

NEW ZEALAND BLOOD SERVICE

Minutes – NZBS Board Meeting

Minutes of the NZBS Board

<u>Meeting held at:</u>	New Zealand Blood Service 71 Great South Road Epsom, Auckland
<u>In attendance:</u>	Mr David Chamberlain (Chair) Dr Jackie Blue (Deputy Chair) Dr Bart Baker Ms Fiona Pimm Dr Paula Martin Ms Cathryn Lancaster Mr Ray Lind
<u>Apologies:</u>	None
<u>Management:</u>	Ms Sam Cliffe (CEO) Mr John Harrison (Director Finance)
<u>Board Secretariat:</u>	Vanessa Siddins (Board Secretary)
<u>Date:</u>	27 February 2020

9.00am **BOARD ONLY TIME**

D Chamberlain opened the meeting and asked the Board if they would like to raise anything, in particular if they had any comments on the papers?

D Chamberlain advised he will ask S Cliffe about the makeup of and terms of reference of the Behavioural Criteria Review panel as mentioned in the 5 December 2019 Board meeting.

S Cliffe and J Harrison joined the meeting at 10.00am.

ITEM 1.0 APOLOGIES

There were no apologies for this meeting

ITEM 2.0 INTERESTS REGISTER

2.1 Updates to the Interest Register

P Martin advised that her husband Michael Papesch was no longer the Chair of Kidney Health NZ, he is now only a Board member.

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 – 5 December 2019 Board meeting.

B Baker noted a typo on page 11 and page 26 the name should read Rob Weinkove.

Motion: The presented minutes of the 5 December 2019 Board meeting were accepted with above correction as a true and correct record of that meeting.

Motion by: J Blue

Seconded by: R Lind

Carried: All present in favour

3.2 Confirmation of Minutes – 30 January 2019 Board teleconference.

P Martin noted on page 23 the first sentence, second to last paragraph should be summarised to 'There was further discussion on needing to clarify the timing and process for any capital injection.'

Motion: The presented minutes of the 30 January 2020 NZBS Board meeting were accepted subject the above change as a true and correct record of that meeting.

Motion by: B Baker

Seconded by: F Pimm

Carried: All present in favour

3.3 Schedule of Outstanding Action Items from Previous Meetings

The status of all action items as outlined in agenda item 3.3 were noted.

The following action items were discussed:

- 2.6 S Cliffe noted that if we want to go ahead with a session on cellular therapies with Rob Weinkove we need to agree timing as it's quite a big session and would take some months to arrange. Discussion followed on Malagan Institute and if this will have an impact on NZBS? Currently New Zealand patients are paying privately to go to Australia or US. There could be pressure in the public sector and who would supply for New Zealand. B Baker advised that it's evolving rapidly. Board agreed that we should try and set up a session at the Board education day scheduled for 26 August 2020.

Also noted was a presentation from Sally Thomas on Horizon Scanning. Alternatively, S Cliffe could share the presentation and if the Board want more we could get her over. It was agreed S Cliffe will ask Sally for permission to share her presentation.

- 12.2 Governance Risk Register was covered on 26 February session and can be closed.

D Chamberlain requested that the Health & Safety visits to mobiles and blood banks be re-instated as a standing action item and that he would visit the Auckland Blood Bank.

3.4 Matters Arising (Not Covered Elsewhere)

There were not matters arising

ITEM 4.0 CHAIR'S REPORT

The Chair noted that there had been no correspondence nor phone calls from the Ministry around Board appointments.

ITEM 5.0 CEO REPORT

S.9 (2) (a)

. S Cliffe flew to Wellington on Tuesday, 25 February to spend time with staff. [REDACTED] was an expert

in bargaining and was instrumental in the roll out of our time management system, RATA. We will close the centre if necessary to release staff in Wellington to go to her funeral on Tuesday, 3 March 2020.

S.9 (2) (a) is retiring in a few months' time after celebrating his 50th year work anniversary a few weeks ago. S Cliffe highlighted that his role was always going to be transitional after the restructure of the Executive in 2017. Over this time, his knowledge has been transferred to senior staff in our current structure.

Coronavirus Covid-19

S Cliffe noted we heard yesterday that the Australian Government are going to trigger their pandemic plan. We are very closely linked into the Ministry of Health emergency planning and are following advice from public health officials. Our concerns are around the inability to get donors and the staff that we need to operate. We have also written to all our suppliers around their ability to supply. The impact hasn't hit yet but it will. Discussion followed around the impact and learning from H1N1. It was noted that the NZBS pandemic plan was updated post H1N1. S Cliffe advised that we already have a 28 day deferral for donors returning from China. We are also well linked into the International Blood Services. R Lind commented that the CMO's information sheet to staff was very well written.

CSL Strategic meeting

The CSL process migration will have an impact on our long term Ig users that will need to move from their current products to the new rebranded products produced from the new Privigen facility. The manufacturing method will be different but we already supply products manufactured this way. Our CMO, Sarah Morley will lead communications around this. We can learn from Australia as they are rolling this out first. CSL have confirmed global supply of Ig is becoming more difficult by the day. They can't guarantee supplies into the future but can confirm it's going to become more expensive. Australia now have 50% of paid plasma Ig product from the US. Once the door has been opened to rely on commercial product, even if growth halves, it is still compounding 7% year on year making it near impossible to reverse. NZBS have a good relationship with CSL, who have suggested that we look at a longer term commercial product contract. Our last price increase was 8.9% and is likely to be in this range going forward.

B Baker queried if the process migration will have an impact on yield? S Cliffe responded that CSL either do not know or won't tell us but have told us that they don't think it will be worse and could be better.

Organ Donation – transition of ODNZ

One of the outstanding items is dealing with ADHB around access to their systems noting there is a huge reluctance in dealing with privacy, and level of IT access. We have mapped what they currently use and what ODNZ need.

We now understand where liabilities lie with the Health Sector Transfers Act. We will inherit sick leave and annual leave, however the Holidays Act remediation costs to 30 June will sit with ADHB.

Buddle Findlay feel the MECAs can be resolved by an Order in Council, which would give us comfort.

Funding is still an issue as the \$1.95m per annum we will receive from 1 July 2020 doesn't seem like enough once staff costs are taken out. S Cliffe is happy that the transition money of \$375k will be enough. This is work in progress and we are positive with where it's going. However, this is definitely not enough to improve the service, with the only degree of certainty being how much staff get paid. The team have spent a lot of time building a good working relationship with ODNZ staff.

There was discussion around the funding for ongoing clinical governance. S Cliffe noted that there is a budget bid for announcement in May but the Ministry didn't say how much or what for. When S Cliffe asked as chair of the Project Group, we were clearly refused the information. Other than that, the transition is going as well as can be expected

Plasma metrics

The team have set up a working group to monitor the plasma strategy. S Cliffe suggests she send this direct to the Board after it's been to the Executive.

Industrial Action

NZ Blood Service continues to be in industrial action with APEX, the current action does not allow APEX members to answer phones between 7.00am-7.00pm. This has been extremely frustrating and with APEX industrial action an ongoing situation for over 3 months. Our Christchurch site is most affected with 10 members in the Blood Bank

Holidays Act

NZBS has \$1.5m accrued for the Holidays Act remediation and is considered as accurate as it can be. The first tranche of DHBs have done their analysis (Auckland DHBs) and are not sharing learnings. We have engaged Ernst & Young to assist in the Holiday's Act remediation process. The cost of this work is around \$75k and we will also require extra resource in payroll. We are following the process as defined in the MOU with MBIE and the unions which is a binding agreement.

Behavioural Criteria Review

Different models have emerged internationally with Australia recommending a move to a three month deferral, § 9 (2) (b) (ii). When we undertook the last review in 2013, an independent review panel was established. We have approached a Chair and given suggestions on who could be on the panel which we will support with research and a secretariat. They will make recommendations and come back to this Board and then to Medsafe. We gave the Select Committee an indication 18 months ago that this would be the process. Dr Peter Flanagan will continue to lead the engagement with that group. Further information on the make-up of the panel and draft terms of reference will be available for the March Board meeting. D Chamberlain highlighted that it can be quite time consuming dealing with media on this topic. S Cliffe added that the scope is wider than last time, we are looking at international data and testing post changes. We waited quite wisely and can look at statistics from the UK and Canada. A brief memo will need to go to the Minister. It's unlikely that anything will come out before the end of this calendar year.

J Blue asked if S Cliffe had spoken to lead DHB CEO, Rosemary Clements yet around the price increase? S Cliffe responded that she had not spoken formally yet but given her a heads up and does plan to go in person and visit her in New Plymouth.

Appendix 2 – Information Paper to Minister

The Board had a conversation with Minister Henare back in October when he suggested that we draft an information paper on our crucial role in the Health Sector with our current situation and challenges we are facing. S Cliff followed up with a call to the Ministers office who reiterated that we should write about what we do and raise the challenges. At the January Board meeting and in the last few days we have been getting to the point where we might need to push a stronger message on how things might look if we don't get the funding. Timing is everything but we need to get the right messaging at the right pitch. Our core business is delivering blood and blood products to the people of New Zealand and we can't fail to supply.

Discussion followed on various ways of getting information to Ministers. It was noted that Minister Henare's own personal style is oriented around verbal personal presentations. S Cliffe and D Chamberlain could meet with the Minister and explain verbally, then leave him with a paper. It was thought the information in the paper was excellent but not an easy read. Could we engage an agency such as § 9 (2) (b) (ii) to distil this and make it easier to follow? It was agreed it would be good to get an independent person to look at the paper who doesn't understand the business.

There was further discussion on the unprecedented demand for plasma whereas the demand for whole blood is keeping steady. If we look at plan B we essentially need to make decisions about collections. We will lose our leases in Tauranga and Palmerston North and would need to decide if we replace them without compromising all of our offerings. We would need to protect our network for the foreseeable future. The question was raised, are we sure that if we ask the Government for \$15m that it's enough It was noted we may well need to seek funding later in the year to support future organ donation functions so need to ensure we can provide an overview of other future directions and potential funding needs. J Harrison confirmed that operational requirements that go with the capital injection had been allowed for.

P Martin noted that the Board needs to be clear about exactly what the pressures are that we are seeking funding for and the pros and cons of alternatives that have been considered before making a request to central government. We need to give the Minister an update about the alternatives, but not necessarily put all of that information in paper. We would have to look at non-essential parts of the network. J Harrison can run the different sets of scenarios. S Cliffe also noted that our Plan B price increases would rely on what price we get charged from commercial product. The Minister needs to know what it will cost the nation if we don't do this and have to go to a Plan B. It was highlighted that we could not have anticipated 17% plasma growth, with global trends and commercial product availability not under our control. Along with DHBs giving us unexpected vacate notices on multiple sites. The world is constrained by capacity for fractionation with 80% of commercial supply coming from three countries. We either need to make or buy plasma products, we can't substitute it with chemicals, nor can they be made in a laboratory.

Appendix 3 – Redevelopment Update

D Chamberlain highlighted that the redevelopment of 71 Great South Road started over five years ago. We had looked at a greenfield site, however the most efficient outcome was deemed to be the redevelopment of the current site. It was estimated that it would cost at least \$40m to go for a greenfield site.

S Cliffe noted she was disappointed we ended up with a budget over run, but noted that this is the penalty of working with a 20-year-old building. There were over \$500k of items that we needed to get rectified to gain council consents with the bulk of the variations being with the civil works. One of the biggest expenses we hadn't factored in was our project manager, David Kruger, but we couldn't do the redevelopment without that role. The NZBS Redevelopment Manager manages all contractors, monitors Health & Safety and interfaces the redevelopment works with the operational staff looking to mitigate operational disruption wherever possible.

Stage 3 of the redevelopment is by far the biggest risk as it's very complex. There is now a team working on validation, staging and GMP/regulatory compliance. Everything in the redevelopment is going really well apart from the cost over runs.

There was further discussion around the impact the overrun and its impact on cash flow and working capital. J Harrison advised that the redevelopment timeline had shifted and we would seek an extension of the current MOCL facility to 30 June 2023 before reducing to the original \$8.30m level, effectively aligning with completion of the project. J Harrison has had an initial discussion with the bank. We would also need to seek an extension of capacity under the Master Lease Agreement (MLA), setting it to a higher level than currently approved. The bank would need to be comfortable with that higher level of lending for that longer time period.

Once we have the bank's support we need Ministers approval as it's a change in borrowing arrangements. NZBS cash outlook is ok in the next financial year, but we would need the higher level of MOCL arrangement to get us through all of Stage 3. J Harrison has met with Westpac on the MOCL facility and has a meeting with the asset management division of the bank tomorrow where he will request the MLA to be reset at \$18m. Once we complete each stage we shift the capital spend from the MOCL to the Master Leasing Agreement. Essentially shifting from working capital to a long term funding arrangement.

J Harrison noted that in the financial projections we have allowed for a \$1.3m contingency on Stage 3, sitting across the three years of construction execution. It was clarified that if we receive a \$15m capital injection that we would need to pay a 6% capital charge which has been adjusted in the budget financials.

J Harrison gave his apologies personally to the Board for the over run, but felt it was softened by the quality of the outcome we achieved.

D Chamberlain thanked management for their efforts and expressed understanding and appreciation of the work they were doing.

The Board received and noted the CEO report.

Motion by: R Lind

Seconded by: Fiona

Carried: All present in favour

ITEM 6.0 DECISION PAPERS

6.1 2020/21 Refreshed Budget and 3 Year Outlook

J Harrison took the paper as read and highlighted the funding arrangements built into the financial forecasts. It was pointed out the supply for the BacT machine had changed back to a single supplier and the capital cost had been adjusted to reflect that fact. The adverse event reserve had increased to \$7.0m by 30 June 2024, and the financial guidelines review would need to recommend the dept cap lift to 48%.

J Harrison noted he would bring both The Financial Guideline and Treasury Policy to the March board meeting. Also confirmed no change to FY20-21 planned price increase to the DHBs. In summary J Harrison noted NZBS was planning to undertake a significant workload within this four year time frame.

There was brief discussion around the currency fluctuations with the New Zealand dollar strengthening against the Australian dollar. J Harrison noted the short term forecast is unhelpful as spot rate forecast by June is 0.99, with a long run 0.94 cross rate. Anything north of 90c of the dollar is good in relation to our contract with CSL and is considered a good place to be. J Harrison already has buy orders placed with triggers above 0.96 on the cross rate.

P Martin queried the process for finalising the budget and wanted clarity around what the Board was being asked to approve at this time given the draft budget makes assumptions around a capital injection but the outcome of this is not yet known. J Harrison advised that the budget gets formally approved by the Board at the May meeting once feedback had also been received from the Ministry and Audit NZ. D Chamberlain added that we don't tend to change the figures from this point. J Harrison added that it gets sent to Ministry next week for review and that our Account Manager at the Ministry is aware we will be seeking a capital injection.

It was suggested to be clear and consistent in all documents for the amount we ask for, with a detailed breakdown, and have a good process to work out the number. J Harrison advised that there had been a degree of considered calculation in establishing the \$15.0m figure.

Motion: The Board, approved this draft budget to be included in the draft SPE, noting the SPE financial projections incorporated the assumption of receiving a \$15m capital injection.

Motion by: F Plimm

Seconded by: J Blue

Carried: All present in favour

ITEM 7.0 DISCUSSION PAPERS

7.1 Agreement to Sublease - Lewis Eady Building

J Harrison noted that we are taking office space at the Lewis Eady next door to accommodate a hot desk area for various staff that are de camped for redevelopment and will be used by the ISBT project team when that project commences 1 July 2021.

Motion: The NZBS Board approved the execution of the Agreement to Sublease on the terms outlined and nominated the Chair and Deputy Chair to sign the necessary lease documents on behalf of NZBS.

Motion by: C Lancaster

Seconded by: B Baker

Carried: All present in favour

7.2 Deed of Renewal & Variance of Lease – 44 Lake Road, Takapuna

This paper sets out the renewal of the lease for the existing site in Takapuna, noting refurbishments to expand our capacity are being paid for by the landlord. However, there will be a requirement to temporarily relocate while the work is being done. The fit out is designed for our requirements and the landlord will be recovering the cost from the lease over time. The refurbishment will give us certainty beyond 2021. It was highlighted that the table should read 48 months

Motion: The NZBS Board approved the execution of the deed of renewal and variance of lease the terms outlined and nominated the Chair and Deputy Chair to sign the necessary lease documents on behalf of NZBS.

Motion by: F Pimm

Seconded by: R Lind

Carried: All present in favour

7.3 Deed of Lease Renewal & Rent Review – Tauranga

Note we won't get renewal after this three year extension.

Motion: The Board approved the Deed of Rent Review associated with the premises at 154 – 156 Cameron Road Tauranga wherein the parties agreed a new annual rental of \$85,567.51 with effect from 1 February 2020 and nominated Chair and Deputy Chair to sign the Deed of Rent Review documents on behalf of New Zealand Blood Service.

Motion by: C Lancaster

Seconded by: B Baker

Carried: All present in favour

7.4 Draft Statement of Performance Expectation 2020-2021

S Cliffe noted that there is a certain amount of limbo around organ donation and this is very much a draft paper. The SPE figures are now approved subject to any Ministry feedback. S Cliffe is interested in the Board's opinion on the areas we don't know, ie national agency for organ donation, is it acceptable to put a placeholder in there?

The only change to measures was 1.1, where the wording was changed to make it clearer. This is the first draft, which will come back to the March Board meeting, then we submit it in April for Ministry review. Key assumptions will come back updated in March which match assumptions in J Harrison's budget.

C Lancaster commented that we needed to accept that if there are gaps then that is the reality. S Cliffe agreed that we didn't want these items to get lost and is comfortable to put placeholders in there.

P Martin raised three issues: firstly, the name of the organisation should be updated to our legal name from 1 July 2020. Secondly, the output class, do we have separate output class for organ donation and transplantation functions now, or a placeholder to be determined? Finally, new measures will be needed for the ODNZ functions that are transferring from ADHB but we don't yet have clarity on all those functions to enable us to draft measures.

S Cliffe highlighted that the Ministry were clear with us that even though we have a name change, it is not necessarily on our branding. P Martin felt that our legal name should be on the accountability documents from 1 July 2020. It was suggested that we have a footnote on both documents that this document is New Zealand Blood and Organ Service which continues to trade as New Zealand Blood service until the time we rebrand. P Martin highlighted that rebranding was a regulatory cost and should have been considered when the legislation was being developed. We may need to seek specific funding for rebranding.

S Cliffe highlighted that this is new for the organisation and it was important to get it right. As requested it was noted to take the wording out of the Act and put 'agency responsible for' instead of 'National Agency'.

D Chamberlain requested that the Board emails S Cliffe with any wording changes. V Siddins to email SOI and SPE in Word format so the Board can email back with track changes. D Chamberlain noted that this discussion covered off the SOI as well as SPE

S Cliffe offered that the Board could ring her directly if they wanted to talk it through, and that all suggestions were gratefully received

P Martin queried if the strategic goals in the cover of the SOI were new? S Cliffe clarified that they are précis versions of what was there before.

The Chair acknowledged and received the draft Statement of Performance Expectation and Draft Statement of Intent.

7.5 Draft Statement of Intent 2020-2024

As above.

ITEM 8.0 MONTHLY / REGULAR REPORTS

8.1 Director Finance's Report – Financial Performance – 7 months to 31 January 2020

J Harrison took the paper as read and noted that January was a reasonable month although a little behind first half trendlines with indications that February would be line with budget. Generally the metrics are looking strong with fresh product showing growth, particularly red cells. Ig has dropped back a bit to 14.65% MAT growth. Full year outlook is based on current indications, however the forecast high high spot rate will adversely affect the reported result

J Harrison advised that the Marsh Insurance Global Survey from March 2020 is an interesting read and this was now in the Diligent resource centre in the insurance folder.

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

Motion by: C Lancaster

Seconded by: R Lind

Carried: All present in favour

8.2 Q2 MoH Monitoring Report – 3 Months to 31 December 2019

S Cliffe noted that this is reporting against last year's measures and drew attention to the key highlights from last quarter. J Harrison further noted that we have flagged the need for an equity injection in this document

Motion: The Board received and noted the Q2 MoH Monitoring Report – 3 Months to 31 December 2019

Motion by: R Lind

Seconded by: B Baker

Carried: All present in favour

8.3 Q2 Health & Safety Report – 3 Months to 31 December 2019

S Cliffe advised that the team are trialling different ways of reporting with a deep dive into particular areas. This quarter the focus was on incident management and reporting. There was further discussion if the Board needed this level of detail? S Cliffe explained that it was more about the amount of work generated for the Health & Safety team, it's a huge effort and we are thinking about contracting this out.

F Pimm asked if had any further understanding around fatigue? Are we asking people to work too long? S Cliffe noted that long hours and on call work are a problem and we are taking it very seriously.

Jackie Blue left meeting at 3.00pm

F Pimm felt that if the fatigue is related to our rostering of staff, the Board have to work with management on this and it would be good to have information to get to this level of understanding.

There was discussion on the flu vaccine campaign and if the Ministry had a campaign to link this to Covid-19. S Cliffe advised that there had been no specific guidance from the Ministry. It's generally nurses/collections who don't get vaccinated. This year we are training our own nurses to be vaccinators. The best uptake of vaccinations is in the Blood Banks as it's very convenient for them.

Motion: The Board received and noted the Q2 Health & Safety Report – 3 Months to 31 December 2019

Motion by: B Baker

Seconded by: F Pimm

Carried: All present in favour

8.4 Q2 Board Expenditure Overview – 3 Months to 31 December 2019

The Chair received and noted the Q2 Board Expenditure Overview – 3 Months to 31 December 2019

ITEM 9.0 INFORMATION PAPERS

9.1 Contracts & Leases Register

The Contracts and Leases register was provided for information to the Board and was received and noted by the Chair.

ITEM 10.0 CORRESPONDENCE

10.1 MoH letter – Process and timelines for SOI and SPE 2020-2021

This letter was noted by the Board.

10.2 SSC letter – Consultation on revised Government Expectations on Employment Relations – 15.01.20

This letter was noted by the Board.

10.3 MoH letter – Proposal to transfer assets & liabilities under the Health Sector (Transfers) Act – 27.01.20

This letter was noted by the Board.

ITEM 11.0 GENERAL BUSINESS

S Cliffe advised that Minister Henare has agreed to 'open' the new donor floor on Thursday, 23 April 2020

ITEM 12.0 BOARD MATTERS

12.1 Board Work Programme and Calendar 2019

The NZBS Board Work Programme and Calendar 2020 was taken as read.

12.2 NZBS Board Member Tenure Timetable

The NZBS Board Member Tenure Timetable was taken as read.

ITEM 13.0 NEXT MEETING

The next Board meeting will be on 26 March 2019 at 71 Great South Road, Epsom, Auckland.

Close of Meeting: The meeting closed at 3.30pm.

Certified as a true and correct record:



David Chamberlain – Board Chairman