

NEW ZEALAND BLOOD SERVICE

Minutes – NZBS Board Teleconference

Minutes of the NZBS Board

<u>Teleconference held at:</u>	New Zealand Blood Service 71 Great South Road Epsom, Auckland
<u>In attendance by phone:</u>	Mr David Chamberlain (Chair) Dr Jackie Blue (Deputy Chair) Dr Bart Baker Dr Paula Martin Ms Edie Moke Mr Ray Lind Ms Fiona Pimm
<u>Apologies:</u>	None for this agenda
<u>Management:</u>	Ms Sam Cliffe (CEO) Mr John Harrison (Director Finance)
<u>Board Secretariat:</u>	Vanessa Siddins (Board Secretary)
<u>Date:</u>	30 July 2020

The Board video conference commenced at 9.30am.

Chief Executive's update

S Cliffe advised that the Board meeting in August will have full updates with this meeting planned to focus on financial and audit process outcomes. This year has not been an easy one to complete year end financials due to the Covid-19 pandemic. She would like to put on record her admiration for J Harrison and the finance team for all the changes they had to make in this uncertain time, including the SPE and SOI. D Chamberlain also added his thanks on behalf of the Board to J Harrison and the finance team for all their hard work.

Covid-19 NZBS response

The organisation performed well through the acute response noting that some of our concerns did not eventuate, for example having enough donors. We achieved our goal for a safe and secure supply of blood products which has shifted our relationship with the central Government and cemented our place as an essential service. S Cliffe has initiated a conversation with Rosemary Clements, our lead DHB CEO and S Cliffe is attending a meeting with DHB CEOs in September.

The CIMS team have written a comprehensive Covid-19 debrief document and we have learnt a lot from the process. We know where the gaps are including our business continuity plans with the Ministry. However, the Ministry do have some gaps in their pandemic planning and we want to make sure that NZBS is front and centre as an essential service.

Mobilising staff to work from home at short notice was an area we did really well in with over 100 staff able to work from home almost instantly. Although we have done really well, we need to make sure we are safe within privacy and cyber security areas.

We don't have approval to announce our funding yet (\$7m equity and \$3.97m income), however we are working through with the Ministry on how best to receive that funding. There is unlikely to be a formal announcement as it's lost monies, not an infrastructure announcement

D Chamberlain agreed that the team had done a fantastic job but warned that it was not over yet and we should be prepared to go through it again as Australia had done. S Cliffe agreed that the likelihood was that it would happen again

and noted that part of the purpose of the detailed debrief was to be better prepared next time. R Lind commented that the strength of an organisation is in its attention to learnings and that S Cliffe and D Chamberlain's work had been exemplary. D Chamberlain queried if there had been any feedback from CSL Behring on the impact on the international plasma market? S Cliffe noted that CSL had advised us that their supply chain was strong with no specific issues mentioned to date. S Cliffe added that supplies had always been tight, however the concern was around the mid to longer term impacts if the Pandemic isn't brought under control which re-enforced our strategy of maintaining self-reliance.

Organ donation activity

The transition of ODNZ staff has been delayed until 30 November all going well. They appear to be comfortable in our space and the office area that we had agreed with them. There are a few contractual issues that we are working through with ADHB. There are issues around current practices of ODNZ staff accessing tests of potential deceased donors. We are working through this with lawyers and the Privacy Commissioner. At some point legislation might change but until then we might need help from the Ministry. This can be discussed further at the August Board meeting.

S Cliffe expressed her thanks to the Board's working group for signing off the strawman which is now being shared with stakeholders. The feedback to date has been overwhelmingly positive once the document had been explained. The next meeting with EY is on Monday to collate feedback, then this will come back to J Blue, P Martin and B Baker before being presented to the Board at the end of August.

Motion: The Board received and noted the CEO Report.

Motion by: R Lind

Seconded by: F Pimm

Carried: All present in favour

ITEM 1 Documents for Tabling in the House

Statement of Intent 2020-2024

S Cliffe advised that the changes are fairly minor and include enhanced wording around organ donation. The growth in tissue banking and cellular therapies have also been highlighted. There will need to be further discussion in August around space and future growth.

Statement of Performance Expectations 2020/21

S Cliffe advised the changes in this document are more substantial with the tables updated to reflect the effects of Covid-19. The Auditors had also requested us to update the format for the key performance indicators. What we had said we were going to do and how we were going to do it has not changed. The Minister was keen to table these documents prior to the House rising and Minister Henare's office are ready to shepherd them through once they receive them. These papers have also been reviewed by the Ministry and the Auditors.

The Board received the previous versions of these documents at the February Board meeting, however management wanted to highlight changes particularly in the SPE. J Harrison was able to update the 'base year' finances with the actual 2019/20 financial year figures, with the only real change being the inclusion of the Covid-19 recovery monies. The financial forecasts now present a much stronger financial position with the potential of breaching banking covenants and our own financial guidelines, no longer a possibility. The weighted price increase went to 5.68% from the original 5.58% and J Harrison was comfortable with what the proposed price setting noting these had been advised to DHBs in early July 2020.

P Martin was unclear around the \$15m equity injection as it appeared to be a given and it was not yet approved. J Harrison responded that it had been built into financial projections as an assumption which was noted as such in various parts of the SPE document. He further noted that if we do not get any equity monies then infrastructure projects the funding was tied to would not proceed. There was general discussion on the need for clarity and if it needed to be more explicit around the equity injection and the issues that would arise if that equity injection was not forthcoming. It was also noted that this would require a formal business case to be completed for a bid to the Ministry for the 2021/22 funding allocation process. D Chamberlain pointed out that there were references to the assumption of the equity injection on pages 58 and 66 and felt it was quite explicit.

P Martin will provide some updates on text for the SPE around organ donation as the text in the two documents didn't correspond.

D Chamberlain noted an error on page 55 and B Baker noted that on page 21 it should read auto immune diseases instead of immune compromised.

S Cliffe advised that the above changes and any others that are emailed through will be made along with a last edit for typos before the document goes to the Ministry.

Motion: The Board approved the revised Statement of Performance Expectation and Statement of Intent subject to the above changes.

Motion by: R Lind

Seconded by: J Blue

Carried: All present in favour

ITEM 2 Year-End Financial Statements – Initial Review

Setting the Year-End Scene – an overview of the process

J Harrison advised that the purpose of this paper was to give the Board an initial explanation of the financial results and importantly to provide clarity around the process to be followed prior to the approval formalities and financial statement sign off currently planned for the 27 August 2020 Board meeting. The CFIS Letter of Representation required for the Crown accounts was required to be filed with the Ministry of Health on 10 August 2020.

The material presented does not require any decisions, rather provides an outline of the process followed on a journey to enable the signing off of the financial statements and detailed accounts at the end of August, following which they will be tabled in Parliament. The papers aim to inform on what has driven the reported results and provide information on the notes to the accounts that are published as part of the Annual report.

J Harrison noted that the figures as reported were not as adverse to budget and pre Covid-19 forecast as originally thought. This year it was a much process for the team to complete with the process more challenging particularly having new personnel in various key roles. J Harrison was proud of the finance team who had held to the timetable agreed with Audit New Zealand. It was further noted that the interim audit was conducted by email which was also more taxing on the team.

Full year results are set out on page 113 with a reported deficit of \$3.61m which was not too dissimilar to our projections given the New Zealand dollar had weakened over the last part of June resulting in an unrealised forward exchange gain at 30 June 2020. Page 85 contains a comparison to the last forecast. Overall J Harrison is pleased with where we landed and noted it could have been a lot worse and reiterating that NZBS had not breached our banking covenants ensuring confidence was maintained with our bank. The recovery money was certainly needed to keep us steady going forward.

D Chamberlain explained that this paper was a heads up to the Board on what the financials will look like in a months' time. J Harrison highlighted that there had been a change in Audit Director and audit manager which brought a new set of eyes and different perspectives given NZBS would be a new setting. A good portion of the audit was appropriately focused on inventory and our controls and systems. There had been some debate around KPIs impacted by the Covid-19 pandemic and how these were best reported in the Statement of Performance. The auditors take quite a literal interpretation on matters, therefore how KPIs are worded becomes increasingly important.

At this point the only outstanding item now is DataPay rerunning the script for assessing the assessed amount of accrual for Holidays Act remediation monies. There may be an adjustment to the \$1.46m remediation accrual but that figure aside the finalised figures are expected to be as they have been presented.

J Harrison will reconfirm to the Board if any further adjustment for the Holidays Act is made, other than that it is expected the final reported result will be per the draft with any typos corrected.

It was confirmed in reviewing the Statutory Disclosures that P Martin was not paid for any work in this financial year.

J Harrison advised that Audit New Zealand are issuing a non-standard audit statement to everyone this year. There has been a heavy focus on Covid-19 pandemic including the fraud opportunities. The same is true around assumptions of a going concern which is potentially problematic without the Covid-19 recovery monies. The Board will be updated when a first draft of the audit opinion is confirmed.

J Harrison will confirm the status of the CFIS letter with the auditors. D Chamberlain advised that on that basis, J Harrison could send the circular email to the Board for approval next Thursday, 6 August.

D Chamberlain summarised that the main issue in the papers was the reporting of a loss of \$3.6m. Any minor details, typos or queries should be sent through to J Harrison via email. The Board could expect to sign off the financial statements at the August Board meeting subject to any adjustments to Holidays Act remediation position.

J Harrison advised that July revenue was looking solid at a forecast \$13.5m which was slightly ahead of budget. Carrying over from prior meetings, he will bring deeds of indemnity to the August Board meeting and the Adverse Events Policy to review.

D Chamberlain declared if there was no other business the meeting would be drawn to a close and anticipated the CFIS email on 10 August 2020 from J Harrison.

The Board thanked J Harrison, the Finance team and S Cliffe for a job well done.

Close of Meeting: The meeting closed at 11.05am.

Certified as a true and correct record:

A handwritten signature in black ink, appearing to be 'D Chamberlain', written in a cursive style.

David Chamberlain – Board Chairman