

Review Period: Quarter 3 Monitoring Report: 1 January 2016 – 31 March 2016

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	\$102.3m	\$105.5m	\$104.9m	\$104.0m	\$109.0m	Q1	+\$2.469m	Q1	+\$0.91m	-\$1.56m
	Expenses of \$112.31m	\$93.0m	\$102.1m	\$107.0m	\$103.1m	\$104.3m	Q2	-\$0.521m	Q2	-\$482k	+\$39k
	Deficit of -\$15k	\$9.3m	\$3.4m	-\$2.1m	\$0.9m	\$4.7m	Q3	-\$0.975m	Q3	\$1.70m	+\$2.68m
							Q4	-\$0.988m	Q4		
							FY16	-\$0.015k	FY16**	\$370k	

Quarter 3: Another solid quarter with revenue in the quarter of \$28.67m which was \$1.4m (+5.1%) ahead of budget. Quarter 3 delivered an operational earnings surplus of \$884k which was \$1.93m favourable to budget – refer to the side table. This better than budget operational result was due primarily to;

- 1) Higher level of Gross Margin (+\$409k) achieved off revenues that were 5.1% higher than budget,
- 2) Favourable inventory adjustments over the quarter that were \$1.43m favourable to budget. All of this favourable gain related to the manufacture of fractionated product and arises from a combination of production mix changes and plasma yield movements.

Product expiry in the quarter at \$636k was slightly adverse to budget noting collections were again solely aligned with meeting fresh product requirements. This reflects the fact that plasma stock levels and collection volumes required to sustain fractionated product manufacturing have been stabilised.

The reported result for the March quarter was a surplus of \$1.70m a result that was significantly favourable to budget (+\$2.68m) with the reported result favourably impacted by non-operating items specifically a gain of \$834k on unrealised foreign exchange fluctuations. These unrealised fluctuations arise on marking the foreign exchange contracts held by NZBS to market values.

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 an operational surplus of+\$1.16m offset, as for prior quarters, by non-operating items totalling \$791k (*unrealised forex fluctuations* (-\$108k) and *accrued premises rental for Christchurch* (-\$683k) to a forecast reported surplus of \$370k. The forecast assumes no price rebate to the DHBs in the 2015/16 financial year.

Summary of March Quarter - Q3 - 2015/16 Financial Performance				
Heading	Actual	Budget	Variance	
(xx) = Unfavourable	\$000's	\$000's	\$000's	%
Gross Revenues	28,674	27,271	1,403	5.1%
Product Margin	8,618	8,210	409	5.0%
Total Expenditure within P&L	(23,188)	(23,043)	(145)	(0.6%)
Inventory Adjustments	1,669	243	1,426	587.9%
Production Recoveries	14,110	14,000	110	0.8%
Product Expiry	(636)	(591)	(45)	(7.6%)
Other Income & Interest Earned	446	358	87	(24.4%)
Foreign Exchange - Realised	(135)	(224)	89	-
Operational Earnings	884	(1,047)	1,932	(184.4%)
Non Operating Costs	820	73	748	
Price Rebate to DHBs	-	-	-	-
Reported Surplus for Quarter	1,704	(975)	2,679	(274.9%)

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: Achieved 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, Q3: All monthly demand 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	100% tested	100% tested	100% tested	100% tested	100% tested	Q1: 100% tested Q2: 100% tested Q3: 100% tested Q4:
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.						
3.2 Regulatory Compliance - Medsafe	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
NZBS will ensure it maintains Medsafe licences for its 6 hub sites 100% of the time, to provide an assurance of GMP compliance.						
3.3 Regulatory Compliance – IANZ (International Accreditation New Zealand)	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	ACHIEVED IANZ audits completed – 100% accreditation maintained
NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories.						
3.4 Regulatory Compliance – ASHI (American Society of Histocompatibility and Immunogenetics)	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
NZBS will maintain ASHI accreditation 100% of the time at the national 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.						Q1: 109,268 Q2: 109,748 Q3: 110,133
<ul style="list-style-type: none"> Active whole blood & apheresis donor panels. 	126,041	121,167	112,744	109,518	115,500	Q4:
Comment: The donor panels are constantly flexed to ensure collection volumes align with demand patterns and in so doing keep product expiry to an absolute minimum.						
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: 9.74% 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: 18.88% 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: 28,918 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: 756 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: 12,778 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: 42,452 Q4:
<p>Comment: The focus for NZBS remained on ensuring the ramp-up in plasmapheresis collections continued to meet the target level of some 50,000 plasmapheresis collections (represents a +20.7% increase over 2014/15 levels) is achieved. In quarter 3 the plasmapheresis panel stood at 9,084 donors. This 20% increase in plasma collection is required to sustain immunoglobulin product demand-driven fractionation volumes as well as ensuring plasma stock levels held for fractionation are maintained at the designated levels.</p>						
<p>5. Internal measures related to People which contribute to achievement of Strategic Goal 5</p>						
5.1 Annual Employee turnover - Moving annual total basis for reporting.	9.7%	12.4%	10.4%	8.1%	12.0%	10.35%
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

6.1 Auckland Facility Project Successful completion of key project milestones in accordance with Board approved project plan	New measure in 2015/16	Project Plan approved by Board and key milestones to 30 June 2016 achieved.	Reported as a full year measure
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Comment:

7. Internal measures related to Financial Sustainability which contribute to achievement of Strategic Goal 7

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).	ACHIEVED Actual surplus of \$3.4m No price rebate paid to DHBs	ACHIEVED Actual deficit of (\$2.1m) No price rebate paid to DHBs	ACHIEVED Actual surplus of \$0.86m Price rebate of \$2.0m paid to DHBs	ACHIEVED Actual surplus of \$4.7m Price rebate of \$3.55m paid to DHBs.	Budget set as a Deficit of (\$15k) No price rebate planned to DHBs.	Q1: Surplus of \$912k Q2: Deficit of -\$482k Q3: Surplus of \$1.70m Q4: <u>Current Full Year Forecast</u> Q3: Surplus of \$370k – no DHB price rebate planned.
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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 614 (+7.2%) increase in plasma donors in the quarter with the panel totalling 9,084 active plasma donors at quarter end.
- Business development/improvement initiatives gathered momentum in the quarter. The Process Excellence initiative now has a number of projects in progress focussed on delivering efficiency and productivity gains in day to day activities. In addition an initial end to end supply chain and production planning review has been completed with recommendations under consideration.
- A review of the NZBS cold chain storage systems has been commissioned. The review will assess the supply chain from donor collection to the patient and all moves and storage in between with the goal of improving the integrity of all products, tissues and samples as regards ensuring compliance at all times to their required temperature storage / transport specifications..
- In November 2015 the donor nomogram was updated enabling more plasma to be collected from some donors. As a result of that change and other refinements the average plasma volume per collect has increased to 750gms which in turn over a year provides a further 1.1 tonne of plasma output and equates an annual saving of \$400k from reduced collections.
- NZBS is planning to establish HPC (Haemopoietic Progenitor cells) processing facilities at its Wellington site to service the needs of Capital & Coast DHB and MidCentral DHB. This initiative will require space to be made available via the likely transfer of some existing processing to the NZBS Christchurch facility. Staff consultation on the matter to commence shortly.
- NZBS has set its prices for the 2016/17 financial year with a forecast demand sector weighted 1.76% increase based off the NZBS assessed 2016/17 demand profile for each DHB.
- NZBS has a new Lead DHB CEO - Chris Fleming, CEO of Nelson Marlborough DHB. The initial meeting focused on how the DHBs and NZBS can work more collaboratively to examine business activity and identify any areas of joint work aimed at minimising costs to the overall sector.

Overall Commentary on Quarter's Performance:

NZBS has seen another strong quarter with an *Operational Earnings surplus of +\$1.70m* as compared to a budgeted **deficit of -\$975k**. The forward operating environment remains ever challenging with a constantly changing sector demand profile. The full year financial performance target is now expected to be achieved, largely due to inventory gains. NZBS considers it remains on track to meet the key 2015/16 targets as stated within the Annual Statement of Performance.