

Review Period: Quarter 2 Monitoring Report: 1 October 2015 – 31 December 2015

Performance Measure	Target Set FY16	Historical Trend Line					Achieved FY 2015/16				
		FY11	FY12	FY13	FY14	FY15	Budget \$		Actual \$		
Provision of a safe and effective blood service for all New Zealanders through supply and delivery of: <ul style="list-style-type: none"> ▪ Fresh Blood Components ▪ Fractionated Blood Products ▪ Other Products and Related Services 	Revenue of \$112.30m Expenses of \$112.31m Deficit of -\$15k	\$102.3m	\$105.5m	\$104.9m	\$104.0m	\$109.0m	Q1	+\$2.469m	Q1	+\$0.91m	-\$1.56m
		\$93.0m	\$102.1m	\$107.0m	\$103.1m	\$104.3m	Q2	-\$0.521m	Q2	-\$482k	+\$39k
		\$9.3m	\$3.4m	-\$2.1m	\$0.9m	\$4.7m	Q3	-\$0.975m	Q3		
							Q4	-\$0.988m	Q4		
							FY15	-\$0.015k	FY15**	-\$1.35m	

Quarter 2: Operationally Quarter 2 was a strong quarter. Revenues of \$28.95m were 3.2% above budget (\$28.06m). Quarter 2 delivered an operational surplus of \$440k compared to a budgeted operational deficit of -\$485k – refer to the side table. This result was +\$926k favourable to budget due primarily to:

- 1) Inventory adjustments which were favourable in total at +\$865k being +\$388k favourable to budget. This \$388k positive variance to budget was a combination of favourable opening stock revaluation gain (+\$970k) offset by an unfavourable fractionation loss variance of -\$582k.
- 2) Higher production recoveries at \$15.10m being favourable to budget by +\$461k a reflection of manufacturing activity in the quarter noting the ongoing focus on increasing the volumes of source plasma collected for fractionated product requirements.

Product expiry remained elevated over the quarter (-\$260k adverse) however by quarter end whole blood collections were again normally aligned to just meeting fresh product requirements.

The reported result for the quarter was a **deficit of -\$482k** and while slightly improved on budget (+\$39k) was adversely impacted by higher non-operating charges totalling \$922k (*accrued premises rental* (-\$170k) and *unrealised forex fluctuations* arising from 'mark to market' requirements (-\$752k). This was \$887k adverse to budget – all due to forex fluctuations. Both these entries arise from accounting standards compliance requirements and are not considered directly operational. The **Financial Performance Worksheet** providing more comprehensive earnings detail is contained on page 9 of this report.

****Full Year Forecast:** The latest full year forecast indicates a small operational surplus of +\$66k offset, as for Quarter 2, by non-operating items totalling \$1.41m (*unrealised forex fluctuations* (-\$730k) and *accrued premises rental* (-\$683k). The forecast assumes no price rebate to the DHBS in the 2015/16 financial year.

Summary of December Quarter - Q2 - 2015/16 Financial Performance				
Heading	Actual	Budget	Variance	
(xx) = Unfavourable	\$000's	\$000's	\$000's	%
Gross Revenues	28,952	28,062	890	3.2%
Product Margin	8,533	8,460	74	0.9%
Total Expenditure within P&L	(23,525)	(23,663)	138	0.6%
Inventory Adjustments	865	476	388	81.5%
Production Recoveries	15,102	14,642	461	3.1%
Product Expiry	(859)	(598)	(260)	(43.5%)
Other Income & Interest Earned	301	308	(7)	2.2%
Foreign Exchange - Realised	23	(109)	132	-
Operational Earnings	440	(485)	926	(190.7%)
Non Operating Costs	(922)	(35)	(887)	-
Price Rebate to DHBS	-	-	-	-
Reported Surplus for Quarter	(482)	(521)	39	(7.5%)

Externally focussed Service Performance Measures relating to achievement of NZBS's two externally focussed strategic goals						
Performance Measures	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Actual	Actual	Actual	Actual	Target	Achieved YTD
1. External output measures related to Key Products and Services which contribute to achievement of NZBS Enduring Outcome and Strategic Goal 1						
1.1 Product and Service availability						
Key products and services are available at all times (24 x 7). Measure is instances when this is not achieved and which could potentially have a negative consequence for patients.	0	0	1 ¹	0	0	Q1: Achieved Q2: Achieved Q3: Q4:
<small>¹ There was 1 occasion in October 2012 when platelets of the right group were not supplied when requested and so were not available when required for a patient. The patient's clinical condition required that he be transferred to Auckland City Hospital for urgent neurosurgery and platelets were transfused in Auckland. The patient's clinician advised that the unavailability of platelets did not contribute to the clinical decision to transfer the patient nor did it cause any harm to the patient. Following surgery the patient made a good recovery and was transferred back to his DHB of domicile for on-going management.</small>						
2. External output measures related to Demand Management and the relationship with DHBs which contribute to achievement of Strategic Goal 4						
2.1 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. <u>NOTE:</u> Exact measure has changed over recent years.	ACHIEVED Based on Feedback received from Lead DHB CEO	ACHIEVED As per feedback received from the Lead DHB CEO stating; <i>"it would be my assertion that NZBS has met its Planning and Communications with DHB Objective."</i>	ACHIEVED As per feedback received from the Lead DHB CEO stating; <i>"NZBS has fully met the requirements of its 'Planning and Communications with DHBs' performance measure."</i>	ACHIEVED Feedback received from the Lead DHB CEO that stated: "I can confirm from a DHB point of view NZBS has fully met the requirements of its "Planning and Communications with DHBs" performance measure in the 2014/15 financial year".	TARGET Favourable feedback on the timely and relevant provision of information, including issue resolution as provided by the Lead DHB CEO over the course of the 2015/16 financial year.	Reported as a full year measure

Performance Measures	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Actual	Actual	Actual	Actual	Target	Achieved YTD
2.2 NZBS Reports for DHBs						
Monthly demand management reports outlining purchase volumes by key product line are provided to DHBs to assist them to manage local usage and costs.	ACHIEVED Monthly reports detailing product use and expiry information provided to all DHBs throughout 2011/12.	ACHIEVED Monthly reports detailing product use and expiry information provided to all DHBs throughout 2012/13.	ACHIEVED Reports are provided to each DHB by the 12th working day of the following month.	ACHIEVED All reports provided to each DHB within an average 4 working days over 2014/15.	TARGET Reports are provided to each DHB by the 12th working day of the following month.	Q1, Q2: All reports provided to each DHB within the stated timeframe.
2.3 Clinical Oversight Programme						
All Blood Banks located in main DHB hospitals (other than the 6 DHBs where NZBS is responsible for Blood Bank provision) will receive at least 1 NZBS Clinical Oversight visit (and audit report) per year in order to enable them to meet the requirements of ISO15189 for IANZ Accreditation.	ACHIEVED - 100%	NOT ACHIEVED – 96%	ACHIEVED - 100%	ACHIEVED - 100%	TARGET - 100%	Reported as a full year measure
2.4 Haemovigilance Reporting						
2.4.1 To promote risk awareness and best practice in transfusion, NZBS will publish an annual Haemovigilance report for each calendar year and will share this information with all DHBs to assist them to reduce the incidence of adverse transfusion related events.	ACHIEVED 2010 Haemovigilance Report distributed to DHBs in November 2011 and available on NZBS web-site.	ACHIEVED 2011 Haemovigilance Report distributed to all DHBs in December 2012 and available on NZBS web-site.	ACHIEVED 2012 Haemovigilance Report distributed to all DHBs in December 2013 and available on NZBS web-site.	ACHIEVED 2013 Haemovigilance report published in November 2014 and provided to all DHBs and is posted on NZBS website	TARGET Haemovigilance Report for the 2014 calendar year provided to all DHBs by Quarter 2.	ACHIEVED 2014 Haemovigilance report completed and released to DHBs in October 2015.
Haemovigilance - Patient safety (measured in calendar years)	2010	2011	2012	2013	2014 TARGET	2014
2.4.2 Number of transfusion related adverse events occurring as a result of an NZBS "system failure" reported to the National Haemovigilance Programme, with a severity score greater than 1 and imputability score classified as likely/probable or certain.	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	0	Reported as a full year measure

Internally focussed Service Performance Measures relating to achievement of NZBS's five internally focussed strategic goals						
These are considered "proxy output measures" in the context of NZBS activities and are key contributors to NZBS's success in achieving its enduring outcome and the external output measures identified in the Strategic Goals Section (Section 4) of the Statement of Intent						
Performance Measures	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Actual	Actual	Actual	Actual	Target	Achieved YTD
3. Internal measures related to Products and Service Quality which contribute to achievement of Strategic Goal 2						
3.1 Donation Testing						
Each donation will be tested prior to use in accordance with the NZBS Manufacturing Standards (as approved by Medsafe). <ul style="list-style-type: none">No product is released for issue to a patient until it has passed all safety tests and associated records are maintained.	100% tested	100% tested	100% tested	100% tested	100% tested	Q1: 100% tested Q2: 100% tested Q3: Q4:
3.2 Regulatory Compliance - Medsafe						
NZBS will ensure it maintains Medsafe licences for its 6 hub sites 100% of the time, to provide an assurance of GMP compliance.	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance	ACHIEVED Medsafe audit of 6 hub sites completed and 100% GMP compliance maintained
3.3 Regulatory Compliance – IANZ (International Accreditation New Zealand)						
NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories.	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation to be maintained	ACHIEVED IANZ audits completed – 100% accreditation maintained
3.4 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% ASHI accredited Biennial on-site audit completed	100% ASHI accreditation maintained	100% ASHI accredited Biennial on-site audit completed	100% ASHI accreditation maintained	100% ASHI accredited Biennial on-site audit to be conducted	ACHIEVED 100% ASHI accreditation maintained for Tissue Typing laboratory

Performance Measures	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Actual	Actual	Actual	Actual	Target	Achieved YTD
4. Internal measures related to Donors which contribute to achievement of Strategic Goal 3						
4.1 Donor Population						
NZBS maintains a donor population capable of meeting the on-going demand for blood and blood products. <ul style="list-style-type: none"> Active whole blood & apheresis donor panels. 	126,041	121,167	112,744	109,518	115,500	Q1: 109,268 Q2: 109,748 Q3: Q4:
4.2 Donor Satisfaction						
Measure of Overall Satisfaction with the Quality of Service using the Common Measurement Tool questionnaire. <ul style="list-style-type: none"> Greater than 90% of donors surveyed state that they are either "Satisfied" or "Very Satisfied" with the overall quality of service. 	NOT ACHIEVED 88.6%	NOT ACHIEVED 88.3%	NOT ACHIEVED 88.4%	NOT ACHIEVED 87.9%	Greater than 90%	Reported as a full year measure
4.3 Targeted donor recruitment strategies						
4.3.1 Increase percentage of Māori donors on the active donor panel from the level achieved in the prior year.	NOT ACHIEVED 6.6%	ACHIEVED 6.7%	ACHIEVED 7.7%	ACHIEVED 9.3%	Better than prior year	Q1: 9.53% Q2: 9.66% Q3: Q4:
4.3.2 Increase the percentage of youth donors between the ages of 19 – 25 years on the active donor panel from the 2012/13 level of 18.4% of all donors. ²	NOT ACHIEVED 18.2%	ACHIEVED 18.4%	ACHIEVED 18.8%	ACHIEVED 18.8%	Better than prior year	Q1: 18.44% Q2: 18.77% Q3: Q4:
² Attraction of youth donors assists in future proofing the service – encouraging new donors to replace those who are retiring.						

Performance Measures	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Actual	Actual	Actual	Actual	Forecast	Achieved YTD
4.4 Raw Material (Collections) Inputs						
4.4.1 Total Whole Blood donations.	144,820	133,255	120,858	120,099	116,350 Q1: 30,588 Q2: 29,136 Q3: 27,442 Q4: 29,184	Q1: 31,584 Q2: 29,680 Q3: Q4:
4.4.2 Total Plateletpheresis donations.	6,521	6,066	3,942	3,436	3,130 Q1: 825 Q2: 783 Q3: 736 Q4: 786	Q1: 812 Q2: 881 Q3: Q4:
4.4.3 Total Plasmapheresis donations.	30,481	30,206	32,514	41,438	48,095 Q1: 12,646 Q2: 12,041 Q3: 11,342 Q4: 12,066	Q1: 12,481 Q2: 13,167 Q3: Q4:
4.4.4 Total donations.	181,822	169,527	157,314	164,973	167,575 Q1: 44,059 Q2: 41,960 Q3: 39,520 Q4: 42,036	Q1: 44,877 Q2: 43,728 Q3: Q4:
<p>Comment: The current focus for NZBS is ensuring the ramp-up in plasmapheresis collections to the 2015/16 target level of some 50,000 collections (+20.7% increase over 2014/15 levels) occurs as quickly as possible utilising existing NZBS infrastructure. This 20% level of increase is required to sustain immunoglobulin product demand-driven fractionation volumes as well as starting the longer term objective of restoring the plasma stock buffer. The stock buffer acts as the key risk mitigation to the loss of a fractionation pool providing the ability to immediately undertake a second pooling in such circumstances.</p>						
5. Internal measures related to People which contribute to achievement of Strategic Goal 5						
5.1 Annual Employee turnover - Moving annual total basis for reporting.	9.7%	12.4%	10.4%	8.1%	12.0%	10.06%
5.2 Employee Engagement Index Score from biennial Staff Engagement Survey using the JRA and Associates Survey Tool.	No survey	No survey	68.5%	No survey Note: the referenced survey results were released in June 2014	No Survey	Reported as a full year measure

6. Internal measure related to Development which contributes to achievement of Strategic Goal 6

<p>6.1 Auckland Facility Project Successful completion of key project milestones in accordance with Board approved project plan</p>	<p align="center">New measure in 2015/16</p>	<p>Project Plan approved by Board and key milestones to 30 June 2016 achieved.</p>	<p align="center">Reported as a full year measure</p>
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7. Internal measures related to Financial Sustainability which contribute to achievement of Strategic Goal 7

<p>7.2 Financial Management – to better the budget setting 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).</p>	<p align="center">ACHIEVED</p> <p align="center">Actual surplus of \$3.4m No price rebate paid to DHBs</p>	<p align="center">ACHIEVED</p> <p align="center">Actual deficit of (\$2.1m) No price rebate paid to DHBs</p>	<p align="center">ACHIEVED</p> <p align="center">Actual surplus of \$0.86m Price rebate of \$2.0m paid to DHBs</p>	<p align="center">ACHIEVED</p> <p align="center">Actual surplus of \$4.7m Price rebate of \$3.55m paid to DHBs.</p>	<p align="center">Budget set as a Deficit of (\$15k) No price rebate planned to DHBs.</p>	<p>Q1: Surplus of \$912k Q2: Deficit of -\$482k Q3: Q4: <u>Current Full Year Forecast</u> Q1: Deficit of -\$1.35m</p>
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Specific Commentary Relating to the Quarter under Review

Headline Achievements / Activities in Quarter:

- Focus was maintained on growing the plasma donor panel, noting a 514 (+6.5%) increase in plasma donors in the quarter with the panel totalling 8,470 active plasma donors at quarter end.
- NZBS achieved a key milestone target of exceeding 1,000 plasmapheresis collections per week and has since maintained / exceeded that milestone as part of restoring the source plasma buffer stock held for fractionated product manufacturing at CSL Behring in Melbourne Australia.
- Following Medsafe approval and a successful Auckland pilot NZBS rolled out its 7 day platelet programme nationally on 15 December 2015. This significant change extends the shelf life for platelet components from 5 to 7 days and will, over time, lower platelet expiry levels for both NZBS and the DHBs.
- In November 2015 a second line immunoglobulin commercial product, Privigen was introduced by NZBS to underpin immunoglobulin supply demand which has over the last year has been running at elevated levels. The introduction of Privigen has been well signalled to all clinical prescribers along with a strict framework for its intended use.
- Medsafe and IANZ undertook their annual audits of NZBS processes and facilities in the quarter with no critical deficiencies reported. As well, the biennial ASHI audit of the tissue typing laboratory was undertaken with no deficiencies identified.
- Following a CSL Behring submission Medsafe approved the extension of product shelf life from 2 to 3 years for Normal Immunoglobulin, Hepatitis B and Zoster products. This change will assist in further minimising expiry costs for these smaller volume product lines.

Overall Commentary on Quarter's Performance:

NZBS has performed strongly over the first half of the financial year with an *Operational Earnings surplus of +\$2.23m* as compared to a budgeted surplus of \$2.06m. The forward operating environment remains challenging with an ever changing sector demand profile. Noting the full year financial performance target is not expected to be achieved, largely due to non-operating charges, NZBS considers it remains on track to meet the key 2015/16 targets set within the Annual Statement of Performance Expectations.