

NEW ZEALAND BLOOD SERVICE

Minutes – NZBS Board Video Conference

Minutes of the NZBS Board

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

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

Apologies: None

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

Board Secretariat: Vanessa Siddins (Board Secretary)

Date: 26 March 2020

Sarah Morley, CMO jointed the meeting at 9.30am

ITEM 1.0 APOLOGIES

There were no apologies for this meeting.

ITEM 2.0 INTERESTS REGISTER

2.1 Updates to the Interest Register

There were no updates to the interest register for any items on the agenda.

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 – 27 February 2020 Board meeting.

D Chamberlain and P Martin noted that they had some changes and it was agreed that D Chamberlain would liaise with P Martin then circulate these changes to the Board after the meeting and confirm them by an email approval process.

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:

- 2.6 S Cliffe noted that she had not progressed this item on presentations for future thinking having been overtaken by recent COVID-19 events.
- 5.2 The Adverse Fractionation Event policy will be further discussed in item 6.2 Financial Guidelines policy review.

3.4 Matters Arising from the Minutes (not covered elsewhere)

There were no matters arising.

ITEM 4.0 CHAIRMAN'S REPORT

Nothing to report.

ITEM 5.0 CEO's REPORT

COVID-19 Pandemic update

S Cliffe advised the situation had moved rapidly from the last update to the Board. A NZBS emergency response team had been activated using a Coordinated Incident Management System (CIMS) structure. There had been a huge amount of information circulating, and the last 48hrs had been challenging for the team to get clarity, particularly around staff issues.

There are multiple pieces of work underway and S Cliffe was focusing on staffing issues, keeping staff safe and well informed. There are a number of roles that are critical but not clinical where the majority of staff are working from home, eg Finance and Payroll teams with staff only coming into the office when necessary. There have been a number of concerns about the virus from staff within front line services. A lot of safety measures have already been put place in the last 48 hours to reassure staff they are safe. We are working within the MoH advice to ensure appropriate measures are in place, eg PPE. There has been a helpline set up for staff and we are adapting a basic version of the intranet to be available for staff at home. Management feel comfortable where the organisation is today, but this may change.

It has been a good week however issues are well down. There have been some challenges with mobiles where a number of venues have now become out of bounds for us. Work has been done around the mobile schedules, although they will look different, with a lot of attention now being put on the hub sites. The effort made by the emergency response team and others should not be underestimated and staff continue to work calmly and efficiently.

S Morley commented that the organisation was in an interesting position, particularly with the scaling back in staff when we anticipated this would be a time when we should be scaling up. The key issue being blood supply, NZBS currently have a reasonable number of donors and continue to collect all required products. However, we do need to plan for the possibility of deciding which are our core products, these generally are: red blood cells, platelets, and fresh plasma that we use in an emergency situation.

The question was raised around which products may be used for patients who are unwell with COVID-19. S Morley responded that there would be some increase in the use of red cells along with higher use of platelets and plasma for clotting disorders. Together with the key products we need to preserve, there is another group of patients that require other stocks which we hold two month's supply, eg pregnant woman, babies. The challenge could be with moving stock around the country if we don't have the usual logistics in place.

There was further discussion around the availability of a test for anti-bodies in blood? S Morley advised that in research labs, tests are actively being developed, with the UK and China already doing some testing. There is no evidence we need

to introduce this into our testing regime. The main use of antibody screening would be to help with the wider management of COVID-19.

S Cliffe advised that the organisation was currently under control although none of us know how long this pandemic is going to go on for. We have models of what critical teams and financial matters would look like. We may know what the scenarios might look like, however dealing with them would be more challenging.

S Morley left the meeting at 10.00am.

Financial consequences

J Harrison and the Finance team have been scenario planning noting that additional working capital was required for extra consumable stocks to build a safety buffer for key elements of the supply chain. NZBS is planning to order additional Privigen out of the ordering cycle as a risk mitigation if we can't keep up with our Ig product demand.

NZBS has or is planning to commit an additional \$3.5m in additional stock initiatives consisting of \$1m for consumables and \$2.5m for Privigen. The initial assumption is that the main impact will be on fresh products and blood bank testing. S Morley had advised J Harrison there was the likelihood of a 30% reduction if all electives were cancelled across all DHBs. However as of yesterday there had been strong issues for products and services. A big component of sales (67%) for March is fractionated product and primarily Ig product within that category.

An updated forecast prepared in normal times would have indicated a \$2.7m deficit by 30 June, however we are currently looking at a \$7m deficit. Available liquidity as 30 June was forecast at \$7.8m in 'normal times' but would drop to \$4.1m under Covid-19 assumptions. The conclusion was NZBS would see a depletion in cash reserves that based on certain payment timing eg CSL Behring, would further deplete cash reserves in Q1 of 2020/21. The organisation will not be able to sustain itself and would need to ask the Crown for financial assistance in 2020/21.

D Chamberlain noted that a \$7m loss by 30 June 2020 puts the organisation in a delicate position. Consequently, if we approach Government to request financial support, this needs to tie into the capital injection paper to the Minister, the Statement of Intent (SOI) and Statement of Performance Expectation (SPE). S Cliffe noted that she had contacted our Ministry of Health account manager Peter Jane to ask what this will look like for the SPE and SOI. She was advised that Treasury and the State Services Commission are doing something for all of Government. Our finance team are forecasting worst case scenarios using the current best advice. We need to signal this through our current channels however we are not asking expressly for financial assistance at this point.

It is not going to be appropriate to put the capital paper to Minister Henare at this time and the implications financially need to be considered carefully. Our core function now is safety of the blood supply.

There was discussion around the need to document the different financial scenarios. Peter Jane, is the right place to start, and the CFO at the Ministry will be well aware of the issues as other Government departments work on the same cost recovery basis. We need to make sure we are part of the process sooner rather than later. S Cliffe noted that Peter Jane is well aware of our situation and had helped hugely over the last 24 hours.

Paper for Minister Henare re Equity Injection

D Chamberlain advised the Board that P Martin had sent him some suggested changes, they will take this offline and progress. S Cliffe noted that Government communication specialist **S.9 (2) (a)** had done a good job and felt there were not too many changes needed. F Pimm didn't feel that chronic care came through strongly, products are needed day to day for some people.

The Board received and noted the CEO report and appendices.

Motion by: F Pimm

Seconded by: B Baker

Carried: All present in favour

ITEM 6.0 DECISION PAPERS

6.1 Fraud Policy – annual review

J Harrison noted there were only minor changes to this review of the Fraud policy.

Motion: The NZBS Board approved the changes as presented to the New Zealand Blood Service Fraud policy.

Motion by: F Pimm

Seconded by: B Baker

Carried: All present in favour

6.2 Financial Guidelines – annual review

Clarifying the use of the Adverse Events Reserve

J Harrison highlighted that whilst reviewing the Financial Guidelines policy, he noted in section 8.8 *Major Adverse Financial Events* it referenced an 'unplanned adverse event' which is a much broader application than just an adverse fractionation event. The Adverse Fractionation Events policy as worded is very specific to adverse fractionation events. He suggested NZBS needed to reposition it to being an Adverse Events policy with a broader view of policy application. The Covid-19 pandemic was considered an adverse event and if the Board were comfortable then NZBS could apply adverse event reserve monies to this situation. If the Board were comfortable that broader access to the reserve was appropriate, J Harrison would bring to the May Board meeting appropriate amendments to the policy, making it clear the broader extent of policy application.

Discussion followed around the process to trigger the policy if the wording is changed. J Harrison noted NZBS had \$7.0m currently on term deposit of which \$3.0m, would be used by 30 June 2020 and the balance of \$4.0m likely required in Q1 of 2020/21 at which point NZBS would need to seek Crown assistance to restore depleted financial reserves.

D Chamberlain summarised that the organisation has some costs which are mostly staff and infrastructure costs that if we suffer a 30% reduction in fresh product sales, the drop in revenue combined with working capital actions would adversely financial reserves. Once we are past 30 June 2020 NZBS will potentially need to draw on the \$4.0m reserve.

The policy application would be triggered on a case by case basis and it would be the Board's decision to make, if and when the reserve was used. J Harrison added that the current policy acknowledges this represents self-insurance so NZBS does not go to the Crown earlier than absolutely needed. Only once the reserve was exhausted or forecast to be exhausted, would NZBS seek financial Crown financial assistance. Communications to the Ministry with financial implications should reference what the organisation's financial reserves are and when they are forecast to be used. The expectation is the reserve would be re-instated as it's a key financial risk policy.

D Chamberlain commented that changes in the Financial Guidelines policy don't need to reflect the above, the Adverse Fractionation Events policy will come back to the May Board meeting as per the annual review process. J Harrison will make the necessary changes for the Board to review at that meeting. There was acknowledgement from Board that at this stage the reserve was broader than just for adverse fractionation events.

It was noted that the Adverse Fractionation Events policy would be reviewed in May and will include noting the process on how the fund would be replenished if funds had been applied. J Harrison reiterated that it was intended the organisation would always have some resilience built into the balance sheet financial position. The interaction of All of Government (AoG) support may have a bearing on how we go forward in the future.

D Chamberlain noted that J Harrison's COVID-19 pandemic financial implications briefing paper incorporating the 30% reduction in the forecast, indicating we can operate to 30 June 2020 without Crown assistance would be circulated to the Board.

Motion: That the Board:

1. reviewed the Financial Guidelines policy with the changes as presented and approved the amended policy document.
2. Acknowledged the intent of the Adverse Fractionation Events policy was always an adverse events policy and could be applied in a situation such as being faced with the COVID-19 pandemic. This Adverse Events policy will come back to May Board meeting.
3. Confirmed the Debt level ratio cap be lifted from 45.0% to 48.0%
4. authorised management to provide a copy of the amended Financial Guidelines policy to the Ministry of Health in compliance with the Minister of Health's stipulated requirement - letter of 29 July 2013.

Motion by: R Lind

Seconded by: F Pimm

Carried: All present in favour

6.3 Treasury Policy – annual review

J Harrison advised that the current financial metrics are now aligned in the revised policy and highlighted the historic rate rollover clause as required from the December 2019 Board meeting. It was further noted that Bancorp would be reappointed for the next 12 months. All other changes were minor.

Motion: That the Board:

1. reviewed the updated Treasury Policy noting the recommended changes as marked-up and approved the updated Treasury Policy.
2. confirmed, based on management recommendation, the reappointment of Bancorp Treasury Services for a further 12 month term to 30 June 2021, as the treasury advisor to New Zealand Blood Service.

Motion by: J Blue

Seconded by: C Lancaster

Carried: All present in favour

ITEM 7.0 DISCUSSION PAPERS

7.1 Statement of Performance Expectation (SPE)

S Cliffe was advised by the Ministry of Health this morning that guidance will be sent today or tomorrow on the SOI and SPE. There needs to be clarity around ODNZ and national agency as they will likely be on hold. The recommendation is to wait for a couple of days, or send what we have with a caveat. The decision was to wait for advice and S Cliffe would circulate once we have been advised.

7.2 Statement of Intent (SOI)

As above.

ITEM 8.0 GENERAL BUSINESS

S Cliffe noted that she continues to liaise with the Ministry of Health and Auckland DHB around ODNZ and the development of the national agency for organ donation.

The redevelopment of 71 Great South Road has been paused effective 25 March 2020. J Harrison noted that a knock-on effect of this will be with the Waikato processing move to Auckland. It was further noted that the Waikato relocation work was also on pause.

D Chamberlain advised that the Board was supportive of management leading the organisation through these difficult times. S Cliffe added that it had not been easy and the future will be very challenging. This organisation had made its crisis response plans as well as it could at this stage.

ITEM 9.0 NEXT MEETING

The next Board meeting will be on Thursday, 28 May 2020 at 71 Great South Road, Epsom or by video conference.

Close of Meeting: The meeting closed at 10.50am.

Certified as a true and correct record:



David Chamberlain – Board Chairman

Note: digital signature used as these minutes were approved in the May Board video conference.