

NHSBT Board Meeting**NHSBT Budget 2022/23**

29 March 2022

Status: Official**1. Purpose of the Paper**

To seek approval for the NHBST 2022/23 budget.

2. Ask of the NHSBT Board**2.1 The Board is asked to approve the budget noting that:**

- It is complete except that funding for Organ Donation and Transplantation (ODT) and stem cells is yet to be confirmed.

3. Executive Summary

3.1 The budget for 2022/23 implies **an underlying operational surplus of £12.7m**, resulting in a **deficit of £8.1m after expenditure on non-recurring transformation spend** (i.e. the transformation spend that is funded through prices). The budget is complete except that the DHSC funding settlement for ODT and stem cells, and Devolved Government funding for ODT, has not yet been confirmed. It therefore assumes flat funding for the moment, pending confirmation of the actual funding that will be provided.

3.2 The budget at NHSBT level reflects the add up of the following budget outcomes at Divisional level:

- The underlying budget in **Blood (and Group)** is £4m better than assumed in the assumptions and plans built into the prices for 2022/23 agreed with the National Commissioning Group (NCG). £2m of this difference has been used to fund an increase in the planned transformation expenditure to £17m.
- **Plasma** is now treated as a business line within the budget, rather than as a project. A balanced budget has been established by offsetting planned costs with income as a balancing item (from cash reserves and sales of plasma for diagnostics).
- Cash reserves are being utilised to fund a planned reduction in **Clinical Services** contribution (versus 2021/22 forecast) due to income loss in TAS and investments in resilience, leadership and change management.
- Assuming flat funding, the budget for **Organ Donation and Transplantation (ODT)** implies an underlying operating cash deficit of £1.8m (funded by cash reserves). Cash reserves of £9.6m are available in case there is a reduction to the flat funding assumed in the budget for 2022/23.
- There is a contribution increase in **Tissues and Eye Services (TES)** of £2.3m. Subject to the allocation of costs through our Activity Based Costing (ABC) system TES should be close to a cash break even position in 2022/23.

4. Link to Risk Strategic Priority or Regulatory Requirement

4.1 The budget reflects the plans that have been built into the business plan for 2022/23.

5. Equality, Diversity and Inclusion Impact

5.1 The budget reflects NHSBT's objectives to improve diversity and inclusion across NHSBT and hence the resources and investment that have been requested.

6.0 Detail

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

6.2 Blood & Group

The underlying budget for Blood and Group initially resulted in a position that was £4m better than the assumptions and plans used in setting prices for NCG. The plans used for price setting were based on the donor behaviours / collection performance seen in Q3 and hence the retention of collection capacity that was established to manage the impact of Covid. The budget, however, includes £2.5m of target savings, anticipating that this capacity will now start to be reduced during the year (with limited requirements for severance), along with some optimisation of the mobile team footprint as part of the early stages of the Blood Donation Footprint Programme.

This is a very positive outcome in that it results in:

- Additional cash reserves of £4m in 2022/23.
- A lower recurring cost base than assumed in prices for 2022/23 and hence, if retained, can be carried forward into 2023/24 pricing (and mitigate inflation by > 1%).

Reflecting this outcome, the Executive Team has decided to utilise £2m of the additional cash to increase non-recurring transformation to £17m in the 2022/23 budget (versus the £15m assumed in pricing plans).

6.3 Plasma

Up to this year, Plasma, and Convalescent Plasma before it, was treated as a project with ring fenced funding and direct project costs only. In 2022/23 it is treated as a business line with direct costs, specifically attributed group services costs and allocation of indirect overheads. A balanced budget has therefore been established by offsetting total costs with brought forward project cash reserves (treated as deferred income) and sales of plasma for diagnostics (non-component income). The income is in effect a balancing item. Based on this budget Plasma would carry cash reserves of £7.7m into 2023/24 and, in the absence of income for sales of product for fractionation, would run out of cash around October 2023.

6.4 Organ and Tissue Donation and Transplantation

The Spending Round 2021 (SR21) submission made to DHSC last year included a significant increase in funding for the new strategy and, particularly, investment in perfusion technologies and Assessment and Recovery Centres (ARCs). We have not yet received a funding settlement and hence the budget is built on an "as is" basis assuming flat funding from DHSC and the Devolved Governments. On this basis, the budget for ODT results in an underlying operational deficit of £1.8m that is funded from cash reserves (assuming, as in the past, DHSC allows cash reserves at end March 2022 to be carried forward).

If additional funding in support of the strategy is received this will be reflected in a late change to the budget, most likely treating the funding as transformation with associated offsetting project costs. If funding were to be cut, an increased deficit would result. Cash

reserves are available to provide contingency during 2022/23 and allow time for the cost base to be re-set in time for 2023/24.

The budget for TES assumes an increased contribution of £2.6m. Subject to the results of the activity-based cost allocation process, this implies that TES will close to a break-even cash position in 2022/23 and end the persistent income and expenditure deficit of recent years.

6.5 **Clinical Services**

The budget reflects the prices that were agreed with NCG but results in a contribution reduction from the 2021/22 forecast of £3.7m. This reflects increased transformation spending, a loss in funding from NHSE for TAS and headcount increases in support of investing in resilience, leadership and change management capability. The reduced contribution is absorbed through a planned reduction in cash reserves. As with ODT funding for the Cord Blood Bank / BBMR has not yet been confirmed and flat funding of £4.2m continues to be assumed.

6.6 **Cash Position**

Based on the current forecast for 2021/22 and the budget for 2022/23, the cash position at the end of budget year 2022/23 should be:

Blood - £12m

Plasma - £7.7m

Clinical Services - £3m - £4m

ODT - £9.6m (with £4.0m ring fenced for donor characterisation)

7. **Capital**

7.1 A capital requirement of £25m for 2022/23 was submitted to DHSC as part of the SR21 process (versus the £21m budget for 2021/22). This included £4.9m for the ODT strategy and, if the associated revenue funding is not forthcoming, then this capital will not be required.

7.2 Capital funding is yet to be confirmed by DHSC but there is a strong likelihood that funding will be reduced versus what was submitted for SR21. It is not anticipated that this would create an issue for NHSBT and that project plans can be phased, without risk, to match the funding availability.

2022/23 Capital Budget	£m
Minor capital – asset replacement	6.8
Estates	2.8
DDTS – Blood Tech Modernisation	4.0
DDTS – ICT Projects	6.5
ODT (ARCs / perfusion technology)	4.9
Total	25.0

7.3 The capital budget assumes that significant expenditure within the Blood Technology Modernisation can be capitalised. If this is confirmed (as part of the year end audit for 2021/22) this would add to planned cash reserves for Blood in 2022/23 and a reduction of £1.2m in DDTS baseline revenue budgets that can be carried forward into 2023/24 pricing.

8. **Risk / Material Uncertainties**

8.1 As noted above the primary uncertainties are:

- DHSC funding and for ODT and stem cells.

- Devolved Government funding for ODT
- Confirmation from DHSC that ODT can carry forward surplus cash from 2021/22 in support of the budget for 2022/23.
- The DHSC capital budget.
- A pay settlement of 3% is assumed.

The budget also assumes a return to a “normal” post Covid environment. Subject to the above, there is, however, significant flexibility, both within the budget, and in cash reserves, to mitigate against material uncertainty. In the absence of a material change to plans, the budget (and cash position) should provide an opportunity to carry forward a lower baseline position into 2023/24, and an opportunity to mitigate against inflation in blood prices, even before the benefits of the planned productivity improvement programmes.

8.2 It should also be noted that:

- The budget assumes that DHSC continues to fund the uplift in Employers Pension costs (£11.2m in 2022/23). At some point in the future, it would be expected that this would be incorporated into prices (and baseline funding for ODT).
- It also assumes that DHSC fund the NI 1.25% levy from 1 April 2022 (£1.9m). Again, this should be incorporated into prices in future.
- The cross subsidy provided to ODT from prices is c.a. £11m (subject to updating the ABC system).

9. NED Scrutiny

9.1 The budget has been reviewed by the Finance & Performance Committee

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