

NHSBT Board Meeting
28 March 2019

NHSBT Budget 2019/20

1. Status – Official

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). These were agreed in September 2018 based on the latest planning assumptions at that time.
- Programme funding provided by the four UK Health Departments (mostly for ODT plus DH&SC funding for the UK Stem Cell strategy). These are subject to frequent review, albeit DHSC funding for 2019/20 has not yet been confirmed. Finalisation of the budget remains subject to this confirmation.

Detailed cost budgets for 2019/20 have now been generated. This will result an overall **deficit of £11.3m for NHSBT** (which we are able to fund from cash reserves). This is driven by a sharp deterioration in the operating surplus in Blood and a significant spend assumed on transformation. Aside from higher transformation spending, it is in line with the estimated budget that was reported to the Board in September 2018, and was reviewed by the Finance Committee at the February 2019 meeting.

There are, however, a number of material uncertainties, primarily relating to confirmation of DHSC funding. This will require a revised budget to be issued during April. An overview of the outstanding issues is provided below with further detail and analysis to be provided at the March Board meeting.

3. Action Requested

The Board is asked to

- **Approve the NHSBT budget for 2019/20 as currently presented**
- **Note the uncertainties, especially with regard to confirmation of DHSC funding, and the need to reflect these in a revised budget.**

4. Budget Content / Outcome

A detailed cost budget for 2019/20 has now been prepared. The following should be noted:

- The budget for **Blood** is based on a red cell demand forecast of 1.372 million units. This is higher than the demand forecast of 1.360 million units agreed with NCG. Prices are protected to a volume of 1.333 million units via the 2% demand reduction reserve. However, we anticipate that risk is on the upside and the blood donation plan assumes an ability to absorb an additional 30k units of red cell demand, in excess of 1.372 million.
- The proposed budget results in a budget to budget increase in the direct cash costs of Blood of £10.8m (£5.9m forecast to budget), significantly greater than the costs that were agreed in the 2018 NCG pricing round for (2019/20 prices). £7.7m of this is driven by blood donation and reflects:
 - An increased headcount of around 150 WTEs. Recruitment to this level commenced in November 2018, and is expected to complete by March 2019.
 - 48.5 of the WTEs derive from the cancellation of the reductions that were budgeted in 2018/19 for the CCM project.
 - Retaining the additional marketing and call centre resource that was also put in place later in 2018 (paid for via transformation in 2018/9 but included in recurring baseline costs for 2019/20).
- The transformation programme in 2019/20 in Blood/Group assumes a total (non-recurring) spend of £19.0m. There is very large uncertainty in the programme at this stage regarding both what will be undertaken and how projects will be delivered. As such certain projects are contingent, at this stage, but others may cost significantly more (eg Session Solution and Data Centre Hosting, subject to their final business cases). Together with the deterioration in the Blood operating surplus this drives the overall NHSBT budget deficit f £11.3m
- NHSBT will end 2018/19 with a cash balance of around £39m (excluding the impact of the budget changes noted below). This will fund the budget deficit in 2019/20. The balance will be available to fund planned deficits in future years, as well as the future non-recurring cash demands that are yet to be defined (eg IT infrastructure programme, Pulse risk mitigation etc).
- The budget in **Diagnostics and Therapeutic Services** is balanced and assumes an increase in DTS sales income of 2.6%, excluding programme funding, over the 2018/19 forecast. The direct cost budget assumes cost growth of 1.8% versus 2018/19 forecast and results in a £1m growth of contribution that has 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.
- The budget for **Organ Donation and Transplantation** is also balanced at this stage but it assumes that DHSC will increase funding to cover the cumulative impact of the NHS pay award (£1m risk) and the increase in employer pension contributions (£1.2m risk). The budget includes transformation spend of £3.8m with £1.7m of that for

the year 4 ODT Hub business case. At present the budget excludes the bulk of the Opt Out business case in England (funding and costs) as these are yet to be confirmed and should theoretically balance out.

- Group services costs increase by £4.4m versus 2018/19 forecast with ITC being the primary issue regarding both the budget cost and the underlying trend.
- A **capital budget** of £27.8m in 2019/20 has been submitted to the DHSC (versus £9.0m forecast spend in 201/98). This is significantly greater than normal capital requirements and is driven by the Barnsley and Filton/CBC projects, plus an allowance for the capital elements of the data centre hosting project.

| 2019/20 Capital Budget | £m |
|-----------------------------------|-------------|
| Minor capital – asset replacement | 7.0 |
| Barnsley | 13.5 |
| CBC - Filton | 2.5 |
| Data Centre (inc Pulse hardware) | 4.8 |
| Total | 27.8 |

5. Material Uncertainties

The budget is subject to a highly unusual number of material uncertainties, primarily regarding DHSC funding. These relate to:

- **Funding for the NHS Pay Award in ODT**
The budget currently assumes that the cumulative impact of the NHS Pay Award will be funded, but there is a risk that DHSC may not fund this (£1m impact on ODT).
- **Employers pension contributions.** This increases from 14.3% to 20.6% from 1 April 2019 (£10.5m cost impact). The impact has not yet been included in the budget. We would expect this to be funded and have a net zero impact overall. There is a significant risk, however, that all or part will not be funded by DHSC.
- **Funding for ODT / Opt Out.** The budget does not include the funding and costs for Opt Out in England as these have not yet been confirmed. Theoretically there should be a net zero impact although there are some uncertainties regarding the funding “rules” and the net impact that may result.
- **NHS England funding for ODT initiatives.** Funding is likely to be provided in support of “DCD Hearts” and “Donor Characterisation” and received from NHS England by end March. Once confirmed, this will fund new activities in 2019/20 and beyond, and should ideally be reflected in the budget. These initiatives are subject to business cases that will be brought to the Board in March 2019.

- **FFP.** It is understood that policy regarding the safety of UK plasma may be due for imminent change. This would adversely impact the financial contribution in Blood in 2019/20 but could be offset through revised pricing arrangements. Any such change should ideally be reflected in the budget.

6. Impact on the 5 Year Financial Projections

This paper should be read alongside the 2019/20 Business plan that will also be presented to the Board in the March 2019 meeting.

Regarding **Blood**, as the budget is in line with expectations, the impact on forward blood pricing is consistent with previous Board discussions. In the absence of any other action, the sharp increase in direct costs, especially in blood donation, will drive the operating position into deficit (before transformation) in 2020/21 onwards. To keep the operating position in reasonable balance, 3-4% price increases will be required each year over the next five years. Note that, irrespective of the funding of increased employer pension contributions in 2019/20, this will roll into prices in 2020/21, requiring that prices are further increased over and above the 3-4% noted above (albeit that, technically, Trusts should be funded for the additional price increase). This will be covered as part of the NCG paper at the March Board meeting.

ODT is currently balanced but moves into persistent deficit in 2021/22 onwards. If expected DHSC funding is not forthcoming, however, ODT could move into deficit in 2019/20. Assuming this NHBST should be able to manage the 2019/20 position (with risk) but the four UK Health Departments would need to increase recurring funding for ODT for 2020/21 onwards. The position will be clearer once programme funding and Opt Out funding for England is confirmed by DHSC. An update will be provided to the Board in the March meeting.

7. NED Scrutiny

Full Board approval is required.

Author

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Income and I&E Summary

| Income (£m) | 2017/18 Actual | 2018/19 Budget | 2018/19 Forecast | 2019/20 Budget | Forecast to Budget Movement |
|---|----------------|----------------|------------------|----------------|-----------------------------|
| Programme Funding - Organ Donation & Transplantation | 61.9 | 62.1 | 62.3 | 63.0 | 0.7 |
| Programme Funding - Diagnostic and Therapeutic Services | 4.2 | 4.7 | 4.7 | 4.2 | -0.5 |
| Programme Funding - Blood & Blood Components - National | 0.0 | 2.2 | 2.2 | 0.0 | -2.2 |
| Blood & Components Income | 256.9 | 258.7 | 262.0 | 264.5 | 2.6 |
| Diagnostic and Therapeutic Services Income | 71.0 | 72.5 | 76.0 | 78.0 | 2.1 |
| Research & Development | 1.7 | 1.0 | 1.5 | 0.9 | -0.6 |
| Organ Donation & Transplantation Other Income | 12.0 | 11.8 | 11.9 | 11.9 | -0.0 |
| All Other Income | 7.2 | 5.2 | 6.0 | 5.9 | -0.1 |
| Total Income | 414.9 | 418.1 | 426.6 | 428.4 | 1.8 |
| Total Expenditure | -425.1 | -418.7 | -415.4 | -439.7 | -24.3 |
| Net I&E Position | -10.2 | -0.6 | 11.2 | -11.3 | -22.5 |

Expenditure Summary

| Expenditure (£m) | 2017/18 Actual | 2018/19 Budget | 2018/19 Forecast | 2019/20 Budget | Forecast to Budget Movement |
|--|----------------|----------------|------------------|----------------|-----------------------------|
| Cost of Sales - Blood Component Stock Movement | -1.3 | 0.0 | 1.7 | 0.0 | -1.7 |
| Cost of Sales - Tissues Stock Movement | -0.1 | 0.0 | -0.2 | 0.0 | 0.2 |
| Organ Donation & Transplantation: Operational Expenditure | -60.1 | -60.3 | -59.7 | -63.2 | -3.5 |
| Organ Donation & Transplantation: Change Programme | -4.8 | -5.7 | -5.9 | -3.8 | 2.1 |
| Blood Supply: Manufacturing, Testing & Issue | -68.1 | -65.7 | -66.9 | -68.4 | -1.5 |
| Blood Supply: Blood Donation | -72.1 | -70.5 | -73.6 | -78.2 | -4.6 |
| Blood Supply: Logistics | -21.0 | -20.0 | -20.6 | -20.4 | 0.2 |
| Diagnostic and Therapeutic Services: Operational Expenditure | -62.2 | -64.7 | -66.9 | -68.1 | -1.2 |
| Diagnostic and Therapeutic Services: Change Programme | 0.0 | -1.0 | -0.3 | -1.0 | -0.6 |
| Quality | -5.0 | -4.9 | -4.8 | -5.5 | -0.7 |
| Chief Executive and Board | -0.6 | -0.6 | -0.6 | -0.7 | -0.1 |
| Communications | -7.4 | -6.6 | -6.8 | -6.9 | -0.0 |
| Estates & Facilities | -39.6 | -38.9 | -39.7 | -39.9 | -0.3 |
| Finance | -5.4 | -5.0 | -5.4 | -5.4 | -0.1 |
| Business Transformation Services | -1.4 | -1.6 | -1.5 | -1.7 | -0.2 |
| People | -7.4 | -7.4 | -7.2 | -8.1 | -0.9 |
| Information Communication Technology | -23.7 | -24.8 | -25.3 | -26.9 | -1.6 |
| Clinical Directorate | -13.8 | -13.9 | -14.1 | -14.6 | -0.6 |
| Research & Development | -5.1 | -4.2 | -4.8 | -4.3 | 0.5 |
| Change Programme (Blood & Corporate) | -24.2 | -20.3 | -9.9 | -19.0 | -9.1 |
| Miscellaneous and Capital Charges | -1.7 | -2.5 | -2.6 | -3.5 | -0.9 |
| Total Expenditure | -425.1 | -418.7 | -415.4 | -439.7 | -24.3 |

Transformation Spend – Blood / Group

| | 2019/20 |
|---------------------------------------|---------------|
| <i>Barnsley Centre</i> | £3.4m |
| <i>Session Solution</i> | £2.4m |
| <i>Estates Development</i> | £2.0m |
| <i>SCC Datacentre</i> | £2.0m |
| <i>LRP (Latest Business Case)</i> | £1.4m |
| <i>Blood Agitators</i> | £1.3m |
| <i>Blood Enquiry</i> | £1.0m |
| <i>Gamma Irradiator Disposal</i> | £0.8m |
| <i>Other ICT Change Programme</i> | £0.7m |
| <i>First-in-man</i> | £0.5m |
| <i>R&D Spend Envelope</i> | £0.5m |
| <i>London Bridge Donor Centre</i> | £0.5m |
| <i>LIMS System</i> | £0.5m |
| <i>Partner Portal</i> | £0.3m |
| <i>Desktop Refresh Implementation</i> | £0.2m |
| <i>WEDC Expansion</i> | £0.2m |
| <i>CRM Upgrade</i> | £0.2m |
| <i>Post CSM Solution Strategy</i> | £0.2m |
| <i>Bristol Consolidation</i> | - |
| <i>Other</i> | £0.9m |
| TOTAL | £19.0m |

5 year headcount trend by Directorate

| WTE | 2015/16 Actual | 2016/17 Actual | 2017/18 Actual | 2018/19 Actual Jan-19 | 2019/20 Budget | % Movement from 2015/16 | % of Total |
|--|-------------------|-------------------|-------------------|-----------------------------|-------------------|----------------------------|---------------|
| Blood Donation | 1,612 | 1,450 | 1,390 | 1,496 | 1,487 | -30.6% | 31.6% |
| Manufacturing, Testing & Hospital Services | 791 | 785 | 742 | 747 | 752 | -14.3% | 16.0% |
| Logistics | 345 | 349 | 339 | 330 | 298 | -22.3% | 6.3% |
| Diagnostic & Therapeutic Services | 786 | 791 | 818 | 835 | 871 | 42.9% | 18.5% |
| Organ Donation & Transplantation | 351 | 401 | 398 | 426 | 451 | 66.2% | 9.6% |
| Operational Directorates | 3,885 | 3,776 | 3,687 | 3,834 | 3,859 | -9.9% | 82.0% |
| Estates | 76 | 78 | 75 | 75 | 77 | 0.5% | 1.6% |
| Clinical | 182 | 179 | 161 | 167 | 176 | 20.0% | 3.7% |
| ICT | 144 | 155 | 176 | 170 | 194 | 60.3% | 4.1% |
| Finance | 90 | 91 | 89 | 87 | 92 | -25.2% | 2.0% |
| People | 125 | 122 | 121 | 120 | 124 | -12.2% | 2.6% |
| BTS | 28 | 26 | 23 | 22 | 27 | 109.0% | 0.6% |
| Communications | 72 | 72 | 68 | 71 | 65 | 0.9% | 1.4% |
| Chief Executive/Board | 4 | 4 | 4 | 4 | 3 | 14.9% | 0.1% |
| Quality Assurance | 81 | 86 | 87 | 83 | 89 | 8.9% | 1.9% |
| Total Group Services | 725 | 734 | 729 | 724 | 769 | 11.0% | 16.3% |
| Total Baseline | 4,685 | 4,589 | 4,491 | 4,633 | 4,705 | -6.9% | 100.0% |
| R&D | 47 | 39 | 41 | 45 | 34 | | |
| Development Funds - Blood & Group | 5 | 20 | 37 | 18 | 0 | | |
| Development Funds - DTS | 0 | 0 | 0 | 1 | 0 | | |
| Development Funds - ODT | 3 | 7 | 17 | 21 | 7 | | |
| Other | 0 | 0 | 0 | 0 | 0 | | |
| Total NHSBT | 4,741 | 4,656 | 4,586 | 4,718 | 4,746 | | |