

BLO 7
NBA 5
NBA 6Ms Smith
PS(PS(H))From: J Canavan
CA-OPU2

Date: 15 December 1992

Copies: Mr Malone-Lee
Mr Scofield CA-OPU
Dr Rejman HC(M)2
Mr Milledge SOLC2
Mr Dobson FC1A2
Mr Ash FC1A2B

NATIONAL BLOOD AUTHORITY

1. PS(H) asked us to consider whether the NBA could take management control of the RTCs from Regions before 1 April 1994. This note sets out the implications of such a move and recommends that the formal transfer of management control should be made from 1 April 1994.

Difficulties of Earlier Transfer

2. The main arguments against an earlier transfer of the RTCs to the NBA are:-

i. lack of prior consultation with NHS management. When the proposals were discussed with them it was envisaged that the NBA would take over the RTCs from 1 April 1994.

ii. there is a specific agreement with Regional Directors of Finance that we will inform them of funding changes by 30 September of the financial year prior to the year of introduction so that they can be taken into account in the contracting round which begins in the autumn. The sums involved with RTCs are not trivial (around £140 million in 1991/92) and a breach of the prior notification agreement over a change in RTC management arrangements is likely to provoke criticism.

iii. the implications for contracts. Contract prices usually remain fixed for the financial year. While the contracts could be taken over by the NBA it would be operating for a period with prices determined under the old arrangements and not those determined by its own pricing policy. Moreover, the contract prices could create windfall surpluses or deficits for the NBA as the Regional overheads reflected in prices will not necessarily match their own. This situation might require undesirable central intervention at the formative stage of the NBA.

3. There are also technical difficulties concerning a transfer in the course of the financial year. These relate to such issues as negotiating the transfer of RTC liabilities from Regions to the NBA, cost sharing agreements where there are shared facilities and working through the ramifications of the transfer of assets for capital charges. The NBA would be spending time grappling with these issues and it is unlikely that its own plans and policies for the RTCs would be developed and implemented any sooner than under the original proposal.

NBA Activity in Interim Period

4. If the RTCs were not to be transferred to the NBA until 1 April 1994, the new Authority would still be able to begin to tackle management issues in the interim period. We envisage that the NBA would carry out preparatory work such as remedying deficiencies in the management information system, developing performance indicators for the RTCs, developing its pricing policy for plasma, blood and blood products for the 1994/95 contracts, investigating the use of capital in the RTCs and beginning to prepare an investment programme for the future. On formal takeover of the RTCs from 1 April 1994 the NBA would have done the preparatory work necessary to give the RTCs strategic direction and effective management from the outset.

5. Moreover, in the interim period it is likely that Regions will informally take heed of the NBA's views on matters affecting RTC operations. There has already been one example of this where Northern RHA has given Sir Colin Walker the opportunity to comment on proposals for revising the terms and conditions for donor attendants, in case these run counter to NBA plans.

Conclusions

6. Transferring the RTCs to the NBA earlier than 1 April 1994 could provoke criticism from the NHS. Also it is questionable whether the new Authority would be in a position to exercise effective management control any sooner; the Authority would inherit existing contracts, would spend considerable time grappling with the technicalities of disentangling the RTCs from Regions and only then could begin to develop its own plans and policies for the RTCs. In our view it would be better to allow adequate time for the NBA to establish itself and undertake the preparatory work necessary for it to take over management control of the RTCs in a meaningful way. Its reputation among RTCs and the NHS could generally be damaged if the transfer was rushed and resulted in a muddle.

Decision

7. Is PS(H) content that the planned date of 1 April 1994 be retained for the NBA takeover of responsibility for the RTCs?

GRO-C

J CANAVAN
Room 505
Eileen House
Ext. GRO-C