

NHSBT Finance Report

August 2023

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2023/24 Update and Opportunities

ET decisions based on the outcome of August's results and current developments



Blood and Transplant

Blood Supply Risk

In the latest results, mitigations put in place to try and contain pay overspends in Blood Supply have not yet met the planned reduction target. Hence there is the risk that the latest forecast at Q2 will show increased cost pressures (c£5-6m). When this is combined with lower Blood demand and without further mitigations/cost containment, we would exceed our agreed budget envelope for the year.

Decision: To note that in reporting M05 position, there is now a real and foreseeable risk that an increase to our costs will result in the need to use our cash reserves / working capital. This needs to be avoided if at all possible. We will undertake a forensic review of our cost base, with the aim of bringing back to the ET proposed mitigations to ensure we continue to work within our agreed funding envelope. This implies the need for a further +£2m saving in year (to match the expected cost over runs in Blood Supply), and will be discussed as part of the quarter two reforecast.

NHS England Funding

We agreed with the Board a budget deficit of £18m for 2023/24, which would be funded through our cash reserves. Predominately recognising cash support provided by NHS England (NHSE) to mitigate the blood price in the current year. The deficit position will now increase to £21.5m reflecting in year discussions with NHSE, whereby we have been requested to further utilise our cash reserves to meet additional pay inflation costs (versus receiving additional funding in year).

Action: To note that the change in funding does not affect our funding envelope for 2023/24, however, it does impact on our ability to use ring fenced reserves to mitigate a price rise in 2024/25 (was £6m and now £2.5m).

Capital

Following a review of our plan for 2023/24, we have identified a number of projects which appear to be at risk of delivery this year c£6m (predominately Estates and DDTs). This will result in a draw down of £15m (versus the £21m allocation for the year). While this doesn't adversely impact on our financial position itself, we do need to work through the implications for 2024/25. Specifically, whether all of the delayed projects need to be rolled forward into next year, and have priority status. Were this to be the case, we would then be over programmed next year and we would need to reprioritise.

Action: To note that we are unlikely to fully utilise this years allocation, and that this creates a risk against plans for 2024/25 (DHSC seeking assurance).

Executive Summary: 2023/24 Income and Expenditure

- **NHSBT y-t-d results** are healthy. The underlying forecast means there will be a catch up on spend, resulting in an overall deficit in Blood and Group (incl. use of contingency).
- **Blood and Group** The Q2 forecast likely to see a worsening underlying position and hence a real and foreseeable risk that an increase to our costs will result in the need to be met by cash reserves / working capital. We will aim of bringing back proposed mitigations through Q2 forecasting to ensure we continue to work within our agreed funding envelope.
- **ODT** – broadly operating to plan and plan to carry c£5m cash reserves into next year. A further c£3m NHSE cash reserve is being treated as ring fenced. Discussion to take place to confirm if this could form part of ODTs underlying cash and hence could be use to support underlying pressures next year.
- **Plasma** – Forecast reflects the Supply Agreement. £11m cash to be ring-fenced, with the expectation that £7-8m will be required in 24/25 to complete 250 litre stockpile
- **Clinical and TES** - operating to plan.
- **Blood and Group Transformation** – forecast in line with plan, with £9m to spend over the remaining 7 months.

	WTE		Year to Date Actual (£m)			Full Year Forecast (£m)			Cash Fcst (£m)
	Bud.	Act.	Bud.	Act.	Var.	Bud.	Fcst.	Var.	
Blood Income	0	0	135	135	0	324	325	1	
Blood & Component Stock	0	0	(0)	1	1	0	0	0	
Blood Supply Expenditure	2,597	2,646	(75)	(79)	(3)	(181)	(185)	(4)	
Blood Supply Net I&E	2,597	2,646	59	57	(2)	142	140	(2)	11
Group Services	1,247	1,228	(77)	(75)	2	(189)	(188)	0	
Organ Donation and Transplantation	500	484	2	3	0	7	7	0	5
Tissue and Eye Services	156	151	2	2	0	6	6	0	0
Clinical Services	855	796	3	4	1	10	10	(0)	6
Plasma for Medicine	143	163	3	8	5	5	16	11	12
NHSBT Total	5,498	5,468	(7)	(1)	6	(18)	(9)	9	34

2023/24 Divisional Highlights APM05



Blood and Transplant

Blood Supply - In the latest results, Blood Supply continue to report higher than plan pay expenditure. Plans are in place to try and contain these costs over the remainder of the year, however, August's results did not meet the planned reduction targets.
Trending RAG - The latest forecast is now reporting a full year pressure of c£5-6m. The majority of this has been met by the £4.5m contingency built into our funding envelope, however, any further pressures will have an impact on our reserves.

Year-to-date RAG	Trending RAG
RAG	RAG

Organ Donation and Transplantation Y-t-d results and latest forecast are in line with plan. ODT activity fell back in line with plan in August, however, with Organ Donation week approaching, we hope to see activity start to rise again. While increased activity will be welcomed by ODT, if levels were to restore to pre-Covid levels, there would likely be a further call on cash reserves to fund this change (£1m).
Trending RAG – while there are underlying risks in 2023/24 e.g. meeting activity costs, this can be more than covered through cash reserves brought forward from previous years.

RAG	RAG
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Tissues and Eye Services (TES)- Y-t-d results are broadly aligned with plan.
Trending RAG – TES expect to finished the year within their approved funding envelope. A small dip in demand for 'sport injury ' products has been highlighted, however, this under recovery will be managed through lower consumable spend and vacancies.

RAG	RAG
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Plasma for Medicine– the financial position for plasma remains fundable for 2023/24.
Trending RAG – The latest forecast recognises the now signed Plasma supply agreement, which will initially support a stock build of 250,000 litres. This will be treated as ring-fenced cash reserve in the current year, with the expectation that c£7m will be required in the early part of 2023/24 to complete the stock build.

RAG	RAG
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Clinical Services – the y-t-d results are reporting ahead of budget, primarily driven by a high number of vacancies.
Trending RAG – the impact of the bacterial infection at CBC has now been baked into the forecast resulting in an income shortfall of £2.0m. Although the Clinical Services forecast remains broadly in line with plan, this is as a result of business units offsetting the CBC loss.

RAG	RAG
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Group Services Y-t-d Group Services are showing a significant underspend, largely driven by reprofiled DEX, DDTS and Estates costs.
Trending RAG –While we are reporting (in Blood and Group) that our contingency has been full utilised, this is dependant on Group Services and Transformation fully expending against their budgets. For context, Transformation have c£9m left to spend over the remaining 7 months of the year.

RAG	RAG
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The position described above is dependant on the confirmation of the following funding streams from DHSC;
 2022/23 Pay Inflation – DHSC have confirmed that NHSBT can overspend to meet these increased costs (£11.9m) / funding and expenditure accounted for in 2022/23 position.
 2023/24 Pay Inflation ODT and Stem Cells– DHSC advised of pressure related 2023/24 pay deal for programme funded areas (£1.1m). Confirmation not received on whether this will be funded.
 2023/24 Pension costs – DHSC advised of incremental increase required for pension costs, this is yet to be confirmed (£1.8m).

2023/24 Risks and Challenges

- As an addendum to the management accounts, we have also itemised below key risks. In doing so, this is being presented as best, most likely, worst case. The top half of the table summarises by line item the risks, with the bottom half of the table describing potential mitigations.

Developing Financial Risks

	Best Case	Likely Case	Worst Case	
Blood Supply Capacity; based on current run rate	(£5.0m)	(£5.0m)	(£6.0m)	The latest forecast (likely case) has seen an increased pressure crystallised c£5m.
Future Proofing Blood; above funding & transformation	(£0.0m)	(£1.0m)	(£2.5m)	Remains subject to detailed plans being developed. £2.5m based on draft and approved business cases.
Estates; Southampton Roof Repair	(£1.0m)	(£1.2m)	(£1.2m)	Cost evolving (including Rev/Cap), £0.6m baked into the current forecast for reprovisioning Blood Supply and estates costs £0.6m
Increased activity in ODT	(£0.0m)	(£0.0m)	(£1.0m)	Budget based on significantly lower donor plan, if activity were to restore to pre-covid levels presumption would be that we would meet pressure from cash reserves.
Pension Uplift	(£0.0m)	(£0.0m)	(£1.8m)	DHSC advised of incremental increase required for pension costs (versus £11.2m received in 2022/23) - this is yet to be confirmed
Total Risk	(£6.0m)	(£7.2m)	(£12.5m)	

Contingencies / Cash Reserves

Contingencies built into 2023/24 budget	£1.5m	£1.5m	£1.5m	Contingency included in the approved 2023/24 pricing and funding envelope
Blood Cash Reserve	£3.0m	£3.0m	£3.0m	Cash reserves carried forward from 2022/23 (including £6m DHSC/NHSE working capital cash)
NHSBT working capital	£0.0m	£1.2m	£7.0m	To retain the funding envelope approved at the March board.
Cost containment (to be explored for Q2 reforecast)	£1.5m	£1.5m	£0.0m	A forensic review of our cost base will be untaken, with the aim of bringing back to the ET proposed mitigations, ensuring we avoid the use of working capital to meet in year pressures.
ODT cash reserves	£0.0m	£0.0m	£1.0m	Cash carried forward from 2022/23 underspends.
Total Contingency	£6.0m	£7.2m	£12.5m	

Capital Plan 2023/24 & Planning for 2024/25 - Overview



Blood and Transplant

Exec Summary

- We've taken a forensic look at our programme, and have a higher level of assurance around what the spend for 2023/24 looks like. The plan is now up to £15m ("Green" plus some contingency for unforeseen projects), albeit further changes may occur as we move through the year. This results in an ongoing slippage of c£5m projects into next year. It is implied that these then become priorities against 2024/25, which means 2024/25 is overprogrammed, and therefore will require further review. This needs to be set in the context of what DH is requesting in terms of their "2024/25 Commission" i.e. to confirm our commitments. The commitments are low and there is a risk, therefore, we will make clear as part of the ongoing dialogue and discussion with DH of the importance of holding onto the £21m until the planning process is complete.
- **Key points** to note are as follows:
 - i) High level of assurance on spend for 2023/24 – likely to be £15m, with slippage of c£5m into 2024/25, implying prioritisation vs 2024/25;
 - ii) 2024/25 plan is now overprogrammed / commitments are low so risk to plan – ongoing dialogue with DH in context of £21m allocation.

Breakdown of Capital Plan

£m	2023/24			
	Latest Plan	Green	Amber	Red
	£m	£m	£m	£m
BAU capital requirement	5.1	4.6	0.3	0.2
Estates	3.9	1.7		2.2
ICT Projects	2.8	2.0	0.3	0.5
ICT Project - Blood Tech Modernisation (BTM)	5.8	5.8	-	-
Sub Total	17.6	14.1	0.6	2.9
Contingency	2.9	1.0		1.9
Total	20.5	15.1	0.6	4.8

The following slide details the Amber / Red projects

Capital 2023/24 – Projects At Risk (Amber / Red) / c£5m



Blood and Transplant

A proportion of the of the plan continues to be uncertain.....

Projects that require further clarification and/or are doubtful (cap vs rev / scoping / contingency)

“Amber” Projects

Blood Supply / Man. – Freezers x 40 (tbc) (£0.3m) – confirmation required on quantities / procurement route

DDTS – Netscalers Hardware Replacement (£0.4m) – confirmation required on capital / revenue split

“Red” Projects

Clinical / Genomics – IT Infrastructure (£0.2m) – no longer required

Estates – Filton Chiller Replacements (£1.1m) – long approval / procurement timescales - slippage into 2024/25

- Stem Cell AHU (£0.2m) - dependant on the decision of the Southampton site – slippage into 2024/25

- Newcastle Electrical Infrastructure (£0.3m) – scheme being worked up – lengthy procurement timescales - slippage into 2024/25

- Electric Vehicle Charging Points (£0.4m) – retender required – slippage into 2024/25

- Colindale Switchpanel 2 Replacement (£0.3m) – delays with project - slippage into 2024/25

DDTS – Videoconferencing (£0.5m) – awaiting further clarification on requirements / timescales

Contingency - Southampton / urgent items (£1.9m) – to cover any urgent works / unforeseen projects / outcome of Southampton

Note: the aggregate total of Amber and Red projects is 5.4m

Contribution Statement 2023/24



Blood and Transplant

Post allocation of costs via ABC model

August-23 Year to date Actual £m	Blood & Components inc. R&D	Plasma	Pathology & CAGT	TES	ODT	NHSBT
Total Income/Funding	140.3	13.4	35.8	8.5	38.3	236.2
Expenditure						
Variable Costs	(17.0)	(0.2)	(7.1)	(1.3)	(1.5)	(27.2)
Variable Contribution	123.3	13.2	28.7	7.1	36.8	209.0
Direct Costs	(59.3)	(3.1)	(18.7)	(4.9)	(31.5)	(117.5)
Direct Contribution	63.9	10.0	10.0	2.3	5.3	91.6
Direct Support Costs	(46.5)	(1.2)	(7.3)	(1.4)	(4.3)	(60.7)
Total Allocated Costs	(122.8)	(4.5)	(33.1)	(7.6)	(37.4)	(205.4)
Total Unallocated Costs	(13.6)	(0.7)	(3.6)	(0.8)	(4.4)	(23.1)
Operating Net Surplus / (Deficit)	3.9	8.1	(0.9)	0.0	(3.4)	7.7
Transformation / Reserves	(2.7)	(1.7)	(0.4)	-	(2.9)	(7.7)
Net Surplus / (Deficit) Inc Transformation	1.2	6.4	(1.3)	0.0	(6.3)	0.0
Budget	2.0	1.2	(2.1)	(0.5)	(6.8)	(6.2)
Variance	(0.8)	5.3	0.8	0.5	0.5	6.3
RAG	R	G	G	G	G	G

Blood & Components **Tending RAG** – reflecting the non receipt of NHSE funding, which will now be met by cash reserves.