting clinical policy, standards and encouraging transfusion medicine best practice.

A clinical oversight programme enables NZBS to discharge its statutory responsibility for maintenance of effective blood banking and cross-matching systems in the DHB Blood Banks not operated by NZBS. The programme has been endorsed by International Accreditation New Zealand (IANZ). Active participation in the NZBS Clinical Oversight Programme is a key component to the DHB managed Blood Banks maintaining IANZ Accreditation. A comprehensive twenty four hour national clinical advisory service is available to all hospitals.

A national haemovigilance programme examines and reports annually on the frequency and causes of adverse transfusion related events, to help health professionals understand the risks associated with blood transfusions and assist development of improved systems for the safe delivery of blood products to patients.

Quality, Safety and Compliance – "Safety is our Cornerstone"

The NZBS Quality and Regulatory Systems function provides a service to all areas of the organisation, particularly with respect to regulatory compliance, and supports the DHB sector via the clinical oversight programme (see above). Quality and Regulatory Systems related strategic objectives are primarily determined by regulatory requirements and the needs of NZBS customers. The key external parties with whom the Quality and Regulatory Systems function interacts are: Medsafe; International Accreditation New Zealand (IANZ); the American Society for Histocompatibility and Immunogenetics (ASHI); the Australian Therapeutic Goods Administration (TGA); CSL Biotherapies and DHB Blood Banks.

NZBS Values

The NZBS organisational structure works within a values based framework. ***Safety is our Cornerstone*** (Ko te haumaru tā mātau mātapono taketake) is the overarching tenet to everything that NZBS does, cementing the four enduring Values of:

- Striving for Excellence (Kia tau kite Tihi)
  Maximising the resources NZBS has to draw on, we strive for excellence in everything we do
- Teamwork (Te Mahi Ngātahi)
  We value working towards and supporting each other to meet our common goal

- Integrity and Respect (Te Pono me Te Tika)
  We value an environment where there is mutual trust and respect
- Open Communication (Te Whakawhitiwhiti Whakaaro i runga i te Māharahara)
  We value sharing information and knowledge, thoughts and ideas, in an appropriate and timely manner

Key External Relationships

NZBS has relationships with a number of different stakeholder groups (other than the Minister of Health). Key relationships exist between NZBS and:

- Donors
- DHBs and their patients
- Private hospitals
- Other users of blood products and services
- Ministry of Health
- CSL Biotherapies, based in Melbourne Australia
- MAK-System (e-Progesa software provider)
- Patient advocate groups (e.g. Haemophilia Foundation of NZ and Immunodeficiency Foundation of NZ)
- National Haemophilia Management Group (NHMG)
- NZBS employees

The expectations of these stakeholders are assessed by a variety of means including regular contact (through routine service delivery and associated activities), focus group meetings, surveys and documented requests and requirements.

NZBS can be considered the custodian of more than 125,000 voluntary New Zealand blood and apheresis donors' "gift of life". In achieving its organisational goals and objectives, NZBS is mindful of its responsibility to these donors and the requirement to protect their taonga through internal activities and by providing support to the prescribers of blood and blood products to ensure appropriate and cost-effective utilisation.

Process of providing blood products to key NZBS customers – the DHBs

Operationally, blood is collected either as whole blood (which is then separated into its component parts) or as individual components (plasma or platelets) via a process called apheresis. Figure 7 outlines the process for providing fresh and fractionated blood products to the DHBs.

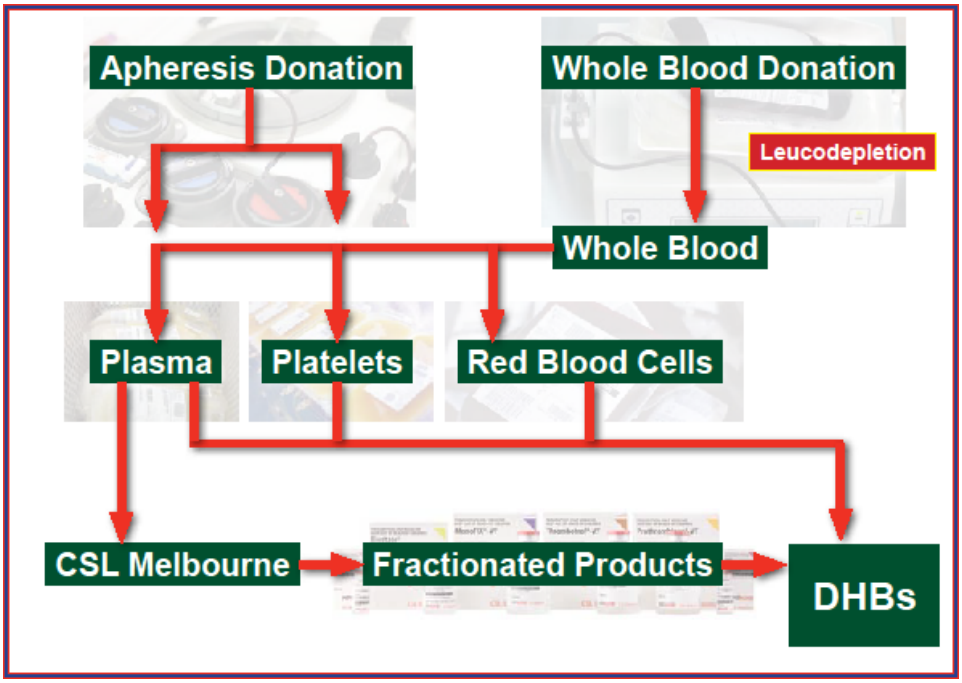

Figure 7: Flow of blood products to DHBs

Statutory Obligations and Minister of Health's Expectations

The core functions of NZBS are specified in section 55 of the New Zealand Public Health and Disability Act 2000 (NZPHD Act) and the Gazette Notices to that legislation.

The key function of NZBS identified in the establishment Gazette Notice is:

> *To manage the donation, collection, processing, and supply of blood, controlled human substances, and related or incidental matters, in accordance with its annual plan and any [Ministerial] directions given under section 65 [of the NZPHD Act].*

NZBS adheres to the fundamental principles contained in the New Zealand Health Strategy. In particular:

- NZBS provides blood and blood services to healthcare providers, thus contributing to the good health and well-being of all New Zealanders throughout their lives
- NZBS delivers timely and equitable access to blood and tissue products and related services to all New Zealanders regardless of ability to pay
- NZBS maintains a high level of public confidence
- NZBS involves consumers through liaison with hospitals and recipient groups
- The special relationship between Māori and the Crown under the Treaty of Waitangi is recognised through the NZBS Māori Responsiveness Strategy
- As a national entity NZBS seeks community involvement on key issues through consultative processes.

NZBS is committed to ongoing organisation awareness of, and where appropriate taking actions to contribute to:

- the New Zealand Health Strategy (December 2000)
- the New Zealand Disability Strategy (April 2001)

- recognition of the Government's requirements in regard to the Treaty of Waitangi

This SOI reflects the expectations of its owner, the Crown, as documented in the Minister of Health's 21 February 2011 Letter of Expectations. NZBS will work with the Ministry of Health to ensure that each expectation is appropriately progressed.

APPENDIX 2
Abridged Statement of Accounting Policies

Reporting Entity

The New Zealand Blood Service (NZBS) is an authorised entity pursuant to section 92H of the Health Act 1956, primarily responsible for the performance of functions in relation to blood and controlled human substances in New Zealand.

The entity (New Zealand Blood Service) is a Crown Entity in terms of the Crown Entities Act 2004, and a Statutory Corporation under the New Zealand Public Health & Disability Act 2000.

NZBS is a not for profit organisation and its primary objective is to support the New Zealand healthcare community through managing the collection, processing and supply of blood, controlled human substances and related services. Accordingly, NZBS has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis of preparation

The financial statements of NZBS have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the New Zealand Public Health & Disability Act 2000.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of NZBS is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Financial Performance.

Revenue

Revenue is measured at the fair value of consideration received. Revenue from the provision of products is recognised at the time the risk and effective ownership transfers. Revenue from the rendering of services is recognised as the services are provided. Interest income is recognised using the effective interest method.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that NZBS will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Inventories

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method. The valuation includes allowance for slow moving items. Obsolete inventories are written off.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The write down from cost to net realisable value is recognised in the Statement of Financial Performance.

Property, Plant and Equipment

Property, plant and equipment consists of operational assets which include plant and equipment, computer hardware, motor vehicles, furniture and fittings / office equipment and leasehold improvements.

Property, plant and equipment is shown at cost less accumulated depreciation and impairment losses. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible Assets - Software acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

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 period is recognised in the Statement of Financial Performance.

Equity

Equity is the Crown's interest in NZBS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Crown Equity
- Retained earnings
- Fair value and hedging reserves

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as 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 receivables or payables in the Statement of 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 cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Taxation

NZBS is a Statutory Corporation under the New Zealand Public Health & Disability Act 2000 and is exempt from income tax under section CB3 of the Income Tax Act 2007.

Budget Figures

The budget figures are those approved by the Board of NZBS at the beginning of the year as presented in the Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP and comply with NZ IFRS, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Cost allocation

Direct costs are those costs directly attributable to the collection and processing of blood products and delivering the associated services. Indirect costs are those costs which are not directly related to the production of its products or services.

Critical accounting estimates and assumptions

In preparing these financial statements NZBS has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no material estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities that need disclosing.

Note: The above accounting policies are abbreviated. A full set of accounting policies may be found in the 2009/10 New Zealand Blood Service Annual Report available on the NZBS website www.nzblood.co.nz.

GLOSSARY

TERM	DEFINITION
Accreditation Testing	Testing carried out on all blood donations involving two distinct processes: blood grouping and screening for infectious markers.
ANZTPA	Australian New Zealand Therapeutic Products Authority – a proposed joint agency with Australia to regulate therapeutic products (including blood) the development of which was put on hold in July 2007.
Apheresis	A procedure in which blood is temporarily withdrawn, one or more components are selectively removed, and the remainder of the blood is re-infused into the donor.
ASHI	American Society for Histocompatibility and Immunogenetics. This is an international society of professionals dedicated to advancing the science, education and application of immunogenetics and immunology.
ASHI accreditation	The ASHI accreditation program determines whether laboratory procedures meet documented ASHI standards and requirements.
Biostate	Biostate® is freeze dried, high purity, plasma-derived human Factor VIII concentrate, manufactured by CSL. Manufactured using a process that incorporates two specific viral inactivation steps (solvent detergent treatment and dry heat).
Blood	Consists of cellular components (red cells, white cells and platelets) suspended in plasma.
Blood group	Complex chemical substances found on or in the surface of red cells which distinguish each blood group. The two more important blood group systems in transfusion work are the ABO (blood types A, B O and AB) and Rh D (positive or negative) systems.
CCP	Contribution to Cost Pressures – the annual payment made by the Ministry of Health to DHBs to assist in off-setting the cost pressures of inflation, salary adjustments etc. Prior to 2009 this adjuster was known as the Future Funding Track (FFT).
Code of Good Manufacturing Practice	A set of standards that provide assurance that a manufacturer has a quality system in place that meets the requirements for the product being made.
CSL / CSL Biotherapies	CSL is a company that develops, manufactures and markets pharmaceutical products of biological origin. CSL Biotherapies is based in Australia and manufactures a range of products derived from fractionating human plasma.
Cross-match	A term used when testing the patient's serum against the donor's red cells.
DHB	District Health Boards are responsible for providing, or funding the provision of, health and disability services in their district.
Donor	A person who gives blood or tissues to be used in another person.
FACT Accreditation	The Foundation for the Accreditation of Cellular Therapy (FACT) is a voluntary professional programme involving setting of standards and accreditation of bone marrow transplant facilities. This encompasses collection, processing and clinical transplantation activities.
Factor VIII	Product used to treat certain types of haemophilia that can be either derived from blood plasma or produced synthetically using recombinant DNA technology.
Factor IX	Used to treat haemophilia B (Christmas disease) which is caused by a deficiency in blood clotting factor IX. Treatment product can be derived from

TERM	DEFINITION
	blood plasma or produced synthetically using recombinant DNA technology.
Fractionation	Fractionation involves separating substances (e.g. proteins in the case of plasma) by changing the conditions such as temperature or acidity.
GMP	Good Manufacturing Practice. A prerequisite of licensing.
Good Employer	As defined by the Human Rights Commission in the published guidance from the Equal Employment Opportunities Commissioner (June 2006).
Haemophilia	An hereditary deficiency of clotting factors in blood.
Haemovigilance	Organised surveillance procedures related to serious adverse or unexpected events or reactions in relation to any aspect of transfusion medicine.
Haematopoietic Stem Cells	Cells found in the bone marrow capable of the formation of all blood cell types.
HBL	Health Benefits Ltd – formally the Shared Service Establishment Board. Created to help reduce the cost of non-clinical support functions in health and to harness the benefits of bulk purchasing.
HBV	Hepatitis B is an infectious illness caused by hepatitis B virus (HBV) which infects the liver and causes an inflammation called hepatitis.
HCV	Hepatitis C is an infectious disease affecting the liver, caused by the hepatitis C virus (HCV). The infection is often asymptomatic, but once established, chronic infection can progress to scarring of the liver (fibrosis), advanced scarring (cirrhosis) or liver failure.
HIV	Human Immunodeficiency Virus – a virus that causes Acquired Immunodeficiency Syndrome (AIDs) in humans.
HWNZ	Health Workforce New Zealand - set up in 2009 to provide national leadership on the development of the country's health and disability workforce.
IANZ	International Accreditation New Zealand is the national authority for accreditation of testing and calibration laboratories, inspection bodies and radiology services. IANZ promotes the development and maintenance of good practice testing and inspection and maintains a registration scheme for organisations that comply with the practice.
Immunoglobulins	Proteins that combat infection.
IntragamP	An immunoglobulin product manufactured from plasma and used to boost the immune system of patients with immune deficiencies or in the treatment of a range of diseases where the immune system is compromised.
Intravenous	Within or administered into a vein.
IU (International Unit)	In pharmacology an International Unit (abbreviated to IU) is a unit of measurement for the amount of a substance producing a specified effect when tested according to an internationally accepted biological procedure. There is no equivalence among different substances.
MOH	Ministry of Health is the Government's principal advisor on health and disability policy.
MRS	NZBS' Māori Responsiveness Strategy developed in 2010 provides a framework and identifies areas where NZBS can progress its approach to produce benefits for Māori.
NHMG	National Haemophilia Management Group – established in 2007 to take overall responsibility for the management and oversight of the provision of services to people with haemophilia and allied disorders.
NHB	National Health Board - established in November 2009 to improve the quality, safety and sustainability of health care for New Zealanders.

TERM	DEFINITION
NZBS	New Zealand Blood Service.
NZ GAAP	New Zealand Generally Accepted Accounting Practices.
NZIFRS	New Zealand Equivalents to International Financial Reporting Standards.
Output Agreement	This Agreement is required pursuant to section 170 of the Crown Entities Act 2004 and assists the Minister and NZBS to clarify, align, and manage their respective expectations and responsibilities.
Plasma	Liquid portion of blood that contains proteins.
Plasmapheresis	A procedure where blood is temporarily withdrawn, plasma is selectively removed, and the remainder of the blood is re-infused into the donor.
Platelet Additive Solution (PAS)	PAS is a synthetic additive solution used as a substitute for plasma when storing platelet concentrates.
Recombinant product	Products produced by inserting a human gene into an organism (e.g. bacterium) that produces the required human protein (e.g. Factor VIII).
Self-sufficiency	A fundamental principle in the operation of NZBS, "self-sufficiency" involves collection and manufacturing to meet all blood product demand in New Zealand from blood and plasma collected solely in this country.
Serology	The science of measurement and characterisation of antibodies and other immunological substances in body fluids, particularly serum/plasma.
Serum	The clear, straw coloured fluid portion of the blood that remains after coagulation and removal of cellular blood components by centrifugation.
SSP	Forecast Statement of Service Performance.
TGA	Therapeutic Goods Administration - Australian regulatory body assessing and monitoring activities to ensure therapeutic goods are of acceptable standard.
Transfusion Related Acute Lung Injury (TRALI)	Transfusion Related Acute Lung Injury (TRALI) is a complication of blood transfusion characterised by the acute onset of pulmonary oedema (i.e. swelling and/or fluid accumulation in the lungs). This is now recognised to be one of the most frequent severe complications of transfusion.
Vein to Vein Blood Service	The responsibility for the full supply-chain of blood from blood donor selection and collection of blood through management and testing to final administration of blood products to patients.