

NHSBT Board Meeting
30 March 2017

NHSBT Board Paper 2017/18

1. **Status – Public**
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)
- programme funding provided by the four UK Health Departments (mostly for ODT plus DH funding for the UK Stem Cell strategy).

Detailed cost budgets for 2017/18 have now been generated. The outcome is broadly positive in that the bulk of the additional cost savings that were targeted during 2016/17 will be delivered. However, a gap to our pre budget planning assumptions has opened up, resulting in a net cumulative deficit, in excess of our cash reserves over the next 5 year cycle. Although the gap should be mostly closed as a result of revised planning over the next few months, NHSBT will also target additional recurring savings of ca £3-5m in 2017/18 (for delivery in 2018/19), over and above existing plans, in order to provide a better level of contingency.

The budget assumes that NHSBT will spend £27.4m on transformation activities in **Blood** incurring an overall **planned income/expenditure deficit for NHSBT of £13.8m in 2017/8**. The deficit will be funded through cash reserves. Transformation spending will be higher than NHSBT has incurred before, and remains subject to significant execution uncertainty. For example the budget in 2016/17 assumed a spend of £33.4m and a deficit of £19.7m. The current forecast for 2016/17 is a transformation spend of £21.4m and a deficit of ca £8.4m.

In **ODT** there is a further transformation fund of £6.4m (as part of a net zero surplus/deficit planning position). This will be utilised to fund, as a minimum, the Year 3 business case for the ODT Hub (£3.2m) and a further £1.2m of behavioural change campaigning.

3. **Action Requested**

The Board is asked to approve the NHSBT 2017/18 budget whilst noting the caveats and further actions described.

4. Budget Detail

A detailed cost budget for 2017/18 has now been prepared. The following should be noted:

- The budget for **Blood** is based on the current red cell demand forecast of 1.461 million units in line with the NCG plan. Prices are protected to a volume of 1.432 million units via the 2% demand reduction reserve. The current S&OP forecast is for 1.450m units in 2017/18 and hence is currently well within this range.
- The in year transformation fund in 2017/18 (i.e. the balancing item to a net zero surplus) is £11.4m. This is lower than the £13.8m assumed in the last iteration of the 5 year plan and primarily reflects a higher run rate cost in IT and especially blood donation. In blood donation this is driven by assumed saving through lower venue costs and higher productivity that are now deferred / delayed (in part due to ongoing demand decline and the need to build stock for the CSM project. As a result productivity in blood donation is likely to show a (temporary) marginal decline in 2017/18.
- As a result we will commence a new “star chamber” exercise in Q1 2017/18 that will look to identify an additional £3-5m of savings for delivery in 2018/19, to support closure of the gap above and restore a robust contingency within the 5 year plan.
- The transformation programme in 2017/18 (in Blood/Group) assumes a total spend of £27.4m (non recurring costs of £25.2m and recurring of £2.2m) and hence would **generate a planned I&E deficit of £13.8m**.
- We will end 2016/17 with a cash balance of £20-£25m. This will fund the deficit above with cash carried over for future phases of the transformation plan (but see section 5 below).
- The budget in **Diagnostics and Therapeutic Services** is balanced and assumes an increase in DTS sales income of 6.8% over the 2016/17 forecast. Growth is mostly driven by
 - 9% growth in TES (mostly corneas/ocular plus processed bone)
 - molecular diagnostics pricing and foetal RHD screening within IBGRL
 - an increase to the fixed price recharge in RCI (effectively a price increase to close a persistent deficit - it was originally planned to be closed through ante natal referrals)
 - higher cord blood issues and BBMR matches within the UK (albeit with international demand flat)

As such the primary risk in the DTS budget continues to be the demand assumptions for cord blood issues / BBMR matches and the

ability to grow TES sales given the current flattening trend in sales growth.

- The DTS budget assumes ongoing additional funding of £1.2m (i.e. in addition to the core £4.2m of programme funding) from the Department of Health in England in support of the UK Stem Cell Forum Strategy, although this has yet to be confirmed.
- The budget for **Organ Donation and Transplantation** is also balanced following confirmation of existing funding levels from all of the four UK Governments. Given the financial challenges facing the NHS we remain extremely grateful for the continued financial support that is being provided.
- The planned activity levels in ODT can therefore continue to be funded and generates a £6.4m transformation fund available for investment in initiatives designed to improve efficiency and deliver the TOT2020 strategy. This will fund as a minimum the Year 3 business case, and the overall anticipated cost increase, for the ODT Hub and a further £1.2m for behavioural change campaigning (in England). There is, however, some uncertainty regarding the need for investment in other areas of the IT platform (e.g. DRT). Subject to this there is likely to be limited funding for perfusion technologies (e.g. DCD hearts) and additional behaviour change in 2017/8 and little/no capacity after 2017/18 (certainly no recurring funding availability).
- A **capital budget** of £12.0m in 2017/18 has been submitted to the Department of Health for approval (£6.5m in 2016/17). This is sufficient to fund all current refurbishment and investment plans and includes carried forward spending from 2016/17 of approximately £1.0m. The budget includes £3.0m for the proposed Filton extension, to accommodate the relocation of the CBC from Langford (and would require an additional £2.4m in 2018/19). The Estates & Facilities line includes £1.2m with regard to new donor centres for Leicester, Bradford and South London. Funding for the Leeds/Sheffield proposal will not be required until 2018/19.

2017/18 Capital Budget	£m
DTS	1.7
Manufacturing & Logistics	2.7
Estates & Facilities	3.8
ICT	0.5
R&D	0.3
Sub-total	9.0
CBC-Filton	3.0
Total	12.0

The key assumptions underpinning the 2017/18 income budget are:

	2016/17 Forecast	2017/18 NCG	2017/18 Budget
Red cell demand (million units)	1.513	1.461	1.461
Red cell price (£/unit) <i>Note: 2017/18 includes £2.11 for universal HEV screening (charged as a premium in 2016/17)</i>	£120.00	£124.46	£124.46
Platelet demand (million units)	0.262	0.256	0.256
Platelet price (£/unit) Apheresis price (£/unit) Pooled price (£/unit)	£193.15 n/a n/a	n/a £178.19 £219.30	n/a £178.19 £219.30
DTS - external sales income	£64.8m	n/a	£67.3m
DH England programme funding (UK stem cell strategy)	£4.2m	n/a	£4.2m
DH England programme funding (ODT)	£61.9m	n/a	£61.9m
DH England additional programme funding for stem cells	£1.7m	n/a	£1.2m
Other UK Health Departments funding (ODT)	£11.2m	n/a	£12.0m

5. Impact on the 5 Year Plan

Although the budget is broadly consistent with expectations, the 5 year plan position has deteriorated since the pre budget iteration as a result of:

- Previous assumptions regarding cost savings and productivity improvements in blood donation being deferred / deleted.
- Additional IT costs that have been included in the budget that were not previously recognised in the plan (infrastructure, Pulse contingency and higher pay costs).
- £5m of additional (non-recurring) estates investment capacity that was added to the plan. This is discretionary and may be removed in case the overall plan remains in deficit.

We will be undertaking a replanning exercise over the next few months and this will include, in particular, a re-set of the plans in blood donation to include

- the new “Session of the Future” programme

- the Platelets 50% strategy
- the emerging Donor Centre strategy

It will also take into account a focus on capacity utilisation given this is currently low / falling and highly variable across teams / centres. This is likely to result in the requirement for additional and/or more targeted donor recruitment targets at panel level in order that is sufficient potential to fill the planned session configuration and capacity.

This is likely to return the plan to something that will be much more in line with the pre-budget iteration. However, for contingency purposes, additional savings of £3-5m will now be targeted during 2017/18, over and above existing plans, for delivery in 2018/19. This will aim to both restore previous levels of cash/transformation contingency but will also help mitigate cost increases that are anticipated but not yet recognised in our planning. In particular this relates to increased marketing costs (e.g in support of significantly increasing the number of black blood donors) and IT (eg costs for improved session connectivity / Wifi).

Subject to the above, the plan would continue to remain valid i.e. flat pricing over the 5 year period, despite lower red cell demand and the cash implementation costs of the transformation programme (and especially CSM). The plan does not as yet, however, provide a trajectory towards lower prices in the latter years of the plan, post the CSM investment. Work will continue on developing and restoring the project pipeline potential and an update will be provided to the Board in September 2017.

An overview of the budget and the 5 year planning position will be presented at the Board meeting.

7. ED Scrutiny

Full Board approval is required.

8. Appendices

The supporting schedules provide:

- Summary of the budget by Directorate and a supporting 5 year history/trend. Note that this does not include all virements between cost centres and hence there is some (limited) inconsistency over time.
- Summary of Whole Time Equivalent (WTE) headcount by Directorate and a supporting 5 year history/trend. In this case material virements between cost centres have been adjusted and this represents a consistent headcount trend over time.

Author

Rob Bradburn, Finance Director

Responsible Director

Ian Trenholm, Chief Executive (as Accounting Officer)

Income and I&E Summary

Income (£m)	2015/16 Actual	2016/17 Budget	2016/17 Forecast	2017/18 Budget	Notes
Blood & Components Income	271.1	261.9	262.6	257.1	Budgeted Volumes: Red Cells 1.461 and Platelets 0.256m
Blood & Group Other	5.4	4.7	6.9	7.0	+£0.7m Click & Collect and +£0.7m plasma sales
R&D Funding	3.9	1.3	1.2	1.1	
DTS Income	67.0	69.3	69.0	72.7	T&ES +£1.1m, RCI +£1.1m, IBGRL +£0.7m, TAS +£0.2m, H&I +£0.1m and SCI (D&T) -£2.2m
ODT	71.5	74.0	73.0	74.0	Flat funding agreed with DH England and assumed from Scotland, Wales and Northern Ireland
Total Income	418.9	411.2	412.7	411.8	
Total Expenditure	-414.0	-430.9	-421.1	-425.6	
Net I&E Position	4.9	-19.7	-8.4	-13.8	

Expenditure Summary

Expenditure (£m)	2015/16 Actual	2016/17 Budget	2016/17 Forecast	2017/18 Budget	Notes
Blood Component Stock Movement	-0.1		0.2		
Blood Supply: Mftg, Testing & Issue	-69.9	-69.2	-71.0	-68.4	Including -£2.1m attributable to reduced demand and Logistics savings £-0.7m, Supply Chain Modernisaiton, -0.6m and Procurement -£0.6m, offset by addiitonal HEV costs +£0.7m and CD platelets to 50% +£0.5m
Blood Supply: Blood Donation	-79.0	-74.4	-75.1	-71.3	Includes £1.9m reduction in demand, £0.9m donor services reduction, £0.8m due CD platelets to 50%
Blood Supply: Logistics	-23.1	-20.7	-21.1	-20.6	
Quality	-4.7	-5.0	-4.8	-5.0	
Communications	-8.1	-8.1	-7.8	-7.3	
Estates & Facilities	-40.8	-38.8	-39.6	-39.3	Proper consolidaiton and star chamber savings, offset by higher rate costs
Finance	-6.7	-5.8	-5.9	-5.6	Removal of posts identified in star chamber
HR and BTS Project Management	-9.5	-9.2	-9.2	-9.4	
ICT	-18.1	-19.5	-20.7	-22.3	Allocation of recurring costs to support desktop & next generation firewalls
Clinical Directorate	-13.5	-14.3	-13.9	-14.2	
Chief Executive and Board	-0.6	-0.8	-0.6	-0.6	
Research & Development	-7.4	-4.8	-4.9	-4.5	
Miscellaneous and Capital Charges	-3.4	-1.5	0.3	-1.9	Capital charges and apprenticeship levy
Blood / Group Baseline	-285.1	-272.1	-274.1	-270.5	
Change Programme & Development	-12.3	-33.4	-21.4	-27.4	
Blood / Group Total	-297.5	-305.4	-295.5	-297.9	
Diagnostic and Therapeutic Services	-56.3	-58.7	-59.8	-61.0	Increase offset by higher income and contribution
Tissues Stock Movement	0.3				
ODT Operational Expenditure	-60.5	-66.7	-65.8	-66.7	
Total Expenditure	-414.0	-430.9	-421.1	-425.6	

Note: 2016/17 budget re-stated to include transfer of blood marketing to Communications Directorate (+/- £3.2m)

Five Year Cost Trend By Directorate

£m	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Forecast	2017/18 Budget	% Mvmt > 2013/14	% of Total
Variable Costs (consumables)	65.7	63.4	59.4	57.3	54.8	-16.5%	14.0%
Blood Donation	78.6	73.0	68.8	66.2	63.5	-19.3%	16.2%
Manufacturing, Testing & Hospital Services	37.6	37.7	37.4	38.7	37.7	0.4%	9.6%
Logistics	23.5	21.6	21.7	21.0	20.6	-12.1%	5.3%
Blood Supply Chain	139.6	132.4	127.9	125.9	121.8	-12.8%	
Diagnostic & Therapeutic Services	39.0	40.1	43.9	46.9	48.3	23.8%	12.3%
Organ Donation & Transplantation	58.3	59.6	57.3	62.4	63.2	8.4%	16.1%
Operational Directorates	236.9	232.1	229.1	235.2	233.2	-1.6%	59.5%
Estates	40.5	39.6	40.8	39.6	39.3	-2.9%	10.0%
Clinical	13.8	14.1	14.2	13.9	14.2	2.8%	3.6%
ICT	18.3	18.0	18.1	20.7	22.3	21.8%	5.7%
Finance	6.0	6.0	6.1	5.9	5.6	-6.1%	1.4%
HR	8.4	7.3	7.8	7.7	7.7	-8.5%	2.0%
BTS	1.5	1.6	1.7	1.6	1.7	13.3%	0.4%
Communications	8.0	8.5	8.3	7.8	7.3	-8.0%	1.9%
Chief Executive/Board	0.5	0.6	0.6	0.6	0.6	16.3%	0.2%
Quality Assurance	4.5	4.5	4.7	4.8	5.0	11.2%	1.3%
Total Group Services	61.0	60.6	61.4	63.0	64.4	5.7%	16.4%
Total Baseline Expenditure	404.0	395.6	390.8	395.1	391.8	-3.0%	100.0%
R&D	9.3	8.9	7.4	4.9	4.5		
Development Funds	14.3	8.6	12.3	21.5	27.4		
Other	0.7	0.4	3.4	-0.3	1.9		
Total NHSBT	428.3	413.5	414.0	421.1	425.6		
Red cell issues (millions)	1.710	1.656	1.610	1.511	1.461		
Red cell price (£/unit)	122.09	121.85	120.00	120.00	124.46		
Platelet issues (thousands)	270	275	280	263	255		
Platelet price (£/unit)	209.30	196.96	193.15	193.15	-		
Apheresis Platelet price (£/unit)	-	-	-	-	219.30		
Pooled Platelet price (£/unit)	-	-	-	-	178.19		

Five Year Head Count Trend By Directorate

WTE	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	% Mvmt > 2013/14	% of Total
				Feb-17			
Blood Donation	1,873	1,610	1,579	1,434	1,380	-26.3%	30.1%
Manufacturing, Testing & Hospital Services	810	820	824	819	776	-4.2%	16.9%
Logistics	370	332	345	345	342	-7.6%	7.5%
Blood Supply Chain	3,053	2,762	2,748	2,598	2,498	-18.2%	
Diagnostic & Therapeutic Services	678	744	786	788	849	25.1%	18.5%
Organ Donation & Transplantation	375	369	354	409	408	8.9%	8.9%
Operational Directorates	4,106	3,876	3,888	3,795	3,754	-8.6%	81.8%
Estates	78	77	76	78	77	-1.3%	1.7%
Clinical	171	173	182	183	181	5.3%	3.9%
ICT	131	134	144	154	169	29.8%	3.7%
Finance	103	98	93	93	96	-6.6%	2.1%
HR	126	119	122	119	126	-0.2%	2.7%
BTS	26	23	28	25	27	3.5%	0.6%
Communications	73	70	72	71	73	-0.5%	1.6%
Chief Executive/Board	4	4	4	3	3	-16.9%	0.1%
Quality Assurance	83	79	81	87	83	-0.9%	1.8%
Total Group Services	717	700	725	736	757	5.6%	16.5%
Total Baseline	4,901	4,652	4,689	4,609	4,589	-6.4%	100.0%
R&D	65	65	47	35	33		
Development Funds	8	6	5	23	2		
Other	0	0	0	0	0		
Total NHSBT	4,974	4,723	4,741	4,668	4,623		