

Review Period: Quarter 4 Monitoring Report: 1 April 2017 – 30 June 2017

Performance Measure	Target Set FY17	Historical Trend Line					Achieved FY 2016/17				
		FY12	FY13	FY14	FY15	FY16	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 \$119.05m	\$105.5m	\$104.9m	\$104.0m	\$109.0m	\$115.6m	Q1	\$2.62m	Q1	\$1.55m	-\$1.07m
	Expenses of \$120.09m	\$102.1m	\$107.0m	\$103.1m	\$104.3m	\$117.9m	Q2	-\$0.94m	Q2	-\$1.69m	-\$0.75m
	Deficit of -\$1.04m	\$3.4m	-\$2.1m	\$0.9m	\$4.7m	-\$2.3m	Q3	-\$0.74m	Q3	\$1.55m	+\$2.29m
							Q4	-\$1.98m	Q4	-\$1.48m	+\$0.50m
							FY17	-\$1.04m	FY17	-\$0.07m	+\$0.97m

Quarter 4: Revenue for quarter 4 while a little lower than quarter 3 it was -5.9% below budget and -2.7% below last year's revenue level. The June quarter's operational earnings result was a small deficit of \$90k compared with a budgeted deficit of -\$1.85mk. This was considered a good operational performance with points of note on the result detailed below;

- Gross margin at \$8.0m was adverse to budget by -5.3% (-\$449k) noting sales were -5.9% adverse to budget.
- Inventory adjustments were favourable in the quarter at \$980k which in turn were favourable to budget setting by +\$1.60m. These favourable adjustments were in part offset by higher product expiry which was -\$237k adverse to budget in the quarter.
- In terms of general expenditure in the quarter this totalled \$23.40 and was 5.2% favourable to budget (+\$1.27m).
- The NZ dollar strengthened against the Australian dollar over the quarter which saw an unfavourable movement in the 'mark to market' position of -\$1.22m which was -\$1.26m unfavourable to budget.

All of which contributed to a Q4 reported deficit of -\$1.48m which was +\$505k favourable to budget.

Full Year Actual Result: The full year actual result was a reported deficit of -\$73k which compares to a budgeted deficit of -\$1.04m. The result was achieved on blood product and service revenues of \$113.42m which were -\$4.42m below budget and -\$0.77m down on last year. This in turn impacted Gross Margin which at \$32.43m was -\$1.24m unfavourable to budget. The full year result largely mirrored the Q4 profile with the major contributors to budget variance being; (1) inventory adjustments at +\$2.44m favourable were +\$326k favourable to budget; (2) Product and obsolescence expiry costs were elevated over the year at \$2.77m being -\$855k unfavourable to budget; and (3) General expenditures excluding expiry costs at \$93.0m were favourable to budget by \$2.82m. All of which combined to deliver a creditable reported deficit of -\$73k in a year that saw an overall -2.6% volume decline in demand primarily in blood products and in particular fresh product which saw a -2.7% volume decline.

Summary of June Quarter - Q4 - 2016/17 Financial Performance					Full Year
Heading	Actual	Budget	Variance		Forecast
(xx) = Unfavourable	\$000's	\$000's	\$000's	%	%
Gross Revenues	28,186	29,960	(1,774)	(5.9%)	114,654
Product Margin	7,996	8,445	(449)	(5.3%)	32,475
Total Expenditure within P&L	(23,398)	(24,671)	1,273	5.2%	(92,674)
Inventory Adjustments	980	(618)	1,598	(258.5%)	2,353
Production Recoveries	14,991	15,119	(128)	(0.8%)	60,863
Product Expiry	(689)	(453)	(237)	(52.3%)	(2,755)
Other Income & Interest Earned	86	266	(180)	67.7%	629
Foreign Exchange - Realised	(55)	58	(114)	-	(836)
Operational Earnings	(90)	(1,853)	1,763	(95.1%)	55
Non Operating Costs	(1,389)	(132)	(1,257)		(200)
Price Rebate to DHBs	-	-	-	-	-
Reported Surplus for Quarter	(1,479)	(1,985)	505	(25.5%)	(145)

Quarter 3: Revenue for quarter 3 lifted to be just 1.8% below budget but still -2.2% below last year's revenue level. The March quarter's operational earnings result was a small deficit of \$47k compared with a budgeted deficit of -\$741k. This was considered a good operational performance with points of note on the result detailed below;

- Gross margin at \$8.1m was broadly in line with budget and represented a 28.77% margin, a slight improvement on the budgeted 28.56% margin setting.
- Inventory adjustments were favourable in the quarter at \$887k and were favourable to the budget setting by \$813k. These favourable adjustments were in part offset by higher product expiry which was -\$395k adverse to budget, a consequence of the provisioning for expiry of Factor IX product impacted by the NHMG's planned switch of existing Factor IX users to the recombinant equivalent product.
- The NZD declined against the AUD over Q3 resulting in an overall favourable reported foreign exchange movement as against the forward contract currency positions held by NZBS. The net realised and unrealised currency movements totalled +\$1.32m for the quarter which was \$1.39m favourable to budget.
- In terms of general expenditure in the quarter this totalled \$22.9m and was 0.6% favourable to budget (+\$131k).

All of which contributed to a Q3 reported surplus of \$1.55m which was \$2.29m favourable to budget.

****Full Year Forecast Result:** The full year forecast result is a reported deficit of -\$105k and compares to a budgeted deficit of -\$1.04m. This current forecast has been heavily influenced by a weakening NZD that is forecast to trend at current levels through to 30 June 2017. The impact of the currency movement when compared to the forecast provided in the Q2 report is +\$1.46m. The balance of the forecast improvement (+479k) as compared to Q2's forecast deficit of -\$2.05m is due to the continuation of current trading patterns combined with the expectation of a slightly lower overall level of general expenditures.

Summary of December Quarter - Q3 - 2016/17 Financial Performance					Full Year
Heading	Actual	Budget	Variance		Forecast
(xx) = Unfavourable	\$000's	\$000's	\$000's	%	%
Gross Revenues	28,388	28,911	(523)	(1.8%)	114,512
Product Margin	8,065	8,131	(66)	(0.8%)	32,557
Total Expenditure within P&L	(22,989)	(23,121)	131	0.6%	(93,364)
Inventory Adjustments	887	75	813	1086.3%	1,708
Production Recoveries	14,797	14,299	498	3.5%	60,542
Product Expiry	(883)	(488)	(395)	(80.9%)	(2,691)
Other Income & Interest Earned	356	437	(81)	18.5%	627
Foreign Exchange - Realised	(280)	44	(324)	-	(854)
Operational Earnings	(47)	(623)	576	(92.5%)	(1,475)
Non Operating Costs	1,597	(118)	1,715		1,370
Price Rebate to DHBs	-	-	-	-	-
Reported Surplus for Quarter	1,550	(741)	2,291	(309.1%)	(105)

Quarter 2: Revenues for quarter 2 continued the Quarter 1 trend, remaining 'soft' when compared to budget setting being below budget by -\$1.27m (-4.3%) and -1.28% below last year's revenue level. The December quarter's reported result was a **deficit of \$1.70m** compared with a **budgeted deficit of -\$936k**. Points of note on the quarter's result are detailed below;

- Lower revenue levels in the quarter had a flow on impact to product margins which were **-\$336k** adverse to budget,
- Inventory adjustments were unfavourable in the quarter at **-\$1.16m** and were unfavourable to the budget setting by **-\$1.21m**. These adverse adjustments were primarily due to general demand imposed changes to the fractionated product production schedule combined with alignment to the planned switch of plasma based Factor IX product to recombinant product (**-\$881k** impact).
- The NZD remained at elevated levels as against the AUD over the quarter resulting in foreign currency positions, both realised and unrealised being adverse against the forward covered position. This situation produced a combined adverse foreign currency variance of **-\$545k** in the quarter.
- In terms of general expenditure in the quarter this was favourable to budget with an overall 4.8% lower spend (+\$1.16k) compared to budgeted levels.

****Full Year Forecast Result:** The full year forecast result is a **reported deficit of -\$2.05m** and compares to a **budgeted deficit of -\$1.04m**. This forecast is heavily influenced by the current demand patterns evidenced in the first half of the financial year. This demand pattern is expected to continue as DHBs become increasingly proactive in their respective blood management programmes. In this expectation, revenues for the 2016/17 financial year are now forecast at \$114.23m, a figure that is some \$4.8m below budget (-4.0%) with the flow on impact to lower product margins which are forecast to be \$1.39m adverse to budget (-4.1%). Demand expectations continue to be the primary influencer on the current full year forecast result.

Summary of December Quarter - Q2 - 2016/17 Financial Performance					Full Year
Heading	Actual	Budget	Variance		Forecast
(xx) = Unfavourable	\$000's	\$000's	\$000's	%	%
Gross Revenues	28,646	29,919	(1,273)	(4.3%)	114,232
Product Margin	8,127	8,463	(336)	(4.0%)	32,285
Total Expenditure within P&L	(22,800)	(23,959)	1,159	4.8%	(94,816)
Inventory Adjustments	(1,160)	47	(1,207)	(2552.8%)	1,943
Production Recoveries	15,024	14,909	115	0.8%	61,616
Product Expiry	(587)	(486)	(102)	(20.9%)	(2,606)
Other Income & Interest Earned	245	195	50	(25.7%)	604
Foreign Exchange - Realised	(263)	25	(288)	-	(980)
Operational Earnings	(1,415)	(805)	(609)	75.7%	(1,954)
Non Operating Costs	(282)	(130)	(151)		(92)
Price Rebate to DHBs	-	-	-	-	-
Reported Surplus for Quarter	(1,696)	(936)	(761)	81.3%	(2,046)

Quarter 1: Revenues for quarter 1 were 'soft' when compared to budget setting being below budget by -\$1.11m (-3.7%) but largely in line with last year's revenue level. The September quarter's reported result was a surplus of \$1.55m compared with a budgeted surplus of \$2.62m. Points of note on the quarter's result are detailed below;

- Lower revenue levels in the quarter had a flow on impact to product margins which were **-\$393k** adverse to budget,
- Inventory adjustments while favourable at +\$1.74m were unfavourable to the budget setting by **-\$880k**. This variance was a combination of a lower opening stock revaluation to 2016/17 standard costs (-\$492k) and a smaller manufacturing gain due to demand influenced changes to the fractionated product production schedule (-\$388k),
- The NZD remained at higher levels over the quarter resulting in actual foreign currency settlements producing realised exchange losses as against the forward covered position. This produced an adverse variance against budget of **-\$264k** which was offset in part by a \$144k favourable unrealised foreign exchange movement as against budget.
- In terms of general expenditure in the quarter this was favourable to budget with an overall 1% lower spend (+\$251k) when compared to budget levels.

****Full Year Forecast Result:** The full year result on current outlook is a **reported deficit of \$1.55m** compared to a **budgeted deficit of \$1.04m**. This forecast result is heavily influenced by the current 'softer' demand patterns evidenced over the September quarter and is expected to continue as DHBs become increasingly proactive in their respective blood management programmes. With that in mind revenues for the 2016/17 financial year are forecast at \$115.74m, a figure that is some \$3.3m below budget (-2.8%) with the flow on impact to lower product margins which are forecast to be \$1.17m adverse to budget (-3.47%) and is the primary influencer on the current full year forecast result.

Summary of September Quarter - Q1 - 2016/17 Financial Performance					Full Year
Heading	Actual	Budget	Variance		Forecast
(xx) = Unfavourable	\$000's	\$000's	\$000's	%	%
Gross Revenues	29,148	30,260	(1,112)	(3.7%)	115,743
Product Margin	8,243	8,635	(393)	(4.5%)	32,505
Total Expenditure within P&L	(23,810)	(24,061)	251	1.0%	(95,978)
Inventory Adjustments	1,735	2,615	(880)	(33.6%)	2,223
Production Recoveries	15,990	15,746	244	1.6%	62,056
Product Expiry	(612)	(490)	(121)	(24.8%)	(2,271)
Other Income & Interest Earned	263	313	(50)	16.0%	605
Foreign Exchange - Realised	(236)	29	(264)	-	(971)
Operational Earnings	1,574	2,787	(1,213)	(43.5%)	(1,831)
Non Operating Costs	(21)	(166)	144		286
Price Rebate to DHBs	-	-	-	-	-
Reported Surplus for Quarter	1,553	2,621	(1,068)	(40.8%)	(1,545)

Externally focussed Service Performance Measures relating to achievement of NZBS's two externally focussed strategic goals						
Performance Measures	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
	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	1 ¹	0	0	0	Q1: Achieved Q2: Achieved Q3: Achieved Q4: Achieved
<p>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.</p>						
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 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>"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".</i>	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>"I believe you have developed an open partnership with me which will hopefully see a greater strategic partnership developed"</i>	TARGET NZBS to receive favourable feedback on the timely and relevant provision of information, including any issue resolution, as provided by the Lead DHB CEO over the course of the 2016/17 financial year.	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.

Performance Measures	2012/13	2013/14	2014/15	2015/16	2015/16	2016/17
	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 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.	ACHIEVED All reports provided to each DHB within an average 4 working days over 2015/16.	TARGET Reports are provided to each DHB by the 12th working day of the following month.	ACHIEVED Q1, Q2, Q3, Q4: 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% achieving a minimum one clinical oversight visit and report per year to all non NZBS managed blood banks located in main DHB hospitals.	ACHIEVED - 100%
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 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	ACHIEVED 2014 Haemovigilance report completed and released to DHBs in October 2015.	TARGET Haemovigilance report for the 2015 calendar year provided to all DHBs by Quarter 2.	ACHIEVED 2015 Haemovigilance report completed and released to DHBs in October 2016.
Haemovigilance - Patient safety (measured in calendar years)	2011	2012	2013	2014	2015 TARGET	2015
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	ACHIEVED 0

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	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
	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 ACHIEVED
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.	100% tested	100% tested	100% tested	100% tested	100% tested	Q1: 100% tested Q2: 100% tested Q3: 100% tested Q4: 100% tested
3.2 Regulatory Compliance - Medsafe						ACHIEVED
NZBS will ensure it maintains Medsafe licences for its 6 hub sites 100% of the time, to provide an assurance of GMP compliance.	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance	100% GMP Licensing compliance
3.3 Regulatory Compliance – IANZ (International Accreditation New Zealand)						ACHIEVED
NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories.	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation to be maintained	100% IANZ accreditation to be maintained
3.4 Regulatory Compliance – ASHI (American Society of Histocompatibility and Immunogenetics)						ACHIEVED
NZBS will maintain ASHI accreditation 100% of the time at the national Tissue Typing laboratory.	100% ASHI accreditation maintained	100% ASHI accredited Biennial on-site audit completed	100% ASHI accreditation maintained	100% ASHI accreditation maintained via biennial on- Site audit for Tissue Typing laboratory	100% ASHI accredited maintained	100% ASHI accredited maintained

Performance Measures	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
	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: 111,209 Q2: 110,518 Q3: 110,305
<ul style="list-style-type: none"> Active whole blood & apheresis donor panels. 	121,167	112,744	109,518	110,746	106,400	Q4: 109,751
Comment: The donor population, split between Whole Blood, Plasmapheresis and Plateletpheresis donor panels are managed and aligned to the forecast demand profile to assist in minimising product expiry.						
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 88.3%	NOT ACHIEVED 88.4%	NOT ACHIEVED 87.9%	NOT ACHIEVED 88.4%	Set at greater than 90% satisfaction	ACHIEVED 91.35%
4.3 Targeted donor recruitment strategies						NOT ACHIEVED
4.3.1 Increase percentage of Māori donors on the active donor panel from the level achieved in the prior year.	ACHIEVED 6.7%	ACHIEVED 7.7%	ACHIEVED 9.3%	ACHIEVED 9.8%	Better than prior year	Q1: 9.60% Q2: 9.53% Q3: 9.57% Q4: 9.55%
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	ACHIEVED 18.4%	ACHIEVED 18.8%	NOT ACHIEVED 18.8%	NOT ACHIEVED 18.8%	Better than prior year	Q1: 17.86% Q2: 18.02% Q3: 18.05% Q4: 17.54%
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.						

Performance Measures	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
	Actual	Actual	Actual	Actual	Forecast	Achieved YTD
4.4 Raw Material (Collections) Inputs						
4.4.1 Total Whole Blood donations.	133,255	120,858	120,099	119,967	114,500 Q1: 30,326 Q2: 28,418 Q3: 27,226 Q4: 28,930	111,146 Q1: 29,057 Q2: 27,018 Q3: 27,894 Q4: 27,177
4.4.2 Total Plateletpheresis donations.	6,066	3,942	3,436	3,145	2,950 Q1: 779 Q2: 730 Q3: 725 Q4: 716	2,852 Q1: 683 Q2: 743 Q3: 712 Q4: 714
4.4.3 Total Plasmapheresis donations.	30,206	32,514	41,438	52,026	52,000 Q1: 13,688 Q2: 12,918 Q3: 12,640 Q4: 12,754	53,081 Q1: 14,170 Q2: 13,511 Q3: 12,851 Q4: 12,549
4.4.4 Total donations.	169,527	157,314	164,973	175,138	169,850 Q1: 44,793 Q2: 42,066 Q3: 40,591 Q4: 42,400	167,079 Q1: 43,910 Q2: 41,272 Q3: 41,457 Q4: 40,440
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 for fractionation plasma.						
5. Internal measures related to People which contribute to achievement of Strategic Goal 5						
5.1 Annual Employee turnover - Moving annual total basis for reporting.	12.4%	10.4%	8.1%	9.9%	12.0%	Q1: 11.86% Q2: 11.30% Q3: 10.53% Q4: 10.57%
5.2 Employee Engagement Index Score undertaken as part of the broader Culture and Engagement survey.	No survey	68.5%	No survey Note: the referenced survey results were released in June 2014	No survey	> 70%	ACHIEVED 71.4% The survey was conducted in October 2016

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	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 pre project planning work
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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 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.	NOT ACHIEVED Actual Deficit of (\$2.34m) No DHB price rebate paid to DHBs.	Budget set as a Deficit of (\$1.04m) No price rebate planned to DHBs.	ACHIEVED Q1: \$1.55m Q2: -\$1.70m YTD \$0.15M Q3: \$1.55m YTD \$1.40m Q4: -\$1.48m FY -\$73k No DHB price rebate paid to DHBs.
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Specific Commentary Relating to the Quarter under Review

Headline Achievements / Activities in Quarter:

- The restructure of key parts of the NZBS leadership group continued over Q4 with 2 of the 3 new positions successfully recruited and both appointees planned to commence 3 July 2017.
- The 2017/18 DHB sector price settings were finalised in Q4 with an overall weighted increase of 1.96%, that increase based a 2017/18 forecast sector demand profile.
- The major eTraceline project that will see blood bank management software installed in all 35 blood banks is progressing satisfactorily with a reset go-live date of 2 September 2017. eTraceline is a 'best of breed' solution specifically designed to enhance the quality and safety of blood bank operations with significant sector benefits from a functionally and geographically integrated solution.
- The new Dunedin Donor Centre located at 170 Crawford Street was officially opened on 29 May 2017 and represents a state of art 15 couch facility collecting both whole blood and apheresis collections. This project has been well executed within tight timeframes re existing lease expiry ensuring the project was delivered on time and under budget.
- In Q4 the NZBS Board approved and executed the new contract with CSL Behring (Australia) Pty Ltd for the manufacture of a range of NZBS plasma derived fractionated products for a 5 year term commencing 1 July 2017.
- The manufacture of factor IX Monofix-VF has formally ceased following the NHMG's considered decision to move all users to 100% recombinant product once existing NZBS stock holding had been utilised.

Overall Commentary on Quarter 4 Performance and Full Year Result: Quarter 4 saw little change to the demand patterns of the prior 9 months with no real volume growth evident in the key product categories. The Q4 deficit of **-\$1.48m** was +\$505k improved on budget. For NZBS this non-growth environment continues to be extremely challenging which makes the full year reported deficit of **\$73k** a result that is assessed as resilient being secured on an overall **-2.6%** decline in volume which compared with last year's **+2.0%** volume growth. NZBS achieved all but 2 of its KPI targets reported in the 2016/17 Annual Statement of Performance. The 2 'not achieved' targets were adversely impacted by a constantly flexed donor panel where the whole blood panel continues to trend down in line with red cell demand. This reality has seen an a revised set of targets set for 2017/18 that are not unfairly impacted by the shifting demand profile.

FINANCIAL PERFORMANCE WORKSHEETS with FTE Numbers – Quarter 4 - 3 Months to 30 June 2017

Ministry of Health Template - Financial Performance Information							Current Full Year Forecast		
Heading	June 2017 Quarter			Actual 2016/17 YTD Result			Current Forecast	Full Year Budget	Var. to Budget
	Actual	Budget	Var.	Actual	Budget	Var.			
Revenue									
Blood Products	22,646	24,491	(1,845)	91,780	97,232	(5,452)	92,063	97,232	(5,169)
Services	5,454	5,202	251	21,637	20,606	1,031	21,642	20,605	1,037
Other Income	6	173	(168)	631	833	(202)	629	833	(204)
Interest Income	80	93	(13)	319	378	(59)	319	378	(59)
Total revenue	28,186	29,960	(1,774)	114,367	119,050	(4,683)	114,654	119,049	(4,395)
Expenditure									
Cost of Goods Sold	20,104	21,249	(1,145)	80,988	84,164	(3,176)	81,230	84,164	(2,934)
Production & Service Costs	12,027	12,576	(549)	48,663	49,396	(733)	48,605	49,774	(1,169)
Inventory Adjustments	(980)	618	(1,598)	(2,442)	(2,119)	(324)	(2,353)	(2,119)	(234)
Production Recoveries	(14,991)	(15,119)	128	(60,802)	(60,074)	(728)	(60,863)	(60,074)	(789)
Expiry & Obsolescence	689	453	237	2,772	1,917	855	2,755	1,917	838
Indirect Overheads	9,757	10,224	(466)	37,871	39,483	(1,611)	38,089	39,483	(1,394)
Depreciation	959	1,004	(45)	3,364	3,413	(49)	3,214	3,413	(199)
Interest & Capital Charge	655	868	(213)	3,099	3,519	(421)	3,086	3,141	(55)
Forex Fluctuations - Realised	55	(58)	114	833	(156)	989	836	(156)	992
Forex Fluctuations - Unrealised	1,218	(39)	1,257	(588)	(137)	(451)	(483)	(137)	(346)
Premises Accrued Rent	171	171	0	683	683	0	683	683	-
Price Rebate to DHBs	-	-	-	-	-	-	-	-	-
Total Net Expenditure	29,665	31,945	(2,280)	114,440	120,090	(5,650)	114,799	120,089	(5,290)
Quarterly Surplus / (Deficit)	(1,479)	(1,985)	505	(73)	(1,040)	967	(145)	(1,040)	895
FTE Levels	521.65	533.76	(12.11)	512.36	533.76	(21.40)	512.36	529.11	(16.75)
Ministry of Health Template									
Heading	June 2017 Quarter			Actual 2016/17 YTD Result			Current Forecast	Full Yr Budget	Var. to Budget
	Actual	Budget	Var.	Actual	Budget	Var.			
Revenue	28,186	29,960	(1,774)	114,367	119,050	(4,683)	114,654	119,049	(4,395)
Expenditure	29,665	31,945	(2,280)	114,440	120,090	(5,650)	114,799	120,089	(5,290)
Surplus / Deficit	(1,479)	(1,985)	505	(73)	(1,040)	967	(145)	(1,040)	(895)
Expenditure Analysis									
Cost of Goods sold	20,104	21,249	(1,145)	80,988	84,164	(3,176)	81,230	84,164	(2,934)
Expenditures	24,143	25,066	(923)	96,602	97,573	(971)	96,585	97,572	(987)
Production Recoveries	(14,991)	(15,119)	128	(60,802)	(60,074)	(728)	(60,863)	(60,074)	(789)
Inventory Adjustments	(980)	618	(1,598)	(2,442)	(2,119)	(324)	(2,353)	(2,119)	(234)
Non Operating Items	1,389	132	1,257	95	546	(451)	200	95	105
Rebate of Surplus to DHBs	0	0	0	0	0	0	0	0	0
Total Expenditure per Above	29,665	31,945	(2,280)	114,440	120,090	(5,650)	114,799	119,638	(4,839)
Heading	2016/17 BUDGET (\$000's)					Closing Equity Position			
	QTR 1	QTR 2	QTR 3	QTR 4	Total	Actual - 30/06/2016	\$000's		
Revenue	30,260	29,920	28,910	29,959	119,049	Closing Equity	39,472		
Expenditure	27,639	30,856	29,651	31,943	120,089				
Surplus / Deficit	2,621	(936)	(741)	(1,984)	(1,040)	Actual - 30/06/2017	\$000's		
		1,685	944	(1,040)		Closing Equity	39,399		
Expenditure Analysis									
Cost of Goods sold	21,312	21,262	20,342	21,248	84,164				
Expenditure	24,522	24,421	23,565	25,064	97,572				
Production Recoveries	(15,746)	(14,910)	(14,299)	(15,119)	(60,074)				
Inventory Adjustments	(2,615)	(47)	(75)	618	(2,119)				
Non Operating Items	166	130	118	132	546				
Total Expenditure per Above	27,639	30,856	29,651	31,943	120,089				
Quarter End Cumulative Total		58,495	88,146	120,089					
Heading		Actual		Rolling					
		FTE Level		FTE Estab.					
Quarter 1		524.25		532.76					
Quarter 2		525.78		533.76					
Quarter 3		522.68		533.76					
Quarter 4		512.36		533.76					