

Mr Macniven

Copy Mr Morison
Dr McIntyre
Dr Forrester

SNBTS: PROCESSING OF PLASMA FOR NORTHERN IRELAND

I am minuting to seek approval to responding in vigorous terms to a unilateral decision by Dr Cash concerning the amount of plasma the Scottish National Blood Transfusion Service processes on behalf of the Northern Ireland Health Authorities. Dr Cash has decided to restrict the amount of plasma to be processed in 1986-87 to the level of that processed in 1985-86. The reason he gives is lack of funds. This decision has distressed the Northern Ireland Health Authorities who are planning on an increase in 1986-87 in the amount of plasma to be processed.

Several years ago it was agreed between the Common Services Agency (and the Department) and the Northern Ireland Authorities that the Protein Fractionation Centre of the SNBTS would process plasma delivered from Northern Ireland and supply Northern Ireland with the blood products derived from this plasma. Northern Ireland does not have the facility to do this itself and is therefore totally dependent on the PFC for their blood products. Since the inception of the scheme the amount of plasma processed has considerably increased over the years.

When the Department approved the scheme it was agreed that Northern Ireland and the Agency should reach agreement on a formula which expressed the Northern Ireland plasma operation as a percentage of the total FPC workload and the gross cost apportioned accordingly. Northern Ireland pay the Agency the "gross costs" of the operation; the figure for 1984-85 being £306,000. This income, however, is treated as appropriation in aid and is not retained by the Agency; it goes to the Treasury.

Dr Cash has long been upset about the treatment of income generated by the SNBTS as appropriation in aid (and not only in relation to the Northern Ireland operation). He is firmly (and persistently) of the view that the SNBTS should retain, for the development of the SNBTS, all the income which it generates. He is also, I believe of the view that the Northern Ireland operation eats up all his development money as, coincidentally, the gross cost of the Northern Ireland operation equals his development money. In this view he is particularly mistaken as the financial burden borne by the SNBTS is the "marginal cost" which in 1982 was estimated to be £30,000. As for funding the SNBTS for the Northern Ireland operation the position is, to say the least, muddled mainly due to the fact that when the SNBTS initiated this operation they were continually under-spending their annual allocations. I can however best summarise a long and tortuous story by saying that the SNBTS benefits by at least several thousand pounds a year because of the Northern Ireland operation. It is not possible to be more precise than this.

Towards the end of last year I had several indications that Dr Cash was again becoming agitated about the financial implications of the Northern Ireland operation and I raised the matter with Finance Division. My minute of 15 January to Mr Kernohan may be helpful to you as it briefly sets out the financial problems and possible options. Finance Division are still exploring these, but there can, to the best of my knowledge, be no question of Dr Cash keeping all the gross receipts which is what he would really like. If any additional funding cannot be legitimately given him for this operation it is likely to be, in his eyes, very marginal indeed.

The 1986-87 financial allocation to the SNBTS, which was conveyed to Dr Cash on 19 March, fully meets the bid for the SNBTS which was submitted to the Department by the Management Committee of the Agency. When Dr Cash received allocation he phoned to ask me whether it included specific growth money for the Northern Ireland operation. When I told him it did not contain this as such but fully met the bid presented by the Management Committee he replied that he would be writing to the Department pointing out that the SNBTS could not keep on indefinitely increasing the amount of plasma it processed for Northern Ireland without additional funding being taken into account. There was no intimation that he was prepared to freeze output at present levels and I was therefore somewhat shocked to receive his letter of 24 March stating that he had frozen production at present levels; you will also see that his letter makes threatening noises about cutting back even on these. On receipt of his letter I prepared the attached draft reply which, as it makes financial references, I passed to Finance Division for clearance. For various reasons my Finance colleague has been able to deal with this and has now departed on leave. I am not however prepared to delay any longer in replying to Dr Cash and am content to send the attached draft letter even without Finance clearance. As you will see the draft reply makes, at the end, the basic point that Dr Cash continue to meet Northern Ireland's requirements; he should not have taken action without first going to the BTS Sub-Committee of the Agency. It also points out how he, or rather the Management Committee itself, should present a case for increased funding for the Northern Ireland operation. By drawing attention to the marginal cost it may also (though unlikely) make him realise that the figures involved have nothing to do with the gross costs which he would dearly like to retain.

I appreciate that this issue is somewhat complex and Dr McIntyre and myself will be glad to discuss it with you.

GRO-C

A J MURRAY ✓
2 May 1986

SHHD
Division IVD/3
Room 6
Ext GRO-C
St Andrew's House