



Office of Hon Tony Ryall

Minister of Health
Minister of State Services

COPY

21 FEB 2011



Mrs Anne Urlwin
Chair
New Zealand Blood Service
National Office
Private Bag 92071
Auckland Mail Centre
AUCKLAND 1142

Dear Mrs Urlwin

Letter of Expectations 2011/12

I write to convey my expectations of the New Zealand Blood Service (NZBS) for the coming financial year, to assist in the development of NZBS's 2011/12 Statement of Intent. Please read this letter alongside the enduring letter of expectations that the Minister of Finance and the Minister of State Services sent on 22 December 2008.

The driving goal of the Government is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. The ongoing challenging fiscal environment reinforces the need for the different parts of the health system to work together. It is important that health and disability Crown entities think as part of the system and work in co-operation and co-ordination with the wider sector, including the Ministry of Health (the Ministry), National Health Board, District Health Boards, and other Crown entities as appropriate.

Budget 2011 and the fiscal outlook

Lower Government income coupled with the need to address an unsustainable expenditure growth path means that I expect the health sector to remain focused on cost management. The economic outlook has not changed and the Government is still facing fiscal deficits for a number of years to come. In order to move the country into surplus earlier, the operating allowance for Budget 2011 is likely to be significantly lower than last year's \$1.1 billion. Given this climate, in general I do not expect to receive any requests for additional funding from any Crown entity.

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
- have realistic pay and employment conditions, in line with the Government's refreshed *Expectations for Pay and Employment Conditions in the State Sector* (released by the State Services Commission on 1 June 2010)
- be aware of increased public scrutiny of agencies' expenditure, particularly around international travel, conference expenditure, entertainment and staff expenses
- continue to review how your entity's services can be delivered better and more cost effectively. Services need to represent good value-for-money and be delivered in a timely manner. I encourage you to explore options for working with other Crown entities where possible (eg, sharing premises), as well as looking at opportunities to use technology or shared services agreements to lower costs and improve services.

Strategic direction and board performance

I expect the board to develop a strong strategic direction for NZBS in line with NZBS's statutory objectives and functions, and embody this in NZBS's Statement of Intent. The Statement of Intent must be understandable, direct about what can be achieved, stated in simple language and be capable of being reported against. Through this meaningful performance information, Parliament and the public can be assured that NZBS is contributing to improving health outcomes.

I also expect you to lead the board in evaluating the board's performance, both individual members' contributions and as a whole, and report back to me on any identified skills gaps or other issues which may arise through this process.

Priorities for NZBS

In addition to the general expectations which I have referred to, I have certain expectations which relate specifically to NZBS. In developing its Statement of Intent, I expect that NZBS will respond to the following specific expectations and areas of focus.

- Fee increases in 2011/12 (if any) be kept to an absolute minimum.
- End the financial year at breakeven rather than planning for surpluses and then rebating the DHBs in the next financial year, as has occurred in the past two years.

I expect NZBS to maintain the 'no surprises' policy, which is a critical component of ensuring Ministerial trust and confidence in your Crown entity. To this end, I require early warning of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest, whether positive or

negative. The Ministry, as your monitoring department, should also be informed. Open and effective communication between the board, the Ministry and me is vital to building strong relationships, while maintaining clear lines of accountability.

I recently received a copy of NZBS's audit letter for 2009/10. The Office of the Auditor-General has indicated that you may further improve your grading by including quality aspects of NZBS's service delivery, and include historical with current performance data to provide context in your Statement of Intent and following Annual Report. I ask that you please give these recommendations all due priority in your business improvement work.

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

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 Ms Fiona Ritsma, Chief Executive, NZBS