

NHS Research Financial Crisis due to COVID19 – IMPACT STATEMENT

1 Background

The UKRD and NHS R&D Forum Finance Managers Group established a task and finish group to support the NHS wider community to address concerns relating to the potential NHS research departments financial deficit due to COVID-19.

The task and finish group, comprising of representatives from the following organisations: University Hospital Southampton, East and North Hertfordshire NHS Trust, Newcastle upon Tyne Hospitals NHS Foundation Trust, University Hospitals of Leicester NHS Trust, Oxford Health NHS Foundation Trust, Guys and St Thomas NHS Foundation Trust and University Hospitals of Derby & Burton NHS Foundation Trust, undertook a rapid survey within the R&D leadership and finance communities. Responses were received from around 50 NHS organisations of which 90% reported concerns of major financial risks associated with the research response to COVID-19. From this survey and further conversations within the R&D Leadership community, the task and finish group have identified that whilst there is some concern around NIHR funding, the main concerns for NHS R&D departments and their respective organisations relate to:

1. Decreased commercial income
2. Unfunded research costs for UPH studies
3. Decreased charity income and future unfunded grant extensions
4. COVID19 Vaccine Trials

This paper aims to set out the reasons for concern, assess the impact and proposes recommendations for consideration by DHSC.

2 Decreased commercial income

A significant proportion of NHS research activity is funded by industry. Not only does this help the NHS economy as a whole, as patients have access to new treatments at no cost to the NHS, the income supports a significant part of the research workforce and research support infrastructure. As well as funding direct costs, overhead and capacity build income is a vital funding stream to meet indirect costs and reinvestment back into the research system. In order to enable the NHS to concentrate on priority COVID19 research a substantial number of commercial research studies have paused, which means there will be a significant reduction in this essential income stream.

In order to assess the impact of pausing commercial research, it is necessary to understand the size and scope of it.

Table 1 below details commercial recruitment to CRN portfolio studies over the last three years and 2020-21 forecast activity based on (i) activity to date, representing an 80% reduction, and (ii) an assumed improvement due to restart, representing a 50% reduction, when compared to the average of the previous 3 years.

	FY 2017/18	FY 2018/19	FY 2019/20	Ave. per annum based on previous 3 years	April* 2020/21	2020/21 Forecast full year based on April recruitment	2020/21 Forecast full year 50% activity
Participants recruited to commercial research	54,802	54,217	30,159	46,393	735	8,820	23,196
Studies recruiting	1180	1,206	1,183	1,190	93	1,116	595
Local networks recruiting	18	18	18	18	17	18	18
% drop in activity compared to 3 year average						-81%	-50%

Table 1: Commercial Activity Information from ODP on 12th June 2020 *April data to be confirmed

In July 2019 the NIHR CRN commissioned KPMG to assess and write an impact and value report. This quantifies the monetary benefit to NHS trusts and identifies:

NHS Trust receives an average of £6,658 in revenue and a pharmaceutical cost saving of between £4,700 and £5,780 per patient recruited. This equates to estimated totals of £176million of commercial income and £16million of pharmaceutical cost savings across the commercial CRN Portfolio for FY 2014/15. <https://www.nihr.ac.uk/documents/impact-and-value-report/21427>

By estimating how much commercial research has been paused, and using the figures quoted in the KPMG report, it is possible to estimate the value of decreased commercial funding, table 2.

	Ave. pa based on previous 3 years activity	2020/21 Forecast FY activity based on 20% activity	FY 2020/21 Forecast full year 50% activity	Reduction in income based on 20% activity	Reduction in income based on 50% activity
	£k	£k	£k	£k	£k
Revenue (income) to R&D department	£308,882	£58,724	£154,441	-£250,159	-£154,441
Savings to NHS economy	£243,098	£46,217	£121,549	-£196,881	-£121,549
Total financial benefit to NHS	£551,980	£104,940	£275,990	-£447,040	-£275,990

Table 2: Estimated value of decrease in commercial funding

Based on activity dropping between 50% and 80%, lost income and savings to NHS from commercial research in financial year 2020/21 can be forecast to be between **£276m and £447m in total, and £154m to £250m direct income.**

For illustrative purposes, and accepting that not all income is used for staff costs, based on an average cost of £50k per staff member per annum, the decrease in direct income alone equates to a potential loss of between 3000-5000 researchers and research support staff. Per recruiting network this figure is ~170-280 staff, table 3.

	Per recruiting network - reduction in income based on 20% activity	Per recruiting network - reduction in income based on 50% activity	Per recruiting network - no. of staff at risk* - 20% activity	Per recruiting network - no. of staff at risk* - 50% activity
	£k	£k		
Revenue (income) to R&D departments	-£13,898	-£8,580	-278	-172
Savings to NHS economy	-£10,938	-£6,753	-219	-135
Total financial benefit to NHS	-£24,836	-£15,333	-497	-307

Table 3: Illustration of potential impact on NHS staff numbers, based on average cost per staff member of £50k

3 Unfunded research costs for UPH studies

The DHSC AcoRD document outlines the NHS is committed to supporting research and specifies how costs of delivering research should be attributed and funded. Costs that are attributed as 'research costs' should be funded by the grant.

During the first phase of the pandemic there has been an urgency to set up and open COVID related studies, including prevention studies, treatment studies and diagnostic studies, most of which do not have the research costs funded by the grant.

The full financial impact of unfunded COVID19 research costs can be estimated by multiplying the per patient research cost by the number of patients recruited or planned.

At the time of writing this report the full data is not available, however for illustrative purposes, table 4 shows the cost pressure on the NHS research infrastructure by the end of Q1 for three UPH studies using local costings from an organisation represented on the task and finish group.

Extrapolated to full year effect, for these studies alone this equates to a lack of income to fund 3 wte members of research staff per LCRN, based on an average cost of £50k per staff member per annum.

Study name	Research Costs unfunded per patient	Total UK recruitment to 30/06/2020	Total cost Q1 2020	Total cost full year	No. of staff @ £50K per staff member pa	
			£k	£k	Total	Per LCRN
REMAP-CAP	-£919	657	-£604	-£2,416	-48	-3
RECOVERY Trial	-£203	11897	-£2,419	-£9,675	-193	-13
RECOVERY-RESPIRATORY SUPPORT	-£176	137	-£24	-£97	-2	0
Total			-£3,047	-£12,187	-244	-16

Table 4: Unfunded research costs exemplar. *source ODP 30/06/2020

A further example from a study currently in set-up is SIREN, examining whether having COVID-19 antibodies is effective at preventing future infection. Recognised as an important study, NHS Organisations are under pressure to recruit 10% of their workforce. Based on an organisation with 5,000 staff this would be 500 people with an unfunded research costs of £246k plus an additional £122k for the costs of testing.

The NIHR have made it clear CRN funding should not be used to fund ‘research costs’, leaving some Trusts exposed to large financial deficits. **There is no clear guidance on whether unfunded research costs can be included on NHS organisations COVID19 returns, and where they are, whether income will be returned to R&D departments.**

4 Decreased charity income and future unfunded grant extensions

Charitable organisations are important funders of NHS research. As a result of COVID 19, charities are reporting significant decreases in income.

AMRC charities invested £1.9bn in medical research in the UK, which accounts for half of publicly funded medical research nationally. The medical research charity sector experienced a 38% loss in their fundraising income and 70% of clinical trials and studies funded by AMRC charities were stopped, paused or delayed. The AMRC is projecting an average of 41% decrease in their medical research spend over the next year, **leaving a £310m shortfall** <https://www.amrc.org.uk/covid-19-the-risk-to-amrc-charities>.

Whilst immediate decreases in charitable funding, directly or indirectly to NHS R&D departments to deliver research are of concern, longer term issues include

- Significant increase in the need for extensions, which, due to the financial pressures on the charitable sector are unlikely to be funded.
- Grant rounds deferred and
- Future funding being withdrawn

5 Vaccine studies

At the time of writing this report, there are ongoing discussions regarding the need for the NHS research infrastructure to deliver multiple vaccine studies at scale and pace over a prolonged period. Large numbers of research staff will need to be deployed to deliver these studies putting additional pressure on NHS research finances and available workforce.

6 Conclusion and recommendation

A significant proportion, possibly as much as 40%, of the UK's clinical research infrastructure is funded by non-NIHR core funding streams and urgent action is required. Failure to address the issues will result in significant and rapid loss of highly skilled workforce and infrastructure that has been carefully constructed over the past 10 years and will severely damage the UK's ability to deliver vital national initiatives such as the Life Sciences Industrial Strategy which is essential for future economic growth. This staff group is specialised and once lost may take a considerable time to re-establish.

UKRD, the NHS R&D Forum and UHA Directors of R&D recommend that DHSC:

- secure full funding for UPH studies including research costs
- issue clear guidance on the inclusion of research cost pressures on NHS organisation COVID-19 returns and return of income to R&D departments
- create a 'Research Workforce Retention Scheme' backdated to April 2020, that enables research departments to separately claim and receive the employment costs for research staff who have not been otherwise funded.
- rapidly establish a cross sector research finance task and finish group for the early identification of risks, mitigations and required action.

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7 Appendix 1: Summary of NHS Research Financial Crisis

