

Review Period: Quarter 2 Monitoring Report: 1 October 2018 – 31 December 2018

Performance Measure	Target Set FY19	Historical Trend Line					Achieved FY 2018/19				
		FY14	FY15	FY16	FY17	FY18	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 \$127.40m Expenses of \$128.83m Deficit of -\$1.43m	\$104.0m	\$109.0m	\$115.6m	\$114.43m	\$121.62	Q1	\$161k	Q1	\$1,549k	+\$1,388k
		\$103.1m	\$104.3m	\$117.9m	\$114.50m	\$122.19	Q2	\$702k	Q2	(\$281k)	(\$982k)
		\$0.9m	\$4.7m	(\$2.3m)	(\$0.07m)	(\$0.57m)	Q3	(\$252k)	Q3		
							Q4	(\$2,037k)	Q4		
							FY19	(\$1,426k)	FY19**	(\$2,364)	(\$938k)

Quarter 2: Revenue for quarter 2 continued the demand momentum seen in Quarter 1 with revenue of \$32.72m being 3.0% above budget and 7.3% up on last year's revenue level. The December quarter's operational earnings saw a surplus of \$1.09m compared with an operational budget of \$715k. However the overall reported result was of a deficit of **-\$281k**, that figure heavily impacted unfavourably by 'non-operating' expenditures of **-\$1.37m** of which the major contributor was unfavourable unrealised exchange gains – see side table for detail.

The quarter's performance represented a good operational performance with points of note influencing the result noted as:

- Gross margin at \$10.09m was favourable to budget by 5.7% (\$541k) achieved off higher than budget revenues (+3.0%) and a favourable product mix.
- Inventory adjustments were favourable in the quarter at \$927k which incorporated one toll fractionation manufacturing run in November 2018,
- Production recoveries at \$16.36m were strong for the quarter being 5.2% above the budgeted position a reflection of the current demand profile for NZBS products.
- General expenditure in the quarter was held under budget and totalled \$25.69m which was 0.53% favourable to budget.
- The foreign exchange position at quarter's end saw an unfavourable movement in the 'mark to market' position of forward currency contracts held of **-\$1.23m** which reflected the unexpected strengthening of the NZD against the Australian dollar late in quarter 2.

**** Forecast Full Year Result:** The latest forecast for the 2018/19 financial year is for a **deficit of -\$2.36m** which compares to a budgeted **deficit of -\$1.43m**. This forecast is based on current market indications (volume growth of 1.94%) and incorporates an updated production plan that has seen a required lift in fractionated volumes to ensure immunoglobulin stocks are held at safe levels for surety of supply. This deterioration in financial outlook is due primarily to this manufacturing volume shift and the ensuing full year unfavourable inventory adjustments of \$776k that arises. This represents an unfavourable inventory adjustment shift of **-\$860k** over the prior full year forecast.

Summary of December Quarter - Q2 - 2018/19 Financial Performance					Full Year
Heading	Actual	Budget	Variance		Forecast
(xx) = Unfavourable	\$000s	\$000s	\$000s	%	\$000s
Gross Revenues	32,720	31,774	947	3.0%	128,484
Product Margin	10,092	9,551	541	5.7%	39,332
Total Expenditure within P&L	(25,758)	(25,903)	144	0.6%	(102,934)
Inventory Adjustments	927	1,756	(829)	(47.2%)	(776)
Production Recoveries	16,355	15,558	796	5.1%	64,309
Product Expiry	(690)	(570)	(120)	(21.0%)	(2,239)
Other Income & Interest Earned	67	119	(52)	43.9%	785
Foreign Exchange - Realised	97	203	(106)	-	25
Operational Earnings	1,090	715	375	52.5%	(1,498)
<i>Non Operating Costs</i>					
- Premises Rental Accrued	(140)	(140)	(0)	(0.0%)	(560)
- Redvelopment Expenses	-	-	-	-	(125)
- Unrealised Forex Movement	(1,231)	126	(1,358)	1074.0%	(181)
Reported Surplus for Quarter	(281)	701	(982)	(140.1%)	(2,364)

Quarter 3:

Quarter 4:

Quarter 1: Revenue for quarter 1 saw a solid start to the financial year with revenue of \$33.29m being 3.0% above budget and 7.7% up on last year's revenue level. The September quarter's operational earnings saw a surplus of \$1.79m compared with an operational budget of \$7k. The overall reported result was of a slightly smaller surplus of \$1.55m that figure impacted unfavourably by 'non-operating' expenditures of -\$237k – see side table for detail.

The quarter's performance represented a good operational performance with points of note influencing the result noted as:

- Gross margin at \$10.22m was favourable to budget by 5.0% (\$488k) achieved off higher than budget revenues (+3.0%) and a favourable product mix.
- Inventory adjustments were favourable in the quarter at \$157k which incorporated two toll fractionation manufacturing runs in July and September,
- Production recoveries at \$16.25m for the quarter were adverse to budget by **-\$20k** a reflection of the actual production mix as compared to budgeted mix assumptions,
- General expenditure in the quarter was well contained and totalled \$24.90m which was 4.3% favourable to budget (+\$1.11m) and was a strong contributor to the reported result.
- The foreign exchange position at quarter's end saw an unfavourable movement in the 'mark to market' position of forward currency contracts held of **-\$97k** which was **\$390k** unfavourable to budget.

**** Forecast Full Year Result:** The initial forecast for the 2018/19 financial year is for a **deficit of -\$1.38m** which compares to a **budgeted deficit of -\$1.43m**. This forecast is based on the expectation of NZBS operating at a similar level of activity to quarter 1 over the balance of the 2018/19 financial year. This outlook of a modest underlying demand growth (+1.66%) greatly assists NZBS in ensuring it can deliver within budget expectations and at the same time maintain the expected quality and service standards expected of NZBS by the sector.

Summary of June Quarter - Q1 - 2018/19 Financial Performance					Full Year
Heading	Actual	Budget	Variance		Forecast
(xx) = Unfavourable	\$000's	\$000's	\$000's	%	\$000's
Gross Revenues	33,290	32,323	966	3.0%	128,040
Product Margin	10,215	9,727	488	5.0%	39,425
Total Expenditure within P&L	(24,897)	(26,004)	1,107	4.3%	(101,928)
Inventory Adjustments	157	(60)	217	(362.2%)	84
Production Recoveries	16,254	16,274	(20)	(0.1%)	63,064
Product Expiry	(519)	(570)	51	9.0%	(2,078)
Other Income & Interest Earned	449	424	25	(5.9%)	740
Foreign Ex change - Realised	126	216	(90)	-	371
Operational Earnings	1,786	7	1,779	24936.3%	(322)
<i>Non Operating Costs</i>					
- Premises Rental Accrued	(140)	(140)	0	0.0%	(560)
- Redevelopment Expenses	-	-	-	-	(125)
- Unrealised Forex Movement	(97)	294	(390)	132.9%	(368)
Reported Surplus for Quarter	1,549	161	1,388	864.1%	(1,375)

Externally focussed Service Performance Measures relating to achievement of NZBS's two externally focussed strategic goals						
Performance Measures	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	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	0	0	0	Q1: Achieved Q2: Achieved Q3: Q4:
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 Feedback received from the Lead DHB CEO 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".	ACHIEVED Lead DHB CEO confirmed an open communication process with DHBs over price setting and utilisation patterns to inform the new financial year. To quote: "I believe you have developed an open partnership with me which will hopefully see a greater strategic partnership developed".	ACHIEVED NZBS assesses its communication obligations to the DHBs and relationship management were met over the course of the 2016/17 financial year However the Lead CEO changed twice during the year with an extended period of no Lead CEO. In these circumstances formal feedback could not realistically be expected.	ACHIEVED NZBS has received the following feedback from the Lead DHB CEO on meeting this target. NZBS has engaged in a positive and proactive relationship with the DHBs throughout the year, via the nominated lead DHB CEO. NZBS via its CEO has remained accessible, available and attentive to the challenges faced by both NZBS and the DHBs. The pricing discussion was well researched and informed leading to a mutually acceptable outcome for both parties.	TARGET NZBS to receive favourable feedback from the Lead DHB CEO on maintaining a greater strategic partnership and the timely and relevant provision of information, including any issue resolution over the course of the 2018/19 financial year.	FULL YEAR MEASURE

Performance Measures	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	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 All reports provided to each DHB within an average 4 working days over 2014/15.	ACHIEVED All reports provided to each DHB within an average 4 working days over 2015/16.	ACHIEVED All reports provided to each DHB within an average the stated timeframe over 2016/17.	SUBSTANTIALLY ACHIEVED * Monthly reports detailing product use & expiry information were provided with 1 exception, within set timeframes to all 20 DHBs throughout 2017/18	TARGET Reports are provided to each DHB by the 10th working day of the following month.	Q1: Achieved Q2: Achieved Q3: Q4:
* The September 2017 reports were delayed due to problems with extracting data following the implementation of eTraceline the new national blood banking management system. Over the 2017/18 financial year the average despatch time was 5 working days.						
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%	ACHIEVED 100%	ACHIEVED 100%	ACHIEVED 100%	TARGET - 100% To achieve a minimum one clinical oversight visit and report per year to all non NZBS managed blood banks located in main DHB hospitals.	FULL YEAR MEASURE
2.4 Haemovigilance Reporting (measured in calendar years)	2013	2014	2015	2016	2017 TARGET	2017
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 2013 Annual Haemovigilance Report distributed to all DHBs in December 2014 and available on the NZBS web-site.	ACHIEVED 2014 Annual Haemovigilance Report distributed to all DHBs in October 2015 and available on the NZBS web-site.	ACHIEVED 2015 Annual Haemovigilance Report distributed to all DHBs in October 2016 and available on the NZBS web-site.	ACHIEVED 2016 Annual Haemovigilance Report distributed to all DHBs in October 2017 and available on the NZBS web-site.	TARGET 2017 Annual Haemovigilance Report published and distributed to all DHBs by Quarter 2 of 2018.	ACHIEVED The 2017 National Haemovigilance Report was published in the December 2018 quarter
Haemovigilance - Patient safety (measured in calendar years)	2013	2014	2015	2016	2017 TARGET	2017
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	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	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	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. 	ACHIEVED 100% tested	ACHIEVED 100% tested	ACHIEVED 100% tested	ACHIEVED 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.	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	To maintain 100% GMP Licensing Compliance	Q1: Maintained Q2: Maintained Q3: Q4:
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.	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	100% IANZ accredited	Q1: Maintained Q2: Maintained Q3: Q4:
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.	MAINTAINED 100% ASHI accreditation maintained	MAINTAINED 100% ASHI accredited maintained via biennial on-site audit for Tissue Typing laboratory	MAINTAINED 100% ASHI accreditation maintained	MAINTAINED 100% ASHI accredited Biennial on-site audit completed	100% ASHI accredited	Q1: Maintained Q2: Maintained Q3: Q4:

Performance Measures	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	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.	These reported donor numbers represent the donor population required to meet demand noting that within any given financial year there is constant flexing to ensure demand alignment that in turn minimises expiry.					Q1: 107,495 Q2: 108,141 Q3:
<ul style="list-style-type: none"> Active whole blood & apheresis donor panels. 	109,518	110,746	109,781	107,210	106,000	Q4:
Comment: The donor population, split between Whole Blood, Plasmapheresis and Plateletpheresis donor panels are managed to meet the forecast demand profile and forecast fractionated product source plasma requirements.						
4.2 Donor Satisfaction (Old Measure)						
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 88.4%	NOT ACHIEVED 87.9%	DISCONTINUED MEASURE (See new Measure below)			
4.2 Donor Satisfaction (new measure)					Target	Achieved YTD
Measure of overall satisfaction with the quality of service <ul style="list-style-type: none"> 90% of donors give an 8 or higher score out of 10 of their experience/satisfaction with the service. 	NEW MEASURE IN 2016/17 FINANCIAL YEAR		ACHIEVED 91.35%	ACHIEVED 92.78%	Greater than 90% satisfaction with the service	FULL YEAR MEASURE
Note: This is a new measure developed by NZBS that is better suited to blood donation and related activities. The reported results are ascertained by internal donor surveys conducted 6 monthly over the financial year. The first survey using this new measure was conducted in June 2017. The survey results will be benchmarked for comparative purposes against the Australian Red Cross Blood Service who have developed and use a similar performance monitoring approach.						

Performance Measures	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	Actual	Actual	Actual	Actual	Target	Achieved YTD
4.3 Targeted donor recruitment strategies (old measure)						
4.3.1 Increase percentage of Māori donors on the active donor panel from the level achieved in the prior year.	ACHIEVED 9.3%	ACHIEVED 9.8%	NOT ACHIEVED 9.55%	DISCONTINUED MEASURE		
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 18.8%	NOT ACHIEVED 18.8%	NOT ACHIEVED 17.54%	DISCONTINUED MEASURE		
² Attraction of youth donors assists in future proofing the service – encouraging new donors to replace those who are retiring.						
Comment: Donor population movement impacts these key performance indicators and for that reason new measures will apply in 2017/18 that set real targets for performance not a shifting % of the donor panel always dependent on demand profile.						
4.3 Targeted donor recruitment strategies (New Measure)	Actual	Actual	Actual	Actual	Target	Achieved YTD
4.3.1 Recruit 2,900 new and reinstated Maori donors to the active donor panel (each year measure)	NEW MEASURE IN 2017/18 FINANCIAL YEAR			NOT ACHIEVED 2,731 (94%)	2,900	FULL YEAR MEASURE
4.3.2 Recruit 11,000 new and reinstated youth donors between the ages of 16 – 25 on the active donor panel – attracting youth donors assists in future proofing the service by encouraging new donors to replace those retiring.	NEW MEASURE IN 2017/18 FINANCIAL YEAR			NOT ACHIEVED 10,211 (93%)	11,000	FULL YEAR MEASURE
NOTE: For clarity, the definition of a new donor is a donor who has made a valid donation for the very first time in New Zealand. The definition of a reinstated donor is a person who has made at least two donations of which one blood donation was made within the last 12 months and the interval between that donation and the prior donation is more than 24 months excluding autologous and therapeutic donations. The first year reporting of these new KPIs fell just short of target. For the Maori donor target there was no discernible reason other than acknowledging the need to maintain in future a specific campaign focus throughout the year acknowledging the main focus in 2017/18 had been on plasma collection to secure the required quantities of source plasma for fractionation. For the youth target there were fewer actual collections days than had been planned due to pressure on the availability of rooms at the universities. Similarly a number of schools rescheduled their originally planned days to later in the financial year adversely impacting the original planned collection timetable.						

Performance Measures	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	Actual	Actual	Actual	Actual	Forecast	Achieved YTD
4.4 Raw Material (Collections) Inputs						
4.4.1 Total Whole Blood donations.	120,099	119,967	111,146	111,588	109,300 Q1: 28,553 Q2: 27,140 Q3: 26,394 Q4: 27,213	Q1: 28,175 Q2: 28,518 Q3: Q4:
4.4.2 Total Plateletpheresis donations.	3,436	3,145	2,852	2,637	2,700 Q1: 704 Q2: 670 Q3: 650 Q4: 776	Q1: 663 Q2: 688 Q3: Q4:
4.4.3 Total Plasmapheresis donations.	41,438	52,026	53,081	58,441	61,100 Q1: 15,961 Q2: 15,162 Q3: 14,774 Q4: 15,203	Q1: 13,664 Q2: 16,515 Q3: Q4:
4.4.4 Total donations.	164,973	175,138	167,079	172,666	173,100 Q1: 45,218 Q2: 42,972 Q3: 41,818 Q4: 43,092	Q1: 42,502 Q2: 45,721 Q3: Q4:
Comment: The level of donations reflect the demand profile noting the ongoing decline in red cell demand (sourced from whole blood) and the continuing focus on plasmapheresis collection to meet source plasma requirements for fractionated product manufacturing.						

5. Internal measures related to People which contribute to achievement of Strategic Goal 5						
Performance Measures	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
	Actual	Actual	Actual	Actual	Target	Achieved YTD
5.1 Annual Employee turnover - Moving annual total basis for reporting.	8.1%	9.9%	10.6%	12.5%	12.0%	Q1: 12.94% Q2: 13.83% Q3: Q4:
5.2 Employee Engagement Index Score undertaken as part of the broader Culture and Engagement survey.	No survey Note: the referenced survey results were released in June 2014	No survey	ACHIEVED 71.4% The survey was conducted in October 2016	No survey	Better than the last survey	FULL YEAR MEASURE
6. Internal measure related to Development which contributes to achievement of Strategic Goal 6						
6.1 Auckland Facility Project – 71 Great South Road Auckland Successful completion of key project milestones in accordance with Board approved project plan.	New measure in 2015/16	DEFERRED Project deferred to enable certain work to be completed such work having the potential to materially impact on the nature and scope of the planned project	No measure as the project was deferred in the 2015/16 financial year pending further redevelopment planning work.	ACHIEVED A comprehensive Redevelopment Scoping paper was presented to the May 2018 Board meeting. The Board approved the redevelopment subject to Ministry of Health sanction.	Key Milestones achieved by 30 June 2019 in accordance with the approved redevelopment Plan for 71 Great South Road.	FULL YEAR MEASURE
7. Internal measures related to Financial Sustainability which contribute to achievement of Strategic Goal 7					Target	Achieved YTD
7.1 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).	ACHIEVED Actual surplus of \$4.7m on revenues of \$109.0m. Price rebate of \$3.55m paid to DHBs.	NOT ACHIEVED Actual Deficit of (\$2.34m) on revenues of \$115.6m. No DHB price rebate paid to DHBs.	ACHIEVED Actual Deficit of (\$73K) on revenues of \$114.4m. No DHB price rebate paid to DHBs.	ACHIEVED Actual Deficit of (\$567K) on revenue of \$121.62m. No DHB price rebate paid to DHBs.	Achievement of Budget set as a Deficit of (\$1.426m) on revenues of \$127.4m. No price rebate planned to DHBs.	Q1: \$1,549k Q2: (\$281k) YTD \$1,268k Q3: YTD Q4: FY

Specific Commentary Relating to the Quarter under Review

Headline Achievements / Activities in December 2018 Quarter:

- The 2017 National Haemovigilance Programme annual report was published in November 2018. The report's audience is the health sector's clinicians and related personnel involved with transfusion medicine. The 87 page report was the 13th such report with the national programme established in 2005. The NZBS National Haemovigilance Office receives reports from Blood Bank Scientists and Transfusion Nurse Specialists from hospitals within New Zealand. The reports received are reviewed by a team comprising a number of Transfusion Medicine Specialists and an experienced scientist. The reporting includes a severity scale, an imputability scale and definitions of transfusion-related adverse events based upon those agreed by the International Society of Blood Transfusion Working Party on Haemovigilance.
- During the quarter the KPMG cyber-security assessment report was peer reviewed concluding the overall assessment gave little credit for the current security state being far in advance of most organisations. The peer review concluded that while there is always ongoing work to do NZBS can be pleased with the outcome of the security review and the degree to which NZBS systems are currently protected.
- With the Whangarei Blood Bank unsuccessful in regaining their accreditation NZBS has maintained its support of the Blood Bank with NZBS planning to provide staffing assistance to the Blood Bank over the Christmas, January holiday period. Additional support services are also being provided from the Auckland facilities of NZBS.
- A recent FACT (Foundation for Accreditation of Cellular Therapy) inspection in Christchurch raised an audit point against ADHB and CDHB because ISBT128, the global standard for identification, coding and labelling of medical products of human origin had not been implemented in NZBS facilities which support the DHBs cellular therapy programme. This matter is a sector issue with FACT accreditation underpinning NZ's participation in international clinical trials. NZBS is now developing a provisional plan working with ADHB and CDHB that would meet FACT requirements. This will be a major project that will require a full business case with the expected capital cost in the \$3.0m to \$4.0m range.
- Three new Board members, Ray Lind, Jackie Blue and Paula Martin joined the Board in November 2018.
- The Redevelopment planning for the Auckland facility at 71 Great South Road continued apace over the quarter with the contract for Stage 1 – National Office fit out executed. Construction activity is progressing smoothly to timetable enabling National Office to relocate to #71 on 11 March 2019. The contract for Stage 1A – Atrium and Cafeteria was also executed in the quarter with construction planned to start early March 2019. Planning and design work for the other stages has progressed well in the quarter with stage 2 ready for tendering once the requested Ministerial approval of the redevelopment's financing arrangements has been received.
- A new Chief Medical Officer was successfully recruited in the quarter following what was a complex and challenging recruitment process involving the complexities of overseas placement and working with the NZ Medical Council as regards medical registration matters.
- Other major projects continued to be progressed in the quarter. The extension and refurbishment of the Auckland City Hospital blood bank was successfully completed and commissioned for use. The rolling implementation of the RATA project being an electronic time and attendance system (Humanforce software) continued its roll out across NZBS operations as planned.

Overall Commentary on Quarter 2 Performance and Full Year Outlook:

NZBS continues to see solid demand across both blood products and services and expects this will likely continue over the balance of the 2018/19 financial year. Despite the deterioration in full year financial outlook the underlying operations are performing satisfactorily. In addition a number of major projects are either in the execution phase (Redevelopment of #71 GSR) or planning phase (ISBT128 Labelling). All of these initiatives are aimed at ensuring NZBS continues to be well positioned to meet the future needs of the NZ health sector. In addition to generally good progress on the range of planned initiatives in the current financial year NZBS considers it is on track to meet its operational targets as set out in the *2018/19 Annual Statement of Performance* acknowledging the current financial outlook is adverse to budget in part due to financial market outcomes outside of NZBS control.

FINANCIAL PERFORMANCE WORKSHEETS with FTE Numbers – Quarter 2 - 3 Months to 31 December 2018

Ministry of Health Template - Financial Performance Information							Current Full Year Forecast		
Heading	December 2018 Quarter			Actual 2018/19 YTD Result			Current Forecast	Full Year Budget	Var. to Budget
	Actual	Budget	Var.	Actual	Budget	Var.			
Revenue									
Blood Products	26,405	25,929	476	52,958	51,943	1,015	102,971	103,121	(150)
Services	6,248	5,726	523	12,536	11,611	925	24,445	23,110	1,335
Other Income	(3)	42	(45)	378	389	(11)	785	858	(73)
Interest Income	70	77	(7)	138	154	(16)	283	308	(25)
Total revenue	32,720	31,774	947	66,010	64,097	1,913	128,484	127,397	1,087
Expenditure									
Cost of Goods Sold	22,561	22,103	458	45,187	44,276	911	88,084	87,900	184
Production & Service Costs	12,828	12,628	200	25,212	25,383	(171)	50,869	49,702	1,167
Inventory Adjustments	(927)	(1,756)	829	(1,085)	(1,696)	611	776	(1,437)	2,213
Production Recoveries	(16,355)	(15,558)	(796)	(32,609)	(31,832)	(776)	(64,309)	(62,698)	(1,611)
Expiry & Obsolescence	690	570	120	1,209	1,140	69	2,239	2,262	(23)
Indirect Overheads	11,224	11,522	(298)	22,065	23,037	(973)	45,397	46,087	(690)
Depreciation	979	1,029	(50)	1,925	2,043	(118)	3,951	4,244	(293)
Interest & Capital Charge	727	724	3	1,453	1,443	10	3,000	2,908	92
Forex Fluctuations - Realised	(97)	(203)	106	(223)	(419)	196	(25)	(774)	749
Forex Fluctuations - Unrealised	1,231	(126)	1,358	1,328	(420)	1,748	181	(56)	237
Premises Accrued Rent	140	140	0	280	280	-	560	560	-
Redevelopment Expenses	-	-	-	-	-	-	125	125	-
Price Rebate to DHBS	-	-	-	-	-	-	-	-	-
Total Net Expenditure	33,002	31,072	1,929	64,742	63,235	1,507	130,848	128,823	2,025
Quarterly Surplus / (Deficit)	(281)	701	(982)	1,268	862	406	(2,364)	(1,426)	(938)
FTE Levels	516.23	556.38	(40.15)	516.23	556.38	(40.15)	538.20	556.38	(18.18)

Ministry of Health Template									
Heading	December 2018 Quarter			Actual 2018/19 YTD Result			Current Forecast	Full Yr Budget	Var. to Budget
	Actual	Budget	Var.	Actual	Budget	Var.			
Revenue	32,720	31,774	947	66,010	64,097	1,913	128,484	127,397	1,087
Expenditure	33,002	31,072	1,930	64,742	63,235	1,508	130,848	128,823	2,025
Surplus / Deficit	(281)	702	(983)	1,268	862	405	(2,364)	(1,426)	938
Expenditure Analysis									
Cost of Goods sold	22,561	22,103	458	45,187	44,276	911	88,084	87,900	184
Expenditures	26,351	26,270	82	51,641	52,628	(987)	105,431	104,429	1,002
Production Recoveries	(16,355)	(15,558)	(796)	(32,609)	(31,832)	(776)	(64,309)	(62,698)	(1,611)
Inventory Adjustments	(927)	(1,756)	829	(1,085)	(1,696)	611	776	(1,437)	2,213
Non Operating Items	1,371	14	1,358	1,608	(140)	1,748	866	629	237
Rebate of Surplus to DHBS	-	-	-	-	-	-	-	-	-
Total Expenditure per Above	33,002	31,072	1,929	64,742	63,235	1,507	130,848	128,823	2,025

Heading	2018/19 BUDGET (\$000's)				
	QTR 1	QTR 2	QTR 3	QTR 4	Total
Revenue	32,323	31,773	31,394	31,907	127,397
Expenditure	32,162	31,071	31,646	33,944	128,823
Surplus / Deficit	161	702	(252)	(2,037)	(1,426)
Expenditure Analysis					
Cost of Goods sold	22,172	22,104	21,572	22,052	87,900
Expenditure	26,326	26,237	25,246	26,620	104,429
Production Recoveries	(16,274)	(15,558)	(15,114)	(15,752)	(62,698)
Inventory Adjustments	60	(1,756)	(326)	585	(1,437)
Non Operating Items	(122)	44	268	439	629
Total Expenditure per Above	32,162	31,071	31,646	33,944	128,823
Quarter End Cumulative Total		63,233	94,879	128,823	

Closing Equity Position	
Actual - 30/06/2018	\$000's
Closing Equity	38,832

Forecast - 30/06/2019	
Forecast - 30/06/2019	\$000's
Closing Equity	36,468

FTE Position at Quarter's end		
Period	Actual FTE Level	Rolling FTE Estab.
Quarter 1	525.69	569.38
Quarter 2	516.23	569.38
Quarter 3		
Quarter 4		