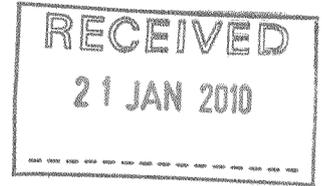


Office of Hon Tony Ryall

Minister of Health
Minister of State Services



16 JAN 2010

Mrs Anne Urlwin
Chair
New Zealand Blood Service
National Office
Private Bag 92-071
Victoria Street West
AUCKLAND 1142

Dear Mrs ~~Urlwin~~

Letter of Expectations 2010/11

I am writing to convey my expectations as the New Zealand Blood Service (NZBS) begins its planning for the development of the 2010/11 Statement of Intent. This letter complements the enduring letter of expectations the Minister of Finance and the Minister of State Services sent you on 22 December 2008.

The driving goal of the new Government is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders.

Budget 2010 and the fiscal outlook

As a result of the economic recession, the Government is facing fiscal deficits for a number of years to come. To help get its finances in order and government debt back to prudent levels, the Government is committed to an operating allowance for Budget 2010 of \$1.1 billion. This is substantially less than in recent years and is to remain at about this level for the foreseeable future.

The process for allocating this operating allowance differs considerably from previous years. Instead of Vote Ministers making bids against the operating allowance, the available portion of the operating allowance is being allocated to a small number of specific Votes early in the process and each Vote Minister is expected to meet their priorities and pressures by reprioritising within the total funding available to the Vote. You should plan on a very constrained budget for the next 3-5 years, in line with the limited funding increases allocated to your customers, the District Health Boards (DHBs).

In line with the fiscal context, I expect your board and entity to:

- have financial sustainability as a critical part of your strategy
- demonstrate a strong understanding of the business (eg, price, quantity and standards of services, cost drivers and how the board will manage them)
- set tight, realistic budgets and manage within those budgets
- keep fees and charges sustainably low
- have realistic pay and employment conditions, in line with the Government's *Expectations for Pay and Employment Conditions in the State Sector* [your Letter of Expectations for 2009/10 refers]. Please re-read these.
- continue to review how your entity's services can be delivered better and more cost effectively, including looking at opportunities to use technology or shared services agreements to lower costs and improve services, and implement changes to deliver on your findings.

Performance

I expect your entity to have an understandable strategy, which is direct about what can be achieved, is stated in simple language and can be reported against. I also expect you to lead the board in evaluating the board's performance and report back to me on any skills gaps or other issues.

Priorities for the NZBS

I acknowledge and congratulate NZBS on the improvement to its financial performance over the past two years and ongoing initiatives to increase efficiency. I note NZBS has managed to create surpluses in the past two financial years, and redistributed part of last year's surplus back to DHBs. I expect that NZBS will again redistribute any surpluses from the current year back to DHBs. Further, I expect NZBS to keep any fee increases in 2010/11 to an absolute minimum, as DHBs face a challenging budgeting process with constrained Crown revenue.

I expect you to maintain the 'no surprises' policy and to inform me well in advance of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest, whether positive or negative.

In undertaking your governance role, I also expect your entity to work constructively with my monitoring department, the Ministry of Health.

Building on the ongoing process of improvement begun in 2009/10, I expect to see clear evidence of how you intend to progress my expectations and the Government's priority areas in your Statement of Intent for 2010/11. Parliament and the public need to be assured that New Zealand's health sector investment is being managed effectively and efficiently.

I also continue to encourage you to provide meaningful performance information in your Statement of Intent. Through these measures, Parliament and the public can be assured that the NZBS is contributing to improving health outcomes.

I look forward to continuing to work with you over the coming months.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Ryall', with a long horizontal flourish extending to the right.

Hon Tony Ryall
Minister of Health

cc Fiona Ritsma, Chief Executive, NZBS