



# Office of Hon Tony Ryall

Minister of Health  
Minister of State Services

21 MAR 2012

Mr David Chamberlain  
Chair  
New Zealand Blood Service  
National Office  
Private Bag 92071  
Auckland Mail Centre  
AUCKLAND 1142

Dear Mr Chamberlain

## Letter of Expectations 2012/13

I write to convey my expectations for the New Zealand Blood Service (NZBS) for 2012/13, to assist with the development of your upcoming Statement of Intent.

### *Fiscal environment*

The Government has signalled new operating allowances of no more than \$800 million in 2012/13 and 2013/14. As in recent years, and as New Zealanders rightly expect, any additional funding received by Vote Health will be principally channelled towards providing more front-line services.

The need for prudent financial management by Crown entities therefore remains critical. Boards are obliged to ensure that their entities operate in a financially responsible manner. As indicated in the Enduring Letter of Expectations<sup>1</sup>, Ministers also expect boards to keep their organisation's expenditure under review, to identify particular expenditure or programmes that are not effective or providing good value for money, and to act on those findings.

### *Integration in the sector*

Now more than ever, an effective, integrated and innovative sector is vital to help New Zealanders live longer, healthier and more independent lives. Faster progress towards integration across the sector is one of my key priorities for the coming year.

District Health Boards (DHBs) have been asked to focus more strongly on service integration, particularly with primary health organisations and between primary, secondary and tertiary service providers. The scope of activity will be broadened and the pace significantly stepped up. DHBs' plans are expected to show how integration

---

<sup>1</sup> <http://www.ssc.govt.nz/sites/all/files/Enduring-Letter-of-Expectations-Dec08.PDF>

between community and hospital services will be used to drive delivery and improve performance in three priority areas: unplanned and urgent care, long-term conditions, and wrap around services for older people.

Many Crown entities also play important or supportive roles with respect to DHBs and these priority areas. I expect you to consider how your own organisation can assist DHBs and your fellow health Crown entities to achieve their goals, and the wider goals of the Government. Exploring better ways of working together can identify opportunities that will allow you to deliver on your objectives and functions more effectively and efficiently.

### *Specific priorities for NZBS*

Along with the general expectations set out above, I have several expectations which relate directly to the NZBS. In delivering on your statutory objectives and functions, I expect that you will respond to the following further specific expectations and areas of focus.

- DHBs must be able to allocate all available funds to advance health priorities in a timely way. I therefore continue to expect the NZBS to end the financial year at a break-even position.
- Alongside this, NZBS also needs to actively consider its 2012/13 prices for DHBs – bearing in mind the ‘contribution to cost pressures’ DHBs will receive for 2012/13 – with a view to keeping any price increases for the coming year to an absolute minimum.
- Continuing your work in partnering with DHBs to promote the wise use of blood products – thus reducing wastage and cost to the sector – should also feature in your work programme for 2012/13.

I recently received a copy of the NZBS’s audit letter for 2010/11. The Office of the Auditor-General has recommended that you improve the number of people having access to the People Connect system, make improvements to how NZBS reports the different elements of performance in the Statement of Intent, and create an impact measure around adverse health impacts from blood products. I expect you to give these recommendations all due priority as you look to improve your organisation’s performance over the coming year.

I have also received a copy of the Auditor-General's recent performance audit, *New Zealand Blood Service: Managing the safety and supply of blood product*. I was very pleased to read that the NZBS was a high performing organisation that effectively supplied safe blood and blood products to patients in our health system, and I commend you on the report’s findings.

As a sector, I am pleased with the progress that has been made over the past three years. As always, there is more that we can achieve. I look forward to continuing to work with you and the NZBS over the coming year to achieve our goals.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Ryall', written in a cursive style.

Hon Tony Ryall  
**Minister of Health**

cc Ms Fiona Ritsma, Chief Executive, NZBS

## APPENDIX: Additional expectations for all health Crown entities

In their 2012/13 Statements of Intent, Crown entities will need to demonstrate their commitment to:

- **clear priorities:** focusing on the things that matter to New Zealanders (ie, customer-focused services)
- **high quality services:** ensuring that services are modern, responsive, business like, and provide good value for money
- **reducing waste:** ensuring that government administration is as efficient, streamlined, and well organised as it can be.

Entities' commitment to the above is likely to be evidenced through:

- setting tight, realistic budgets and managing carefully within those budgets, and by having financial sustainability as a critical part of the entity's strategy
- demonstrating a strong understanding of the entity's business (eg, price, quantity and standards of services, and cost drivers and how the board will manage them)
- an awareness of increased public scrutiny of agencies' expenditure, particularly around international travel, conference expenditure, entertainment and hospitality, and staff expenses
- having realistic pay and employment conditions, in line with the Government's refreshed Expectations for Pay and Employment Conditions in the State Sector, dated May 2010<sup>2</sup>
- continuing to review how services can be delivered better and more cost effectively. Services need to be effective, represent good value for money and be delivered in a timely manner.

The key role of the board is to develop a strong strategic direction for the organisation, and to embody this in the Statement of Intent. The whole board must be actively involved in this process. As always, the Statement of Intent must clearly state what will be achieved, with meaningful performance measures alongside this, and be capable of being reported against. It must also appropriately reflect and give effect to the expectations set out in the covering letter and this appendix.

The board must also assure itself that it has the appropriate executive and/or clinical leadership in place needed to deliver the Government's objectives. The performance of Chief Executives must be monitored against these expectations and reflected in the Chief Executive's annual performance agreement.

A demonstrated commitment to good practice governance principles is also required. These include the Chair leading the board in evaluating its own performance (as well as assessing the performance of individual members), and to report back to the Minister and the Ministry on any identified skill gaps or other issues which may arise through this process.

---

<sup>2</sup> <http://www.ssc.govt.nz/sites/all/files/2010-Govt-Expectations-June2010.PDF>

It is also important to maintain robust processes around the declaration of interests and the management of any conflicts which may arise. Maintaining integrity and trust in our public services is essential, and effective processes for declaring and managing interests and conflicts contribute significantly to this.

Crown entities are also expected to maintain the 'no surprises' policy, which continues to be a vital part of ensuring ongoing Ministerial trust and confidence. To this end, 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, is required. Crown entities are also expected to work constructively with the Ministry of Health in this respect, and to keep the Ministry apprised of any potentially contentious events or issues. Open and effective communication between the board, the Ministry and the Minister (and Associate Ministers, as appropriate) is essential to ensuring productive working relationships, while maintaining clear lines of accountability.