

**NHSBT Board Meeting**  
29 March 2018

## **NHSBT Budget 2018/19**

- 1. Status – Public**
- 2. Executive Summary**

The NHSBT income envelope is established by:

- The prices and volumes agreed with the National Commissioning Group for Blood (covering Blood and DTS)
- Programme funding provided by the four UK Health Departments (mostly for ODT - plus DH&SC funding for the UK Stem Cell strategy).

Detailed cost budgets for 2018/19 have now been generated. The outcome is positive in that:

- ODT and DTS are fully funded and continue to be in a sound financial position
- Additional cost savings of around £5m have been generated in support of blood prices, over and above existing plans.
- The positive outcome in 2018/19 has reduced (but not removed) the pressure on blood prices that would otherwise have been required in 2019/20 onwards.

At this stage the budget assumes:

- A 1% pay increase. This will be amended once the final settlement is announced and will require that the budget is re-issued. A higher settlement can be funded and the impact thereof (up to 2%) is accounted for within our five-year planning projections. NHSBT will incur a net cash outflow of £32.8m on CSM in 2018/19. This level of outflow is now very unlikely and will be subject to the revised approach to CSM that will be presented to the NHSBT Board in March.

Subject to the above an overall **income/expenditure deficit for NHSBT of £14.2m is generated in 2018/9**. The deficit is driven by the expenditure on CSM and will be funded through cash reserves.

In **ODT** there is a further transformation fund of £5.7m (as part of a net zero surplus/deficit planning position). This will be utilised to fund, as a minimum, the Year 4 business case for the ODT Hub, the associated Donorpath investment and ongoing behavioural change campaigning. It will also cover any increased pay settlement in excess of 1%.

Further analysis of the budget, and the impact on the 5 year plan for Blood will be presented at the March Board meeting.

### 3. Action Requested

**The Board is asked to approve the NHSBT budget for 2018/19 whilst noting the caveats and further actions described. A further update will be provided in May to reflect the NHS pay settlement and the impact of the revised approach to CSM.**

### 4. Budget Content / Outcome

A detailed cost budget for 2018/19 has now been prepared. The following should be noted:

- The budget for **Blood** is based on the current red cell demand forecast of 1.390million units. This is lower than the latest demand forecast of 1.398million units (which is also the demand level assumed for NCG). Prices are protected to a volume of 1.370 million units via the 2% demand reduction reserve.
- The transformation programme in 2018/19 (in Blood/Group) assumes a total (non-recurring) spend of £32.7m driven by a cost of £20.9m for CSM (plus recurring costs of £1.9m). This drives the **planned I&E deficit for NHSBT of £14.2m**. The spend on CSM is now anticipated to be much less than currently assumed. The budget will therefore be re-set to reflect the revised CSM plan agreed post the March Board meeting. The revised budget will also reflect the final pay settlement once this has been announced.
- We will end 2017/18 with a cash balance in excess of £30m. This will fund the planned 2018/19 deficit above, with excess cash, carried over for future phases of the transformation plan. As noted below, post a decision on the revised approach to CSM an extensive re-planning exercise will be required over the period April to September 2019.
- The budget in **Diagnostics and Therapeutic Services** is balanced and assumes an increase in DTS sales income of 4.4% over the 2017/18 forecast. Growth is mostly driven by
  - 6% growth in TES (mostly corneas/ocular, plus processed bone and tendon, offset by decline in skin)
  - 6% growth in TAS (ECP volumes and Anthony Nolan collection)
  - 9% growth in Cellular and Molecular TherapiesThe income budget also assumes growth of 4% in SC-DT and, along with TES (especially re skin, tendon, bone), represents the primary risk to delivery of the income target.
- The DTS budget assumes cost growth 5.3% (including a net increase of 14 WTEs). This results in a £1m growth of contribution versus 2017/18 budget and has essentially been retained as a transformation fund within the 2018/19 budget. The budget also assumes £4.2m of core programme funding from the DH&SC in support of the UK Stem

Cell Forum Strategy (plus an additional £0.6m for cord blood banking support).

- The budget for **Organ Donation and Transplantation** is also balanced assuming ongoing flat funding from all of the four UK Governments. Given the financial challenges facing the NHS we remain extremely grateful for the continued financial support that is being provided.
- The planned activity levels in ODT can therefore continue to be funded and generates a £5.7m transformation fund. This will fund as a minimum the Year 4 business case for the ODT Hub (£3.3m), £0.5m for the associated Donorpath investment, a further £1.2m for behavioural change campaigning (in England) and it will also cover any additional pay settlement over 1%. As part of the funding provided by the DH&SC NHSBT is required to fund the BAME donation campaign that was announced last year and, although the scope and cost of this is yet to be agreed, NHSBT should have the capacity to do so.
- A **capital budget** of £13.8m in 2018/19 has been submitted to the DH&SC (versus planned £6.5m spend in 2017/18). This is sufficient to fund all current refurbishment and investment plans and includes carried forward spending from 2017/18 of approximately £0.5m. The increased budget reflects inclusion of £1.8m for the proposed Filton extension, to accommodate the relocation of the CBC from Langford, and £5.0m for the new Barnsley Centre.

<b>2018/19 Capital Budget</b>	<b>£m</b>
Minor capital – asset replacement	4.5
Estates investment programme	2.0
IT projects	0.5
<b>Sub-total</b>	<b>7.0</b>
CBC-Filton	1.8
Barnsley	5.0
<b>Total</b>	<b>13.8</b>

The key assumptions underpinning the 2018/19 income budget are:

	<b>2017/18 Forecast</b>	<b>2018/19 NCG</b>	<b>2018/19 Budget</b>
Red cell demand (million units)	1.442	1.398	1.390
Red cell price (£/unit)	124.46	128.99	128.99
Platelet demand (million units)	0.260	0.259	0.259

Apheresis platelet price (£/unit)	178.19	185.86	185.86
Pooled platelet price (£/unit)	219.30	231.50	231.50
DTS - external sales income	£68.9m	n/a	£71.9m
DH&SC funding (UK stem cell strategy)	£4.2m	n/a	£4.2m
DH&SC programme funding (ODT)	£61.9m	n/a	£61.9m
DH&SC additional funding for cord blood	£1.2m	n/a	£0.6m
Wales, Scotland, NI funding (ODT)	£12.0m	n/a	£11.7m

## 5. Impact on the 5 Year Plan

The budget outcome has been successful with ca £5m of additional savings generated, in support of blood prices, over and above existing planning assumptions. The primary impact is that the pressure on prices in 2019/20 has been reduced from a potential 5%+ increase to something that is now more likely to be in the 2-3% range.

The current planning situation is extremely fluid and will change significantly on the back of the changes to the CSM programme that will be considered at the March Board meeting. This will impact both the costs of the programme itself as well as potentially providing headroom to execute other initiatives that are not currently possible or planned in. Offsetting this, however, there are also substantial cost uncertainties arising from the need to increase the number of active blood donors and the potential risk to donor numbers presented by the Interval/Compare trials.

There will therefore be a need for a substantial re-planning exercise over the period April to September 2019 once the implications and cost of the revised approach to CSM has been agreed. This will require a series of frequent updates to the Board over this period, and in the lead up to confirming prices for 2019/20 (at the September 2019 NCG meeting).

## 7. ED Scrutiny

Full Board approval is required.

### Author

Rob Bradburn, Finance Director

### Responsible Director

Ian Trenholm, Chief Executive (as Accounting Officer)

## Income and I&E Summary

Income (£m)	2016/17 Actual	2017/18 Budget	2017/18 Forecast	2018/19 Budget	Notes
Blood & Components Income	262.5	257.7	258.0	257.2	Budgeted Volumes: Red Cells 1.461m and Platelets 0.256m
Blood & Group Other	7.3	7.0	6.7	6.6	Click collect charges / NCI
R&D Funding	2.0	1.1	0.9	1.0	
DTS Income	69.6	72.7	75.1	76.7	Invoiced sales and programme funding
ODT	73.2	74.0	73.9	73.7	
<b>Total Income</b>	<b>414.6</b>	<b>412.5</b>	<b>414.6</b>	<b>415.2</b>	
<b>Total Expenditure</b>	<b>-419.5</b>	<b>-426.3</b>	<b>-424.6</b>	<b>-429.4</b>	
<b>Net I&amp;E Position</b>	<b>-4.9</b>	<b>-13.8</b>	<b>-10.0</b>	<b>-14.2</b>	

## Expenditure Summary

Expenditure (£m)	2016/17 Actual	2017/18 Budget	2017/18 Forecast	2018/19 Budget	Notes
Blood - Stock Movement	-0.1		-0.8		
Blood Supply: Mftg, Testing & Issue	-69.6	-67.5	-68.0	-65.3	Reduced demand £0.9m, EB£0.6m, and Logistics savings £-0.7m, Supply Chain Modernisation, -
Blood Supply: Blood Donation	-76.1	-72.3	-71.8	-69.7	£0.5m demand, venue savings £0.3m, SCM £0.7m, productivity £0.7m, T&E £0.4m etc
Blood Supply: Logistics	-21.2	-20.6	-20.9	-19.9	Early LRP delivery
Quality	-4.8	-5.0	-5.0	-4.8	
Communications	-7.9	-7.4	-7.3	-6.6	
Estates & Facilities	-40.2	-39.2	-39.4	-38.9	
BTS	-1.6	-1.7	-1.4	-1.5	
Finance	-5.8	-5.6	-5.6	-5.2	
People	-7.5	-7.7	-7.1	-7.1	
ICT	-20.7	-22.8	-23.5	-26.0	New infrastructure / platform costs / support
Clinical Directorate	-14.0	-14.2	-13.8	-13.8	
Chief Executive and Board	-0.6	-0.6	-0.7	-0.6	
Research & Development	-5.6	-4.4	-4.4	-4.2	
Miscellaneous and Capital Charges	-0.3	-2.3	-2.2	-2.5	Capital charges and apprenticeship levy
<b>Blood / Group Baseline</b>	<b>-276.0</b>	<b>-271.3</b>	<b>-271.9</b>	<b>-266.1</b>	
Change Programme & Development	-17.9	-27.8	-25.3	-32.3	£20.9m for CSM
<b>Blood / Group Total</b>	<b>-293.9</b>	<b>-299.1</b>	<b>-297.2</b>	<b>-298.4</b>	
<b>Diagnostic and Therapeutic Services</b>	<b>-60.3</b>	<b>-61.1</b>	<b>-62.1</b>	<b>-65.2</b>	Net 14 WTE increase plus £1m change programme
Tissues Stock Movement			-0.2		
<b>ODT Operational Expenditure</b>	<b>-60.1</b>	<b>-59.6</b>	<b>-59.3</b>	<b>-60.1</b>	Activity plus increase in logistics
ODT Change Programme	-5.2	-6.5	-5.5	-5.7	
<b>Total Expenditure</b>	<b>-419.5</b>	<b>-426.3</b>	<b>-424.3</b>	<b>-429.4</b>	

## 10 year headcount trend by Directorate

WTE	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Budget	% Movement from 2009/10	% of Total
									Jan-18			
Blood Donation	2,143	2,093	2,057	1,992	1,919	1,655	1,612	1,450	1,429	1,340	-37.5%	30.1%
Manufacturing, Testing & Hospital Services	877	801	807	816	763	775	791	785	748	711	-19.0%	15.9%
Logistics	384	384	388	383	370	332	345	349	334	336	-12.4%	7.5%
Diagnostic & Therapeutic Services	610	587	616	670	678	744	786	791	801	848	39.2%	19.0%
Organ Donation & Transplantation	271	304	348	351	375	369	351	401	405	416	53.4%	9.3%
<b>Operational Directorates</b>	<b>4,284</b>	<b>4,170</b>	<b>4,216</b>	<b>4,213</b>	<b>4,106</b>	<b>3,876</b>	<b>3,885</b>	<b>3,776</b>	<b>3,716</b>	<b>3,651</b>	<b>-14.8%</b>	<b>81.9%</b>
<b>Estates</b>	<b>77</b>	<b>79</b>	<b>81</b>	<b>85</b>	<b>78</b>	<b>77</b>	<b>76</b>	<b>78</b>	<b>78</b>	<b>76</b>	<b>-1.3%</b>	<b>1.7%</b>
Clinical	146	146	170	171	171	173	182	179	169	172	17.6%	3.9%
ICT	121	118	105	118	131	134	144	155	167	181	49.5%	4.1%
Finance	126	121	116	101	103	98	93	94	93	88	-30.1%	2.0%
People	138	142	133	128	126	120	122	119	119	114	-17.3%	2.6%
BTS	13	20	18	22	26	23	28	26	24	25	92.9%	0.6%
Communications	65	64	65	66	73	70	72	72	69	64	-1.5%	1.4%
Chief Executive/Board	3	4	4	4	4	4	4	4	4	3	14.9%	0.1%
Quality Assurance	81	78	82	81	83	79	81	86	88	83	1.9%	1.9%
<b>Total Group Services</b>	<b>693</b>	<b>694</b>	<b>694</b>	<b>691</b>	<b>717</b>	<b>700</b>	<b>725</b>	<b>734</b>	<b>732</b>	<b>730</b>	<b>5.3%</b>	<b>16.4%</b>
<b>Total Baseline</b>	<b>5,054</b>	<b>4,943</b>	<b>4,991</b>	<b>4,989</b>	<b>4,901</b>	<b>4,652</b>	<b>4,685</b>	<b>4,589</b>	<b>4,526</b>	<b>4,457</b>	<b>-11.8%</b>	<b>100.0%</b>
R&D	84	86	83	66	65	65	47	39	42	35		
Development Funds - Blood & Group	30	19	4	13	8	6	5	20	31	8		
Development Funds - DTS	0	0	0	0	0	0	0	0	0	0		
Development Funds - ODT	3	2	0	0	0	0	3	7	15	7		
Other	0	0	0	0	0	0	0	0	0	0		
<b>Total NHSBT</b>	<b>5,171</b>	<b>5,050</b>	<b>5,078</b>	<b>5,068</b>	<b>4,974</b>	<b>4,723</b>	<b>4,741</b>	<b>4,656</b>	<b>4,613</b>	<b>4,506</b>		