

NEW ZEALAND BLOOD SERVICE

Minutes – NZBS Board Meeting

Minutes of the NZBS Board

Meeting held at: New Zealand Blood Service
71 Great South Road
Epsom
Auckland

In attendance: Mr David Chamberlain (Chairman)
Dr Jackie Blue (Deputy Chair)
Dr Bart Baker
Mr Raymond Lind
Ms Fiona Pimm
Dr Paula Martin
Ms Cathryn Lancaster

Apologies: None

Management: Ms Sam Cliffe (CEO)
Mr John Harrison (CFO)

Board Secretariat: Vanessa Siddins (Board Secretary)

Date: 31 October 2019

9.00am **BOARD ONLY TIME**

F Pimm noted her apologies for the December Board meeting.

D Chamberlain gave an update on Board appointments as he'd had a phone call from the Ministry regarding CVs for Board appointments. There was further discussion around Board tenure and it was noted that it's normal practice for Board members to sit for two terms.

D Chamberlain advised that he will complete the CEO remuneration by email with the Board.

It was noted that the letter from the Director General of Health regarding Organ Donation will be referenced in the CEO's report.

As the Executive have now refreshed the Organisational Risk Register, the Board can now circle back to work on the Governance Risk register.

Dates for next year's Board meeting and strategy/education days were discussed. V Siddins will email proposed dates and get these confirmed in diaries for 2020.

9.30am S Cliffe and J Harrison joined the meeting.

ITEM 1.0 APOLOGIES

There were no apologies for this meeting

ITEM 2.0 INTERESTS REGISTER

2.1 Updates to the Interest Register

R Lind advised that he is no longer on the Board of Health Workforce New Zealand. He added that he is now a lecturer for Monash Medical School and receives fees.

F Pimm noted her NZ Blood Service entry is no longer showing on the register and it needs to be added back on.

2.2 Declarations of Conflicts of Interest for this Agenda

There were no conflicts of interest acknowledged for any items on the agenda.

ITEM 3.0 MINUTES OF PREVIOUS MEETING/ACTIONS REPORT

3.1 Confirmation of Minutes – 29 August 2019

B Baker commented that the note that was inserted with the time he and J Blue left the meeting wasn't in the correct place due to the items being taken out of order.

There were no further comments or changes from the Board on the presented minutes.

Motion: The presented minutes of the 29 August 2019 NZBS Board meeting be accepted as a true and correct record of that meeting with the amendment above.

Motion by: R Lind

Seconded by: F Pimm

Carried: All present in favour

3.2 Schedule of Outstanding Action Items from Previous Meetings

The status of all action items as outlined in agenda item 3.2 were noted.

The following action items were discussed:

- 4.8 The Governance Risk register could be worked through at one of the Strategy and Education dates next year or potentially at the December 2019 Board meeting.
- 8.2 KPI 1.1 in the MoH report will come back in January 2020 with updated wording.
- 8.3 There is an update of the PSA driver medical hearing in the CEO's report.

3.3 Matters Arising (Not Covered Elsewhere)

There was discussion around whether the Board should wait until 2020 to review the Governance Risk Register. Agreed Paper copies of the previous version will be circulated before the end of the meeting. S Cliffe noted that the Organisation Risk Register has both strategic and operational risks. D Chamberlain complemented management on the new risk register.

ITEM 4.0 CHAIRMAN'S REPORT

The Chair had no matters to report.

ITEM 5.0 CEO REPORT

S Cliffe noted that there were a large number of strategic projects taking place at the moment and we needed to be clear on the overall plan. In today's meeting we are looking at a suite of substantial proposals that if agreed to, will have massive implications for the future and will represent significant change for the organisation.

Organ donation

The Second Reading of the Organ Donation and Related Matters Bill is currently part way through with two more Members of Parliament to speak. It is fully expected that the Bill will go through as it stands with minor adjustments. In the recent letter from the Minister, it was clear that there was no implication for the new entity with regards to a name change. There is nothing to stop us having a conversation about what we should be called going forward. S Cliffe, along with Karen Didovich, HR Director and Sarah Morley, CMO have continued to engage with ODNZ and this appears to be going well.

Sarah Morley has done a great job working with ODNZ Clinical Lead, Dr Stephen Streat and there have also been positive conversations with Kidney Health NZ and Liver Transplant Director Stephen Munn. There are two clear pieces of work, the transition of ODNZ without loss of service and establishing the National Agency.

S Cliffe has had initial conversations with Stephen McKernan and his associate Luke Williams from EY. P Martin advised that they did the original work on reviewing institutional arrangements as well as modelling work for the Ministry. They are well regarded and know the sector very well.

S Cliffe queried if the Board were comfortable for her to share the Director General's letter with ADHB and the project control board at their forthcoming meeting. The Board supported the Director General's letter being presented at this meeting.

This project board for the National organ donation agency comprises of:

- Sam Cliffe, Chief Executive Officer New Zealand Blood Service (Chair)
- Margareth Broodkorn, Chief Nursing Officer Ministry of Health (Deputy chair)
- Jo Gibbs, Director Provider Services Auckland DHB
- Dr Sarah Morley, Chief Medical Officer New Zealand Blood Service
- Jess Smaling, GM DHB PSI Planning, Funding and Accountability Ministry of Health
- Dr Michael Stewart, Director Cardiovascular ADHB (ODNZ Clinical lead)

Discussion followed around the work proposal from EY. S Cliffe noted she would share the work details with the Board for their feedback. The question was raised on when the Board would be accountable for Organ Donation? It was noted that this would be from 1 July 2020 with no expectations of increases of donation rates at that point.

From 1 July 2020 the responsibility for clinical governance and other parts of wider governance could come under the National Agency. There was further discussion around what a budget bid might look like and associated lead times. We are not likely to get money in the next financial year and could be looking at 2021. It was also noted that the form and function of the National Agency needs to be agreed first before we can understand what achievement looks like.

Waikato

A consultation meeting was held with staff on Friday, 18 October 2019. The proposals to cease component processing in the Waikato from December 2020 was shared with the staff. A full paper will come to the Board with recommendations on 5 December 2019 and a staff session on the decision will be held on 6 December 2019 to inform affected staff of the outcomes.

We are working with the PSA on what a program of incentives and transitional arrangements might look like.

Driver Medicals

The driver medical hearing went well with the PSA agreeing to settle with minor amendments, leaving the NZBS policy largely in place.

Document Transformation Project

S Cliffe noted that this is a huge project for us. F Pimm commented that it's worth looking at the Health Pathways structure as the architecture behind it has been very successful.

Paul Tomlin's 600th donation

There was a lunch for Paul Tomlin's family and key NZBS staff after his 600th donation which the Associate Minister of Health also attended.

Redevelopment of 71 Great South Road

J Harrison noted he continued to work closely with our landlord Dilworth Trust Board. Importantly Dilworth have agreed to now replace the two lobby lifts with installation planned in May 2020.

Seismic assessment work has been undertaken on the building with some structural remedial works required to achieve IL3 rating standard. All works needed are in the ground floor and basement with most of the structural requirements around the three core anchor points being the lift area and the two rear stairwells.

This remedial work will need to dovetail into the current work programme being planned by NZBS. J Harrison felt remediating to IL3 standard was a good outcome and was pleased that the landlord accepted the need to be IL3

C Lancaster queried the unfavourable costs in the finance report for the redevelopment. J Harrison responded that most of the cost is project governance costs, work that is more of a maintenance nature reflecting the buildings age. In addition, the redevelopment project manager is also acting as the building site manager so a percentage of his time is treated as an operational cost.

B Baker queried Stage 2D noting the retention fridges are now not required? S Cliffe explained NZBS currently holds samples for five years but is planning to move to a three year retention period with smaller volumes, so we don't need the larger retention freezer capacity of prior years.

Motion: The Board received and noted the CEO report.

Motion by: C Lancaster

Seconded by: R Lind

Carried: All present in favour

ITEM 6.0 DECISION PAPERS

6.1 NZBS Plasma Strategy 2019-2023

S Cliffe advised that the Board were being asked to re-affirm the current hybrid strategy with a maximum of 18% commercial immunoglobulin product. The current growth projection for Ig is 12% growth per annum for the foreseeable future and is supported by current trends. There are worrying messages about surety of supply coming out of countries such as Canada who are 90% reliant on commercial product. There is also 8-9% year on year price increases being signalled for commercial product influenced by supply shortages and the increasing costs to source the plasma required to meet global demand.

We have been good at managing operational costs and the cost of domestic product will soon match commercial product pricing. We are strategically independent rather than being 100% self-sufficient. Increasing collections is not going to be enough, we have to maximise the network capacity a further 30% over the next few years. We would continue to operate a hybrid model with no more than 18% of commercial product issued. Our current target now is 77k plasmapheresis collections and it needs to go up to 125k by 2023. To achieve this NZBS will need more staff, beds and donors.

The Board is being asked to confirm the continuation of the hybrid model heavily weighted to domestic product. There is a high risk around the supply of commercial product in the volatile international market. The Board is also being asked to agree to optimise our current network capacity, noting if we are fully staffed by FY22 we have the capacity to achieve 125k plasmapheresis collections and budget numbers will reflect this.

There was a brief discussion around the Reserve Bench campaign with S Cliffe advising that numbers are good, but the challenge now is to convert those numbers to donors. We also need our current donors to donate more frequently.

D Chamberlain commented that it was an excellent paper and the Board shouldn't underestimate the effort required and cost to execute this strategy in a growth environment. S Cliffe felt the benefit of what is being proposed gives us scalable options which mitigate risks.

B Baker noted that New Zealand Ig usage was under international usage levels and that we would have a good buffer if demand dropped. There is also a variation in Ig use around the country and the iGo app will help us understand what IVIg is being used for. S Cliffe noted that there is a huge capacity in terms of numbers and we are also looking at collecting plasma on mobiles, eg West Auckland only donate at mobiles. This will need close monitoring and we have done a lot of research on what makes people donate, it's not about time it's about accessibility.

C Lancaster fully endorsed the change and recommendations and was comfortable with the flexibility. J Blue concurred.

Motion: That the Board having considered the Plasma Strategy:

1. Confirmed the continuation of the hybrid model that is heavily weighted towards domestic collection and treats commercial supply as a high-risk supplement;
2. Noted that domestic plasma collection is the most effective approach to maintaining strategic independence from the global plasma market;
3. Agreed that to meet forecasted demand growth we will focus on maximising the capacity of our existing facilities;
4. Noted that current capacity if fully staffed and with increased donor panels will deliver 107,000 plasmaphereses by FY22;
5. Noted that the budgeting process for FY20/21 will refine the costs associated with this plan and be presented to the January 2020 Board as part of the budget review / approval process.

Motion by: F Pimm

Seconded by: J Blue

Carried: All present in favour

6.2 Infrastructure Investment Needs – The Funding Implications

It was noted NZBS had received notice to vacate the Waikato site, will be relocating the Christchurch Blood Bank and also relocating the Tauranga Donor Centre along with Palmerston North site in the not too distant future. It is important NZBS has security and safety with its sites via long term leases. The Wellington site is also located in a hospital building and is in need of a refit. Medium term Manukau and North Shore donor centres will need to be addressed and they could be converted to plasma only centres.

NZBS has great long term partnerships with landlords in Auckland and Christchurch and we ideally would look to replicate those in these other areas.

J Harrison highlighted that we are treating ISBT 128 as operational expenditure which shifts it from capital to operational spend.

The real focus is on capital requirements for relocations and fit outs. We are also preparing for 12% growth on Ig demand. If we try to cover all these costs from existing NZBS financial resources NZBS becomes financially vulnerable. This raised the question if we would need the current credit facility raised back to \$14m indefinitely. It was noted in doing so Westpac exposure would go to \$29m and it was seen as unlikely Westpac would be comfortable with this level of exposure.

Equally NZBS does not have the ability to countenance these costs solely in price increases given the huge concentration of capital requirements within a tight timeframe.

Given the organisation is now 20 years old, it's not unexpected to be dealing with infrastructure requirements to meet the next 20 years. J Harrison would rather not at this point set a specific figure required but sees a likely capital injection in the \$13-15m range. A more refined figure would be built up through the budgeting process. It was again noted that trying to do everything ourselves, we put NZBS close to breaching bank ratios which is too financially risky given the financial responsibilities mandated in the Crown Entities Act.

Discussion followed around the idea of approaching Government for an equity injection, clarifications around operational spend and working capital as well as the impact on capital charges. J Harrison also clarified that NZBS was not constrained on pricing policy but needed to provide clear and articulated reasons for elevated price increases.

J Harrison questioned if the Board were comfortable looking at keeping the MOCL at \$14m and for him to broach this with Westpac? D Chamberlain saw no reason why we wouldn't have that discussion.

It was noted that S Cliffe would have a candid discussion with lead DHB CEO in 2020 around price increases. It is likely to be a difficult discussion given the size of the DHB deficits.

S Cliffe noted that it is not without challenge to collect the plasma needed going forward. We do now have strong productivity models, have sophisticated financials and a strong stable Executive team. It was further noted that S Cliffe had just shortlisted for the Director Donor Services role.

Recommendations

The financial modelling incorporating the three identified changes supports an equity injection as the most appropriate funding option to assist NZBS both refresh a good number of blood network sites and at the same time support the increase in plasmapheresis collection capability required to meet an elevated Ig demand growth.

Being able to maintain the current hybrid plasma strategy of 88% domestic source plasma for Ig manufacture is considered the best option to provide ongoing surety of Ig supply in an increasingly supply constrained global Ig marketplace.

Motion: That the Board approve the request to undertake the 2020/21 budget preparations on the following understandings;

- Budget for an annual Ig growth rate of 12% over the forecast period to 30 June 2024 with the required infrastructure capability incorporated to ensure the current hybrid plasma strategy settings are maintained over the forecast period,
- Commence the planning work for an equity injection focused initially on understanding the Ministry of Health requirements as to process enabling NZBS to then commence the process of securing Ministerial approval for an equity injection. Based on the experience of Ministry process with the redevelopment work the equity process will likely take some time, noting indicative NZBS timing was 1 July 2021 (year 2 of forecast).
- Exploratory discussions with Westpac bank around levels of funding going forward.

The level of equity injection required will be established from an assessment of the financial position indicators stemming from the 2020/21 budget preparation work.

Motion by: C Lancaster

Seconded by: B Baker

Carried: All present in favour

12.30-1.00pm lunch break.

1.00-1.45pm The Board meeting was paused for a visit from Hon Peeni Henare, Associate Minister of Health.

6.3 ISBT 128 Business Case

Christine Van Tilburg, Mandy Suddes, Meredith Smith and John Cox joined the meeting at 2.05pm.

ISBT 128 is the global standard for the terminology, identification, coding and labelling for Medical Products of Human Origin. The Board approved scoping and business case at the December 2018 Board meeting. We always knew it would be complex and there are a number of compelling reasons to support the implementation of ISBT 128.

John Cox talked to the presentation covering: What ISBT 128 is, Drivers, Benefits, Options, Implementation, Schedule and Budget.

Discussion followed on the likelihood that this would be part of regulatory requirements in the new Therapeutics Products Bill and that the Trans-Tasman kidney paired exchange will be another driver.

The consensus was that this was a comprehensive paper and interesting to work through. The question was raised on the cross over period between the systems and C Van Tilburg advised that our systems would be able to read both old and new codes.

There was general support from the Board on the 1.33% price increase to DHBs proposed from 1 July 2021.

Questions were raised on the IS demands and the internal capability to deliver? S Cliffe advised that this would be treated as additional project work that we had asked Datacom to help. The Executive have been clear that the Board needed to

be aware that IS is a risk, but this is not an IS project, but will have IS input. The project lead will not be in the IS team, it will be within the Technical Services team

D Chamberlain queried if we don't get an equity injection, can this be done solely with a price increase? J Harrison responded that this was the reason we went for price increase rather than levy.

The Board were in favour of ISBT 128 implementation and to appoint John Cox as the project manager for the project

- Motion:** The Board having considered the ISBT 128 Business Case;
1. Approved capital expenditure of \$148,625, additional operational expenditure of \$3,160,091 plus a contingency of \$16,375 and \$564,909 for capital and operations respectively;
 2. Approved additional operational expenditure of \$66,000 per annum;
 3. Approved the funding of the project through the annual price setting process.
 4. Noted the solution recommended by the Director Finance for financing the project;
 5. Noted the strategic intent of management to implement (subject to an approved business case) the TCS solution for the management of cellular therapy products in the medium term.

Motion by: B Baker

Seconded by: R Lind

Carried: All present in favour

6.4 Approval for the procurement of the S.9 (2) (b) (ii)

The paper was taken as read.

- Motion:** The Board having considered the recommendations;
- 1) Approved the purchase of consumables relating to the S.9 (2) (b) (ii) Serum Eye Drops (SEDs) outside of the Annual Plan Budget of an estimated \$196,000 for the F19/20.
 - 2) Approved to delegate the negotiation of a new contract with S.9 (2) (b) (ii) for the supply of the S.9 (2) (b) (ii) manufacturing system for Serum Eye Drops (SEDs) for FY19/20 and F20/21.
 - 3) Noted that a full Request for Proposal will be undertaken in the 2021/22 year, of which the final business case will be brought to the NZ Board for approval if required by the Policy on Delegated Authorities.

Motion by: C Lancaster

Seconded by: F Pimm

Carried: All present in favour

ITEM 7.0 DISCUSSION PAPERS

7.1 Insurance Programme for 2020 – Policy Review and Renewal Updated

The paper was taken as read.

- Motion:** That the Board receive and note the Insurance Programme for 2020 – Policy Review and Renewal Update.
- 1) Confirming the current insurance portfolio cover settings to apply from 1 January 2020.
 - 2) Noting that following the Board review the agreed cover settings for all policies will be confirmed for placing no later than mid-December for insurance cover commencing 1 January 2020.
 - 3) Note the finalised 2020 insurance portfolio will be updated to the Insurance folder of the Diligent's resource library.
 - 4) Board Members will be provided, once available in early 2020 with the updated 2020 policies of the Directors & Officers Liability policy together with the Defence Costs policy for their own records.

Motion by: R Lind
Seconded by: F Pimm
Carried: All present in favour

ITEM 8.0 MONTHLY / REGULAR REPORTS

8.1 Director Finance's Report – 3 Months to September 2019

J Harrison advised that it had been a strong quarter driven by demand growth, particularly IVlg. The forecast revenue outlook is \$143m for the year, 8.5% up on last year with all the metrics generally looking positive.

The full year forecast for a \$2.21m deficit incorporated initial organisation costs associated with resourcing to meet the plasma collection challenge. The finance report this month focused on high level metrics the key one being demand with the two main demand indicators being red cells and Ig. The outlook for October is for another \$12m revenue month.

Motion: The Board received and noted the Director Finance's report.

Motion by: C Lancaster
Seconded by: B Baker
Carried: All present in favour

8.2 Q1 Organisation Health & Safety KPI Report

S Cliffe highlighted the Organisational Health & Safety KPI report has been refreshed. There will be a deep dive each quarter into a different area of risk. The Executive have been joining regional Health & Safety meetings to pick up any learnings and the consensus was that NZBS has a strong health and safety culture. D Chamberlain commented that the report was a great improvement.

There was a brief discussion around the mobile pack down pilot. S Cliff noted that staff were in favour of this new way of working. The bigger issue with mobiles was getting appropriate venues. It is not yet clear if it will be feasible to roll out the new mobile pack down over the whole country.

Injury rates are coming down, but still too high and we are currently evaluating new mobile beds. The gender and age profile of our staff is changing rapidly due to the recruitment of more donor technicians than nurses. Last year 30 donor technicians were trained in Auckland.

It was noted that the PSA submission was sent separately by email.

Motion: The Board received and noted the Health & Safety report.

Motion by: B Baker
Seconded by: F Pimm
Carried: All present in favour

8.3 Q1 Contracts & Leases Register

The Chair received and noted the Q1 contracts and leases register.

8.4 Q1 Board Expenditure report

The Chair received and noted the Q1 Board Expenditure report.

8.5 Q1 Cybersecurity report

S Cliffe advised that IS have done a huge amount of work around cybersecurity including ongoing phishing exercises. Next week the Executive are having a long strategy session with IS which will help understand key processes into the Cloud.

S Cliffe overall feels comfortable with cybersecurity in the organisation.

The Chair received and noted the Q1 Cybersecurity report.

8.6 Q1 Organisational Risk Register

The revised Organisational Risk Register was presented with both unmitigated and mitigated risks. The raw score, mitigated score and action plan were tabled. S Cliffe explained that each directorate looked at their own risk register which fed into this version of the register.

D Chamberlain advised that the consequences squared could be removed.

The Board felt that the register was excellent and well received, they look forward to a bottom up approach from teams.

Motion: The Board received and noted the Q1 Organisational Risk Register.

Motion by: R Lind

Seconded by: B Baker

Carried: All present in favour (J Blue not here for this motion but was involved in discussion)

ITEM 9.0 INFORMATION PAPERS

There were no information papers for this agenda.

ITEM 10.0 CORRESPONDENCE

10.1 NZBS Output Agreement 1 July 2019 to 30 June 2020

The NZBS Output Agreement was noted by the Board.

10.2 NZBS audit outcome letter from Auditor-General to Minister of Health – 30 September 2019

The NZBS Audit outcome letter was noted by the Board.

10.3 NZBS letter to Minister Henare re Organ Donation & Related Matters Bill – 4 October 2019

The NZBS letter to Minister Henare was noted by the Board.

10.4 Response letter from Minister Henare re Organ Donation & Related Matters Bill – 15 October 2019

The response letter from Minister Henare was noted by the Board.

10.5 SSC Code of Professional Conduct for Crown Entity Board members letter – 15 October 2019

D Chamberlain suggested that it was worth the Board having a look at the document and feedback to him if they want to make a submission.

The SSC Code of Professional Conduct for Crown Entity Board members letter was noted by the Board.

10.6 Crown Entities Enduring Letter of Expectations – 16 October 2019

The Crown Entities Enduring Letter of Expectations was noted by the Board.

10.7 Letter from DG Health re National Organ Donation Agency – 23 October 201

The letter from DG Health re National Organ Donation Agency was noted by the Board.

ITEM 11.0 GENERAL BUSINESS

There was a brief discussion around our strategy with Maori. S Cliffe noted that it needs to be reinvigorated and will follow up with F Pimm separately.

ITEM 12.0 BOARD MATTERS

12.1 Board Work Programme and Calendar

The NZBS Board Work Programme and Calendar was taken as read.

12.2 NZBS Board Member Tenure Timetable

The NZBS Board Member Tenure Timetable was taken as read.

12.3 Board Meeting Dates and Strategy days 2020

The NZBS Board meeting dates will be confirmed by email.

ITEM 13.0 NEXT MEETING

The next Board meeting will be held in Auckland on Thursday 5 December 2019 with a Board dinner being held on the same evening at One Tree Grill restaurant in Epsom.

J Blue left the meeting at 3.00pm after item 6.4.

Close of Meeting: The meeting closed at 3.35pm.

Certified as a true and correct record:



David Chamberlain – Board Chairman