

NHSBT Board Meeting
26 March 2020

NHSBT Budget 2020/21

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 specialist services). These were agreed in September 2019 based on the latest planning assumptions at that time.
- Programme funding provided by the four UK Health Departments (mostly for ODT plus DHSC funding for the UK Stem Cell strategy). This is subject to frequent discussion, primarily via the ODT Sustainable Funding Group.

Detailed cost budgets for 2020/21 have now been generated. This results in a budget with **an underlying operational surplus of £0.6m**, which changes to a **deficit of £22.7 after expenditure on non-recurring projects (transformation)**. The budget, however, can only be understood with regard to the outcomes implied for Blood, ODT and specialist services. In this respect:

- The **specialist services** budgets (DTS as was) shows good ongoing income/margin growth and is recommended for acceptance.
- The **ODT** implies a cash deficit of £1.7m and no funding for transformation projects. The budget can be accepted, however, recognising that additional funding will be required beyond the budget year. Ideally the budget year deficit would also be funded but NHSBT is able to cover (cross subsidise) the gap at this level.
- The budget in **Blood (and Group)** captures a significant increase, in both recurring operational and non-recurring transformation costs, that is higher than plan/expectations. Finalisation of the budget will depend on the level of price increase that NHSBT is prepared to seek from Trusts in the next commissioning round. The options are captured in the presentation that supports this paper.

3. Action Requested

The Board is asked to approve the NHSBT budget for 2020/21 subject to:

- **Recognition of the need for additional funding in ODT**
- **Discussion regarding the level of Blood pricing that NHSBT should seek from Trusts and hence the level of transformation funding that can be made available.**

4. Budget Content / Outcome

A detailed cost budget for 2020/21 has now been prepared. The following should be noted:

- At the funded cost level, the budget for **Organ Donation and Transplantation** represents a deficit of £1.7m. In addition, there is no funding for any transformation (outside of the ring-fenced funding that is available for Opt Out, DCD Hearts and donor characterisation). Additional funding is technically required from all UK Governments to cover this deficit in 2020/21, although NHBST can cover this from its cash reserves (albeit cross subsidised from Blood/specialist services). The deficits grow in future years, as a result of increased activity, and to fund the requirements of the new strategy, and additional funding will be necessary after 2020/21.
- The budget in **Specialist Services** is balanced and assumes an increase in sales income of 4.1% (for the old DTS), excluding programme funding, over the 2019/20 forecast. The direct cost budget assumes cost growth of 2.9% versus the 2019/20 forecast and results in a £1m growth of contribution before non-recurring transformation spend. The budget also assumes £4.2m of core programme funding from the DHSC in support of the UK Stem Cell Forum Strategy.
- The level of expenditure in **Blood/Group** is higher than expectations (i.e. versus the indicative budget presented to the Board in November 2019, less 1%). This is as a result of a decision to increase investment in cyber security, additional donor marketing and some increased resourcing in group services.

The forecast transformation programme in 2020/21 in Blood/Group is £20.6m, and it should be noted that this is a larger investment than NHBST currently has the capacity to deliver, it will require an increase in our current run-rate and will require recruitment and on-boarding of partners. In addition, the forecast spend for 2021/22 is higher at £24m, primarily driven by continued investment in digital capabilities to support blood supply, an improved digital donor experience and an allocation to support the transition out of both of our datacentres.

- Taken as read the budget would require significant price increases of 10-12% in 2021/22 in order to restore operating margins and cash reserves. This is unlikely to be accepted by the NCG/NHSE and a number of options have therefore been described in the associated presentation for discussion at the Board meeting. Subject to the discussion, and given the Covid-19 situation, it is recommended that NHBST target a 2% price increase that would require:
 - A £3m (1%) cost reduction in each of 2020/21 and 2021/22 (with the 2020/21 contribution built into the budget as an unattributed line item).
 - Restriction of transformation expenditure from the current £44m over 2 years to £28m (so £14m pa). This would require a significant post-budget prioritisation exercise in support. The potential implications of projects being stopped/deferred will be brought to the Board meeting for further discussion.
- The overall budget reflects a high level of ambition and investment in digital and technology capabilities (as seen in the recurring budget, the transformation

spend and the capital plan). The higher level of ambition comes as a result of NHSBT strategy to invest more in digital and technology, increased maintenance investment required to move critical national infrastructure services off of legacy technology and the previous write-off of the CSM programme. Execution requires strong business leadership and additional capacity to deliver so it is reasonable to expect positive cost variances in to emerge against this budget either as a result of business readiness to deliver change, the organisations ability to mobilise additional capacity at pace and changing priorities as a result of Covid-19. This is most likely to show up in the transformation budget.

- The above assumes that NHBST is again not charged in 2020/21 with the increase in employer’s pension costs. There has been a suggestion that this would be charged to NHSBT via its payroll costs, but it would be offset by income from DHSC. If this were to happen the cost and income budgets would need to be amended with no net change overall.
- A **capital budget** of £30.4m in 2020/21 has been submitted to the DHSC (versus £22.2m forecast spend in 2019/20). This is the second consecutive year where capital requirements are much greater than the norm (£7m - £10m). It is driven by the Filton/CBC project and data centre infrastructure renewal.

2020/21 Capital Budget	£m
Minor capital – asset replacement	7.0
Estates	3.5
Barnsley completion	0.9
CBC - Filton	6.2
ICT (infrastructure renewal)	12.8
Total	30.4

5. Material Uncertainties

The primary uncertainty relates to any financial impact of Covid-19. It is impossible to gauge what this might be, but NHSBT has the cash reserves, and other flexibilities, that should allow it to manage through a period of reduced hospital demand and hence reduced income. There will be further discussion on this at the Board meeting.

6. NED Scrutiny

Full Board approval is required.

7. Appendices

A presentation pack, including summary budget schedules, is submitted alongside this paper.

Author

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