

## **2020/21 Budget Update**

### **1. Status – Official**

### **2. Executive Summary**

The budget for 2020/21, presented to the Board in March 2020, was based on normal / planned levels of activity prior to the impact of Covid-19.

Despite this we can assume or note that:

- **Income in Blood is protected through block contracting arrangements that are now in place;**
- **ODT and Stem Cell programme funding and NHSBT capital funding should continue at budget level;**
- **The costs of the Convalescent Plasma project are separately funded;**
- **We have an emergency fund created through retention of blood rebates;**
- **The additional (new money) costs of managing Covid-19 have been small to date.**

As a result, variances to the budget as a result of Covid-19 are relatively limited and NHSBT has been able to retain its cash reserves. The primary variance will be the reduction in activity and contribution from our specialist services, where the protection to income through block contracting has not been sought. The contribution loss in specialist services was forecast to be around £1m/month and the April 2020 accounts confirm this to be an accurate assessment of the Covid-19 impact. NHSBT has the cash reserves to cover this and would also look to offset the loss via bringing it into a “true up” negotiation with DHSC/NHSE later in the year.

The primary objective is to retain our cash reserves at a level consistent with what would have been seen without Covid-19. This will be critical given the risk of a difficult settlement, and potentially severe restrictions to our pricing flexibility in 2021/22.

### **3. Request of the Board**

The Board is asked to note that financial risk to NHSBT, as a result of Covid-19, is relatively limited at present, and there is reasonable confidence that we can maintain our pre Covid-19 cash reserves.

### **4. Discussion**

#### **4.1 Blood**

At the March Board meeting it was noted that the reduction in demand for Blood, as a result of Covid-19, would materially impact NHSBT with an estimated loss of contribution of around £5m per month. Consistent with the emergency planning/commissioning procedures announced by NHSE, NHSBT therefore proposed that Blood should operate on a block contract basis. This would mitigate the risk to NHSBT’s financial position through fixing income from hospitals to the level of demand that was agreed with NCG prior to Covid-19. Confirmation of this arrangement has now been received from DHSC/NHSE. In the interim NHSBT has been issuing its monthly contract invoices to Trusts, based on pre Covid-19 forecast demand, as normal, but has not issued the invoices/credits that correct this back to actual demand. This has the same effect as block contracting and, hence, NHSBT’s income for Blood has and will be protected.

In addition, the blood price rebate of £4m due for 2019/20 has been retained as brought forward cash to offset against any increased costs of the Covid-19 response, as well as any opportunities foregone (ie benefits and efficiencies not achieved or delayed).

The Board will be aware that NHSBT is rapidly mobilising the Convalescent Plasma project in order to provide 85,000 units of convalescent plasma at a rate of 10,000 units per week to the NHS. This activity will be directly funded by DHSC with product supplied to the NHS at nil price. NHSBT will be invoicing DHSC for the funding of the project based on monthly costs incurred. It is anticipated that the costs of the project (per the currently defined scope) will be much less than the £17m initial estimated (and the £20m assumed by DHSC) albeit, in due course, the scope and period of the project could be materially adjusted.

## **4.2 Organ Donation and Transplantation**

Covid-19 has dramatically reduced the level of deceased organ donation and transplantation to around 20% of planned activity levels (essentially to super-urgent cases only). In response specialist nurses-organ donation have been redeployed to support ICUs at the NHS front line and are also being deployed to resource the proposed National Bereavement help line. Irrespective of the much lower activity, we also continue to pay NHS retrieval teams under the NORS arrangements at the budgeted rate, consistent with contract.

Programme funding for ODT has been confirmed at £74.1m with £62.3m provided by DHSC and the balance from the devolved administrations. At the original budget activity level ODT was in a small deficit of £1.7m. At activity levels that are only 20% of budget ODT would expect to record activity related (variable) cost savings of around £0.8m/month. Assuming 3 months @ 20% and 9 months @ 100% level (say) ODT would expect to record a surplus of £0.7m for the year. However, as at the time of writing, there are indications that transplant centres may open up within 3 months and may attempt to recover waiting lists and the lost transplant activity seen since mid-March. At this stage, therefore, we cannot assume that activity for 2020/21 will be significantly less than planned, and it has been confirmed to DHSC that funding will continue to be required at the original pre Covid-19 plan level.

During this period, we continue to support the implementation of opt out legislation in England. It is therefore assumed that the funding of £10.5m included in the original budget will continue to be required and/or carried forward against future costs if implementation is delayed beyond 2020/21.

NHSBT will also be continuing to support the DCD Hearts programme and implement the donor characterisation service. Funding has been provided by NHS England in support of these and any funding not utilised in 2020/21 (eg due to lower activity) is ring fenced and will be carried forward against related costs in future years 2021/22.

## **4.3 Specialist Services**

All specialist services (Clinical Services and TES) are seeing reductions in activity as a result of Covid-19 but the impact varies widely across the different product and service lines. As in ODT, NHSBT resources have been re-deployed to support NHS services where appropriate. Due to the smaller size of our specialist services, and the variation across the various service lines, NHSBT has not sought to apply block contracting arrangements. The risk of lost contribution (and hence cash reserves) is around £1m/month.

NHSBT receives programme funding of £4.2m in support of the British Bone Marrow Registry and the NHS Cord Blood Bank as part of the UK stem cell strategy. We have indicated to DHSC that this funding will continue to be required as the reduction in activity, due to Covid-19, and the associated income loss (eg from lower cord issues), would put the service into net deficit for 2020/21.

#### 4.4 Group / Other

Cost centres have been established to capture the additional costs of the Covid-19 response. To date such costs have been relatively limited with only £300k of “new money” costs charged in April 2020. It is likely that costs could increase, however, as the NHS moves into a recovery mode. For example, given both the very high number of collection staff not working, and the impact of social distancing on session, we will be increasing the number the number of blood collection staff to ensure sufficient capacity is in place to meet increasing demand.

At some point during 2020/21 a “true up” process will be conducted to take into account the revised forecast for blood in the year, along with the retained rebate and any additional costs. Although the lost contribution within specialist services is separate to the blood price rebate NHBST would look to include this within the true up negotiation. The objective would be to ensure that the true up did not result in a net position that is worse, in cash terms, than NHBST’s original budget expectations. There is a strong prospect that this can be achieved but cannot be guaranteed at this stage.

In addition, although many projects within NHBST have been paused in support of the Covid-19 response, we continue to plan for the **budgeted capital investment programme of £30.4m**. This is a result of the larger projects continuing to proceed ie:

- The completion of the Barnsley Centre and construction of the new CBC.
- The ITC infrastructure projects are currently in planning and procurements stages and hence are not impacted by the broader organisational Covid-19 response.

A risk remains that the projects hit a pause point at some stage (eg due to availability of contractors or capital equipment) but this is difficult to predict. It will be possible to provide a better view of the projected capital spend at the mid-year point.

	2019/20 Budget	2019/20 Actual	2020/21 Plan
	£m	£m	£m
BAU capital requirement	4.4	3.8	7.0
Estates	2.6	1.0	3.5
CBC Filton	2.5	1.1	6.2
Barnsley Centre	13.5	13.5	0.9
ITC (Infrastructure renewal)	4.8	3.2	12.8
<b>Total</b>	<b>27.8</b>	<b>22.6</b>	<b>30.4</b>

#### Author

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