

Part Six

Our finances



Part Six provides an overview of the NBA's financial position in 2007–08, including a summary of the resources used to deliver objectives.

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6.1 Summary resource table

The total value of National Blood Authority (NBA) outputs in 2007–08 was \$5.9 million. Table 6.1 summarises the resources used to deliver the NBA's output in 2007–08. Total administered expenses variance of \$22.3 million is mainly due to the capital payment for the ARCBS being rolled over from 2006–07 to 2007–08 in accordance with the agreement,

and additional demand for FEIBA, Recombinant Factor VIII and IVIg. The variance of \$0.194 million for departmental price of outputs relates to additional section 31 revenue recognition in 2007–08. Staffing levels are over budget due to contractors being established as non-ongoing employees on the NBA payroll system.

Table 6.1 Total resources for Outcome 1 (\$ k), 2007–08

	(1) Actual 2007–08 (\$'000)	(2) Budget 2007–08 (\$'000)	Variation (1)–(2) (\$'000)	Budget 2007–08 (\$'000)
ADMINISTERED EXPENSES				
Grants	385 029	395 983	(10 954)	368 108
Suppliers	340 322	307 114	33 208	304 614
TOTAL ADMINISTERED EXPENSES	725 351	703 097	22 254	672 722
Output 1: Manage and coordinate Australia's blood supply in accordance with the National Blood Agreement agreed by the Australian Government, States and Territories.	9 021	10 207	(1 186)	10 118
Revenue from Government (Appropriation) for Departmental Outputs	5 993	5 993	–	6 021
Revenue from Other Sources	4 408	4 214	194	4 097
TOTAL DEPARTMENTAL PRICE OF OUTPUTS	10 401	10 207	194	10 118
TOTAL FOR OUTCOME 1 (Total Price of Outputs and Administered Expenses)	735 752	713 304	22 448	682 840
STAFFING	49	40 (a)	9	39 (b)

(a) This column shows the full year budget including additional and supplementary estimates.

(b) This column shows the budget estimates prior to additional estimates.

6.2 Purchasing

The NBA adheres to the principles of the *Commonwealth Procurement Guidelines and Best Practice Guidance* when undertaking procurement. The guidelines are applied to the NBA's activities through the Chief Executive's and management instructions and key business processes (KBP).

As one of the NBA's key functions — to procure blood and blood-related products — the NBA has developed KBPs to ensure that all procedures and processes are documented and followed. This year the NBA developed and implemented a non-blood procurement KBP to be used by staff when procuring non-blood product goods and services. The NBA internal auditor has over the last three years, completed a number of audit programs that tested this process within the NBA to ensure that it meets government policy and better practice. The audit findings were consistently favourable in complying with mandatory processes and offered the NBA some improvement opportunities to deliver an optimal process for the future. The findings are being implemented. The KBP will be continually reviewed and refined as part of the NBA's own requirement for continual improvement in the management of its core business functions.

The NBA completed a number of open source procurements during 2007–08 in line with the annual procurement plan. The key procurements for 2007–08 were arrangements for:

- Provision of software and management solution for operation of the Australian Bleeding Disorders Registry (ABDR)
- Standing Offer Arrangements for the supply of diagnostic reagents
- Third Party Review of the Australian Red Cross Blood Service's governance arrangements
- Third Party Review of the Distribution Arrangements for Blood Products

The NBA has outsourced all air travel bookings. As part of our service delivery requirements with our provider, the NBA requires 'best fare of the day' when procuring air travel for all NBA employees. As part of the Australian Government requirements, the NBA is also required to set a minimum smaller airlines use of 25% on the Canberra-Sydney route for officers undertaking official air travel.

The NBA administered no discretionary grants during 2007–08.

Exempt contracts

The Chief Executive Officer did not issue any exemptions from the required publication of any contract or standing offer in the *Purchasing and Disposal Gazette* during 2007–08.

- Standing Offer Arrangement for the Supply of Imported Intravenous Immunoglobulin (IVIg)

6.3 Competitive tendering and contracting

There were no contracts let in 2007–08 of \$100 000 or more (inclusive of GST) that did not provide for the Auditor-General to have access to the contractor's premises.

6.4 Asset management

Physical assets are not a significant aspect of the NBA's strategic management. An asset replacement strategy has been developed by the NBA to ensure that it has adequate funding in place for the replacement of assets as these come to the end of their useful lives.

6.5 Advertising and market research

During 2007–08, the total expenditure for payments over \$10 300 on all advertising, market research and direct mail services amounted to \$36 938. The expenditure for advertising, market research and direct mailing services reported in 2006–07 was \$38 090.

Details of total payments of \$10 300 and above, as required under section 311A of the *Commonwealth Electoral Act 1918*, are contained in Table 6.2. All amounts are GST inclusive.

Table 6.2 Total expenditure for payments over \$10 300 on advertising, market research and direct mailing services, 2007–08

Organisation	Purpose	Expenditure (\$)
HMA Blaze Pty Ltd	Advertising	6 797
National Mailing & Marketing Pty Ltd	Direct Mail Service	16 880
HMA Blaze Pty Ltd	Recruitment Advertising	13 261
Total expenditure for payments over \$10 300 (GST inclusive)		36 938

Note: All amounts are GST inclusive.

6.6 Consultants

In 2007–08, nine new consultancy contracts were entered into involving total actual expenditure of \$346 110 (GST inclusive). In addition, eight ongoing consultancy contracts were active during the 2007–08 year, involving total actual expenditure of \$1 277 971 (GST inclusive).

The policies and procedures for selecting consultants, and approving the required expenditure, are set out in Chief Executive and management instructions and KBP. These processes adhere to the principles of the *Commonwealth Procurement Guidelines and Best Practice Guidance*.

A suite of standard form contracts has been developed for use by NBA staff in setting up

most of its consultancies. Where necessary, these standard form documents are adapted by the NBA to suit individual circumstances.

Table 6.3 shows total expenditure on all consultancy services by year, covering both new contracts let in the applicable year and ongoing contracts let in previous years.

Table 6.4 provides details of consultancy contracts let by the NBA in 2007–08 and the value of the contract over its entire life.

Contracts with a value of less than \$10 000 have not been included, in line with annual reporting requirements of the Joint Committee of Public Accounts and Audit.

Table 6.3 Total expenditure on consultancy services, 2005–06 to 2007–08

2007–08		2006–07		2005–06	
No. Let	Total expenditure on new and existing consultancies (\$)	No. Let	Total expenditure on new and existing consultancies (\$)	No. Let	Total expenditure on new and existing consultancies (\$)
9	1 624 081	7	582 366	13	754 304

Table 6.4 Consultancy services of \$10 000 or more, 2007–08

Consultant Name	Description	Contract price (GST incl)	Selection Process	Justification
Datum Point Pty Ltd	The procurement of contract services for the evaluation of Octoplas, a submission under Schedule 4 of the National Blood Agreement	133 861.99	Open Tender	A
University of Technology Sydney – Centre for Health Economic Research and Evaluation (CHERE)	The procurement of Contract services for the development of the Evaluation Framework and Methodology for the Assessment of National Blood Supply Change Proposals	108 845.00	Open Tender	A
Cordelta Pty Ltd	For the procurement of specialist technical advice to the National Blood Authority on system development activities	50 000.00	Restricted Source	B
The Loch Group Pty Limited	Consultancy services for an independent member of the National Blood Authority's Audit Committee	19 800.00	Direct Sourcing	B
Morison Consulting Pty Ltd	Consultancy services for an independent member of the National Blood Authority's Audit Committee	22 000.00	Direct Sourcing	B
Blake Dawson Waldron	Legal advice and services for NBA data projects	130 000.00	Restricted Source	C
Oakton Services Pty Ltd	Provision of contract services	27 500.00	Direct Sourcing	C
WalterTurnbull Pty Ltd	Provision of Fraud Control Services	25 567.50	Restricted Source	B
DLA Phillips Fox	Provision of legal advice and services	14 102.00	Open Tender	C

a Explanation of selection process terms:

Open tender: A procurement procedure in which a request for tender is published inviting all businesses that satisfy the conditions for participation to submit tenders.

Select tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders in accordance with the mandatory procurement procedures.

Direct sourcing: A procurement process, available only under certain defined circumstances, in which an agency may contact a single potential supplier or suppliers of its choice and for which conditions for direct sourcing apply under the mandatory procurement procedures.

b Justification for decision to use consultancy:

A — requirement for specialist expertise not available within the NBA

B — requirement for independence considered essential

C — Requirement for skills currently unavailable within the NBA.

Note: All figures are GST inclusive

6.7 Financial Management

The financial management of the NBA's budget is driven by both our responsibilities and our resource structure. As a material statutory agency, the NBA has a range of corporate and compliance responsibilities under the *National Blood Authority Act 2003*, the *Financial Management and Accountability Act 1997*, the *Public Service Act 1999* and a range of ministerial, parliamentary and financial reporting requirements.

Funding

The NBA is funded 63% by the Australian Government and 37% by the state and territory governments (the jurisdictions). The funding is for both the national blood supply and the operations of the NBA. All jurisdictions must approve any changes in the supply plan for products used in the blood sector, new products and initiatives and any change in resources for the NBA. Once agreement is reached by the jurisdictions, they must then seek agreement for the funds from their individual treasury or finance departments. Budgets related to these funding requests must then be approved by the AHMC. Once agreement is provided the funding request must be implemented and performance monitored.

The functions of the NBA are outlined in the *National Blood Authority Act 2003* and the National Blood Agreement.

The NBA also received funding for a range of one-off investments to establish in particular, the data and system infrastructure that will be required to drive and inform strategies for demand management. The first stage of this process was the implementation of the Integrated Data Management System (IDMS) that went live 30 June 2008.

The NBA has a number of key initiatives underway that will enable the NBA to meet all legislated and mandated requirements and to drive demand management strategies to influence the rate of growth of administered outlays. In 2007–08, the delay in some of these projects was due to delays in recruiting, other priorities and the lack of key resources to drive some of the projects. The NBA is also redeveloping the Australian Bleeding Disorders Registry (ABDR) and this is expected to go live later in 2008. Further work continues on data strategy and systems that may be required to capture sector data to inform the clinical community.

Overview of financial performance in 2007–08

This section provides a summary of the NBA's financial performance for 2007–08.

Departmental and administered results are shown in the audited financial statements, and this summary should be read in conjunction with those statements.

Audit report

The NBA received an unqualified audit report for 2007–08, with no more than category 'C' findings.

Operating result

The NBA's Income Statement reports an operating surplus for 2007–08 of \$1.38 million (in 2006–07 a \$1.166 million operating surplus was reported).

Table 6.5 shows the NBA's key results for the financial years 2006–07 and 2007–08.

Table 6.5 Key results in financial performance

	2007-08 \$'000	2006-07 \$'000	Movement (per cent)
Contributions from the Australian Government	6 107	6 161	-1%
Contributions from States and Territories and Other Revenue	4 294	4 064	6%
Total Revenue	10 401	10 225	2%
Employee Expenses	5 826	5 712	2%
Supplier Expenses	2 621	2 941	-11%
Other Expenses	574	406	41%
Total Expenses	9 021	9 059	0%
Operating Result	1 380	1 166	18%

Special accounts

The NBA manages the National Blood Accounts and National Managed Fund Special Account.

The NBA was established on 1 July 2003 with the principal role of managing the national blood arrangements, ensuring sufficient supply and to provide a new focus on the quality and appropriate use of blood and blood-related products. The funding for blood and blood-related products are funded from a special account (the National Blood Account) established under Section 40 of the *National Blood Authority Act 2003*. The NBA's activities contributing to its outcome are classified as either departmental or administered expenses. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled by the agency in its own right, that is, for the operations of the NBA. Administered activities involve the management or oversight by the NBA on behalf of the government of activities and expenses controlled or incurred by Australian governments; mainly procurement of the products and services that make up the blood supply.

The National Managed Fund (Blood and Blood Products) Special Account, established under Section 20 of the *Financial Management and Accountability Act 1997*, was set up for the purpose of receipting monies and payment of all expenditure related to the management of blood and blood-related products liability claims against the Australian Red Cross Society in relation to the activities undertaken by the operating division of the Society known as the Australian Red Cross Blood Service (ARCBS). Contributions to the Account include annual funding from all governments and the ARCBS and special account interest from the Australian Government.

Income statement

Revenue

Total revenue received in 2007–08 was \$10.401 million, made up of \$5.993 million from appropriations for outputs, \$0.114 million from resources received free of charge, \$4.294 million from contributions received from states and territories. This represented an increase of \$0.176 million over the revenue for 2006–07.

Revenue from other sources are contributions received under the net appropriation instrument (S31 receipts) arising from officers transferring from other agencies and part receipt of insurance compensation following flood damage to the NBA premises in February 2007.

Expenses

The NBA's expenses for 2007–08 were \$0.038 million less than 2006–07.

Balance sheet

Assets

The NBA's assets may be divided into four main categories:

- cash
- infrastructure, plant and equipment
- intangibles (nonphysical assets such as software)
- receivables (amounts due to be paid to the NBA).

The proportions of each category of asset held during 2007–08 are illustrated in Figure 6.1.

The NBA had \$0.063 million in cash as at 30 June 2008. The cash balance is the minimum required to be held in the NBA bank account at the end of each month.

Funds received from all jurisdictions are swept into the Official Public Account held by the Department of Finance and Administration. Under the NBA special account, this is recorded as appropriation receivable and represents 74% of our asset base. The funds have been set aside to enable the NBA to implement key IT projects and consultancies on the quality and appropriate use of products in Australia. 2008–09 should see the NBA further utilise this funding.

The NBA's total assets increased from \$10.6 million in 2006–07 to \$11.9 million in 2007–08. This increase was due to increased intangibles as a result of the IT implementation undertaken in the NBA.

Liabilities

The NBA's total liabilities decreased by \$0.266 million to \$5.1 million, down from \$5.3 million in 2006–07.

Administered items

The NBA is funded by states and territories and the Australian Government for the supply of blood and blood-related products in Australia. The total funding received for 2007–08 is depicted in Figure 6.2.

Administered expenses

Table 6.6 provides for comparison between the NBA's administered expenses in 2007–08 and 2006–07.

Administered expenses in 2007–08 have increased over 2006–07 due to increased demand for most products and a change in mix of product issued.

Table 6.6 Key results of administered expenses

Administered Expense	2007–08 \$'000	2006–07 \$'000	Movement (per cent)
Grants to the Private Sector – Non Profit Organisation	385 029	305 770	26%
Rendering of goods and services – external entities	340 322	303 080	12%
Total Administered expenses	725 351	608 850	19%

Figure 6.1 Composition of NBA assets at 30 June 2008

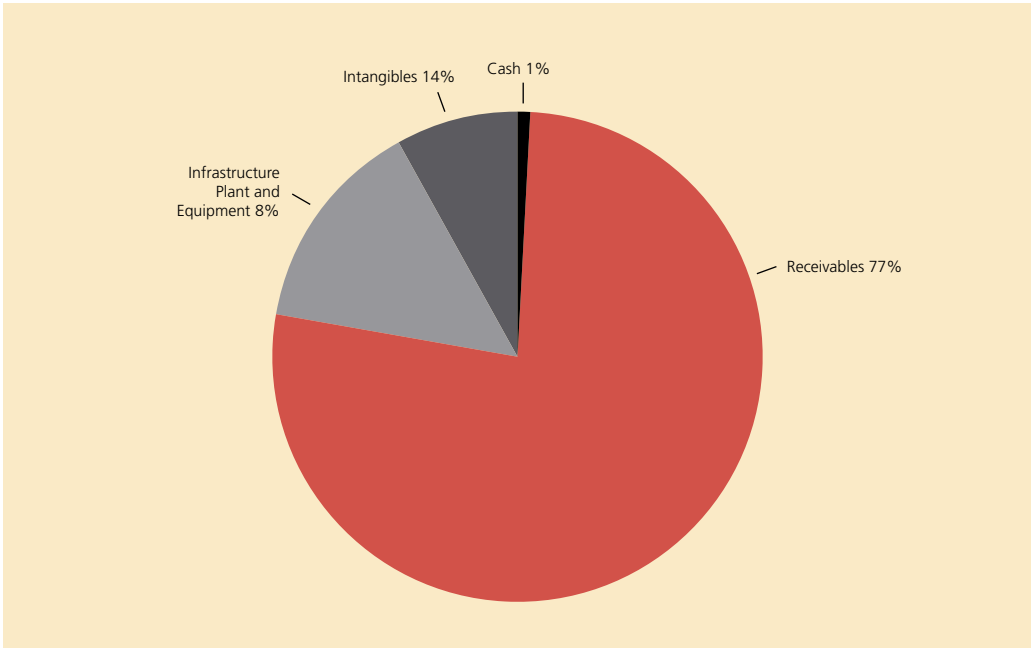
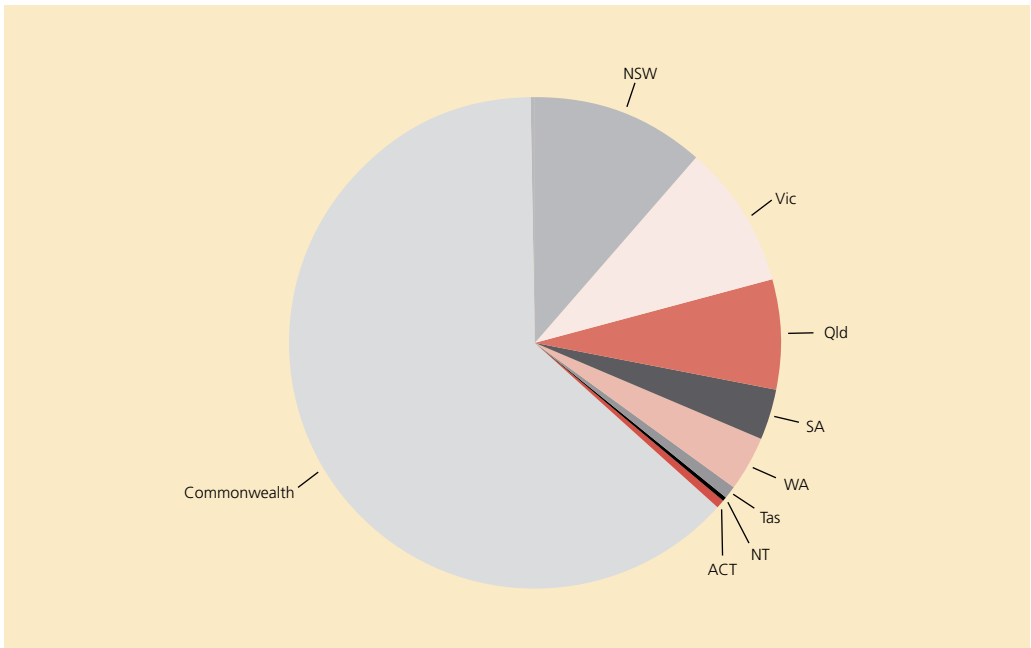


Figure 6.2 Composition of contributions from all governments, 2007–08



Administered assets

Administered assets are comprised of inventory held for distribution, including the National Reserve of blood products, and Receivables. The decrease in Administered Assets of \$12.5 million in 2007–08 over 2006–07 is due to a decrease in Inventories held by the NBA through the recognition of plasma derived products held by the ARCBS and a prepayment of supplier costs. Receivables for the end of 2007–08 increased by \$2.1 million and related to an increase in GST receivable from the Australian Taxation Office due to an increase in supplier expense accruals at year end.

Inventories decreased by \$4.9 million and are under the control of the NBA but held by a major supplier and managed by them on behalf of the NBA.

The NBA has no Administered prepayments for 2007–08.

Administered liabilities

Administered liabilities are comprised of accrued expenses, creditors (suppliers) and unearned revenue. There was a decrease of \$10.7 million in liabilities in 2007–08 over 2006–07. Supplier liabilities increased by \$6.2 million due increased demand in 2007–08.

Unearned revenue decreased by \$16.9 million in 2007–08, this is due to funding received from jurisdictions being held over until 2008–09.