



*Blood and Transplant*

# **NHS Blood and Transplant Annual Report and Accounts 2009/10**

**Presented to Parliament pursuant to Paragraph 6(3), Section 232, Schedule 15 of the  
National Health Service Act 2006**

**Laid before the Scottish Parliament by the Scottish Ministers in pursuance of section  
88 of the Scotland Act 1998**

**Ordered by the House of Commons to be printed 15 July 2010**

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**SG/2010/101**

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## **ANNUAL REPORT**

### **Management Commentary**

The accounts for the year ending 31 March 2010 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with section 232 (Schedule 15, Paragraph 3) of the National Health Service Act 2006, and in a format as instructed by the Department of Health with the approval of Treasury.

### **The Nature and Purpose of NHSBT**

NHS Blood and Transplant (NHSBT) is a Special Health Authority in England and Wales that was established on 1 October 2005. The Authority was formed from the merger of the National Blood Authority (NBA) and UK Transplant (UKT), and includes the activities of the Bio Products Laboratory that was a constituent part of the NBA.

NHSBT comprises three Operating Divisions:

**Patient Services** is a division that comprises two segments - Blood Components and Specialist Services, supplying blood components, diagnostic services and tissues to NHS hospitals in England and North Wales. The cost of these activities is recovered in the price of the products and services that are provided, with prices agreed annually through the National Commissioning Group for Blood. NHSBT is also the operator of the International Blood Group Reference Laboratory, British Bone Marrow Registry and the UK Cord Blood Bank. These activities are directly funded by the Department of Health.

Around 38,000 units of blood are collected each week via a network of fixed sites and mobile blood collection teams. The blood is processed in 6 processing centres (5 of which have testing facilities) and distributed via a network of 15 issue centres to over 300 hospitals.

**Organ Donation and Transplantation (ODT)** – NHSBT is the UK “Organ Donation Organisation” that was envisaged by the Organ Donation Taskforce report of January 2008. NHSBT is now implementing the recommendations of this report for which it is directly responsible. In doing this it is building on the activities of the previous UK Transplant organisation, most notably of which was the operation of the UK Organ Donation Register. As such, NHSBT is playing its part in the shared aspirations of the DH, the Devolved Health Administrations and their partners across Government to increase numbers on the Organ Donation Register to 25 million by 2013, and to increase the numbers of deceased organs donated by 73% (from a 2007/08 baseline).

**Bio Products Laboratory (BPL)** – manufactures plasma proteins (albumin, clotting factors and immunoglobulin's) at its facility in Elstree, before selling these products at commercial prices to both the UK Health Service and to export markets. The source plasma is purchased from DCI Inc. a US based plasma collection business. DCI was acquired by the Department of Health in 2002 in order to secure a safe source of plasma to BPL and hence secure the supply of plasma proteins for UK patients.

### **Strategic Objectives**

Our strategy is constructed around five strategic objectives that reflect the operational structure of NHSBT:

**1. Blood Components: To deliver a modern, world class blood service that provides a sustainable and dependable supply of blood components that meet all safety, quality, compliance and service standards, as efficiently as possible.**

Our first concern will always be the safe and dependable supply of blood components to NHS hospitals, as well as providing a safe and high quality service to our donors. In conjunction with this, we will continue to modernise processes and systems, driving out efficiencies at each stage of the blood supply chain, from the collection of blood to the processing, testing, issue and delivery of blood components to hospitals.

**2. Specialist Services: Based on a thorough understanding of the needs of our customers and the broader market, to develop a portfolio of high quality, financially viable specialist services and products that are consistent with the objectives of NHSBT, complementary to existing activities and build on our unique skills and capabilities.**

We will develop and maintain a strategically appropriate, and financially viable, portfolio of specialist (diagnostic) services and products (e.g. tissues), as long as they are consistent with the objectives of NHSBT. We will build on our skills, capabilities and facilities where NHSBT is best placed to provide them.

We will continue to provide related services (such as the operation of the British Bone Marrow Registry and the UK Cord Blood Bank) to the highest standards of quality, focused on the needs of the broader healthcare community and NHS patients, as mandated and directed by the Department of Health (and, where relevant, the Devolved Health Administrations).

**3. Organ Donation and Transplantation: To maximise the number of organ donors, donated organs and registered supporters of organ donation, thereby enabling an increase in the number of life-saving transplants.**

We are committed to developing NHSBT as a UK-wide Organ Donation Organisation and delivering our share of the recommendations of the first Organ Donation Taskforce (ODTF). Those recommendations aimed to deliver a 50% increase in deceased organ donation in the UK within five years, resulting in an additional 1,200 transplants per year.

Going beyond this, we are supporting the subsequent aspiration to increase numbers on the Organ Donation Register to 25 million by 2013, and to increase the numbers of deceased organs donated by 73%. These aspirations are a shared objective of all stakeholders within the DH, the Devolved Health Administrations and their partners across Government. They have been incorporated into the Terms of Reference of the DH Programme Delivery Board chaired by the DH National Clinical Director for Transplantation, and have been built into the strategic targets of NHSBT.

**4. Bio Products Laboratory (BPL) will provide a secure and financially viable source of high quality plasma proteins to NHS patients. To fulfil this mission BPL will attain the scale, efficiency and international capability that enables it**

**to be sustainably cash generative, allowing it to self-fund its investment needs and maintain its product portfolio.**

BPL will continue to supply a significant share of the UK's need for plasma proteins (immunoglobulin's, albumin and clotting factors). It will underpin this mission by ensuring financial viability, as a result of increasing the output of its Elstree factory, and using this to satisfy opportunities in international sales and contract fractionation.

**5. NHSBT Corporate: To be an effective champion and advocate for the needs of donors and customers across NHSBT, developing organisational capacity, capability and processes in support of our ambitious objectives, identifying opportunities for effective collaboration across our Operating Divisions and supporting them with highly efficient and effective Group Services.**

In order to fulfil the ambition of our strategy, we will continue to review our organisational arrangements, making the necessary changes to our structures, systems and governance processes.

We will seek to identify and deliver synergies between our operating units (Blood Components, Specialist Services, ODT and BPL) and underpin them with efficient and effective Group Services.

We are committed to applying the principles of Sustainable Development and will apply them to all that we do, whilst meeting the targets set by Government.

## **Key Performance Headlines 2009/10**

In early 2008, a three-year Strategic Plan was implemented, which established a series of very challenging objectives and reflected the ambition, and far-reaching implications, of the first Organ Donation Taskforce (ODTF) report and the National Blood Service Strategy Review, both announced in January 2008.

Significant progress has since been made and 2009/10 was a very significant year with regard to the delivery of the critical phases of that programme. Considering each of our operational areas in turn:

### **Blood Components**

The performance in blood collection and management of stocks has continued to be good. In preparation for the potential swine flu pandemic, NHSBT was able to successfully increase its stock holding of red cells (from a norm of ca. 45,000 units) to 65,000 units during July to September 2009. Stocks were then managed down to ca. 55,000 units by the end of December 2009, but fell significantly and quickly in January 2010 as a result of the severe, adverse weather experienced across the UK. This prevented donors from attending blood collection sessions and stocks fell to a lowest point of ca. 34,000 units, but quickly recovered as donors responded positively to the call for donation. At no point did total stocks breach the three-day alert level (one of our key performance indicators), albeit stocks of O negative and AB negative fell below three-days supply for three and four consecutive days respectively in January.

One of our key strategic targets has been to increase the proportion of platelets issued to hospitals via component donation (apheresis) to 80% from the previous

level of ca. 60%. Through most of the year, the level of product issued from component donation production was around 75%, predominantly attributable to an increase in platelet demand of ca. 5%, but was successfully increased to 80% during the month of March. We now plan to maintain the average at around 80% during 2010/11, albeit we anticipate some months when performance will fall below 80%.

2009/10 has also been a critical year with regard to the plans for removing excess capacity in the blood supply chain and increasing efficiency. As such, we completed the consolidation of processing and testing in both the South West and South East of England and are on course to complete the consolidation in the North by July 2010. Along with the benefits of the Operational Transformation Programme (OTP) in Blood Donation this has allowed NHSBT to reduce the price of red cells to NHS hospitals from ca. £140/unit in 2008/09 to ca. £124/unit in 2010/11. This is broadly saving NHS hospitals some £30m based on a distribution volume of around 1.9 million units per annum, before inflation. We are also pleased to note that the impact of the consolidation programme on our staff was heavily mitigated via natural turnover, voluntary redundancy and redeployment both within NHSBT and the broader NHS.

During the course of this process, we have continued to monitor and manage the satisfaction levels of both our blood donors, as well as our customers (NHS hospitals). Donor satisfaction, measured as the percentage of donors scoring 9 out of 10 or higher for overall service, was at 65% versus plan of 68% and 63% last year. Importantly, the level of donor complaints fell to an average for the year of 5412 per million donations. This is well below the 6324 per million donations seen in 2008/09 and reflects a strong focus on managing the service provided to donors and promptly responding to complaints when made. Customer satisfaction, measured as the percentage of customers scoring 9 out of 10 or higher for overall service, was at 55% and equal to our in-year target.

In relation to blood safety, we are also pleased to note that we have seen only 3 confirmed cases of Transfusion Related Acute Lung Injury (TRALI), a significant improvement from the 2008/09 position of 10, and 2 incidences of Transfusion Transmitted Infection (TTI) from bacterial contamination. We have seen no confirmed cases of TRALI attributed to female donor derived plasma, whether in fresh frozen plasma (FFP) or platelets suspended in plasma. Plasma issued for both of these products is now consistently sourced from male donors (greater than 99%), a key enabler for minimising the incidence of TRALI.

### **Specialist Services**

Activity in Specialist Services has been focused on reducing the cross subsidy provided by blood prices through a combination of volume (activity) increases, price increases and cost reduction through consolidation of laboratory facilities.

This has continued in 2009/10 and as shown in note 2 of the accounts Specialist Services has made a small positive operating surplus of £163k in the period. In addition, agreement has been secured with our Commissioners to deliver a range of price increases in 2010/11 (with corresponding decreases in blood component prices) in line with our strategic targets.

All of the planned consolidations have now been completed and the benefits secured. We continue to work on the planned divestment of routine antenatal screening services and expect this to be completed by the end of 2010/11.



After falling at the start of the year, performance has improved steadily against agreed service levels, with all areas achieving SLA targets by the year-end.

### **Organ Donation and Transplantation**

Organ donation saw a marked increase in the level of activity from the middle of the year. During the first half of the year, deceased organ donation rates, measured on a rolling 12 months basis, were 13% up over the 2007/08 baseline, versus a target of 20%. Activity in the second half of the year was ahead of target such that by March 2010 activity was up by 19% overall, very close to the 20% target. This is reflected in an increase in operating costs, rising from £18 million in 2008/09 to £52 million in 2009/10, as shown in note 2 of the accounts.

In addition, live organ donation levels were in line with target at 1,044, against a target of 1,044.

The number of donors on the NHS Organ Donation Register (ODR) reached 17.1 million, just under the target of 17.5 million. This was helped significantly by the major public awareness campaign that was launched in November 2009, contributing to the increase in media costs shown in note 3.2 of the accounts.

As a result, the total number of organ transplants carried out in the period April 2009 to March 2010 was 3,672, the highest ever seen, 13% above the 2007/08 baseline.

During 2009/10, the implementation of the ODTF recommendations for which NHSBT is responsible has continued at pace, and has resulted in:

- 174 out of 192 “Clinical Leads for Organ Donation” appointed.
- 127 out of 177 non clinical “Donation Champions” appointed.
- 147 out of 177 organ donation committees appointed within donating hospitals.
- All 12 Donor Transplant Co-ordination Teams appointed and operational.
- Development and implementation of a web-based system (EOS) to underpin and control the process of donor registration and organ offering.
- Development of the procurement framework and service delivery requirement for the commissioning of a national Organ Retrieval Service.
- The launch of the first UK wide public awareness campaign – this was based on the message that “If you believe in organ donation, prove it” by registering on the NHS Organ Donor Register (ODR), as while 90% of people in the UK say they support organ donation, to date only 28% have joined the ODR.

However, despite these achievements, there remain around 8,000 people in the UK who need a transplant and this total continues to rise despite the significant effort being made to increase the number of donors. In addition, to those people on the 'active' waiting list, a further 2,000 people are on the 'suspended' list because they are too ill or unable to receive a transplant at present. Added together, this brings the total number needing an organ transplant in the UK to above 10,000.

In addition work initiated towards the end of 2009, to improve communications with people on the Organ Donor Register (ODR), identified a problem with the recording of some registrants organ donation preferences. An external investigation was announced at the time and both the Human Tissues Authority and the Information Commissioner were notified. The issue was traced to the accuracy of registrations, where only a donation of eyes, hearts, lungs or liver was selected, for registrants

applying via the DVLA driving licence application form. The issue arose from a programming change that was made to the ODR during 1999.

This was fully investigated and found to impact around 800,000 records on the ODR (<5%) with around 62% of those being capable of automatic correction. NHSBT is in the process of contacting the remaining 38% of donors with a view to ensuring that their preferences are correctly recorded. However, the most serious problem relates to registrants who subsequently became donors and whose incorrectly recorded preferences may have caused donations to proceed in a manner at variance with their wishes. Our top priority has been dealing personally and sensitively with the 25 families that this has impacted in order to explain what happened; apologise for the distress caused; provide access to counselling and offer meetings with NHSBT Directors to reassure them of the corrective steps being taken.

### **Bio Products Laboratory**

BPL's strategy is focused on increasing the manufacturing output from its Elstree facility and growing export sales in order to drive the business towards financial sustainability. As such, sales in 2009/10 have increased by 27% over the previous year, with exports up by 88%. BPL is now making a small trading profit but the need to grow its working capital, in support of this significant increase in activity, has seen BPL continue to consume cash during the year.

BPL continues to see improvement in its regulatory performance and was inspected by the US Federal Drugs Agency during the year. The outcome was highly successful and BPL was granted a licence to sell Gammplex, its new generation immunoglobulin, in the US market.

However, it is also clear that conditions in the fractionated proteins market deteriorated in the latter part of 2009, with excess product available for sale and a decline in (some) export prices. The market is likely to remain tough and it will be challenging to deliver the same rate of improvement in BPL performance during 2010/11.

### **NHSBT Corporate**

Overall it has been a successful year for NHSBT. At the corporate level some notable achievements include:

- Achieving a ranking of 'Excellent' for our overall quality of service after inspection by the Care Quality Commission (previously the Healthcare Commission).
- Achieving level 2 compliance (previously level 1) with the NHS Litigation Authority.
- Implementation of new systems for laboratory information management, telephony, expenses authorisation and mobile phone billing.
- The launch of a new Organisational Development programme (SHINE) and the implementation of improved processes for personal development planning.
- The development of our sustainable development action plan.

### **Approved or Planned Future Developments**

In early 2008 we generated a three-year (2008/11) Strategic Plan, which established a series of very challenging objectives and reflected the ambition, and far-reaching

implications, of the first Organ Donation Taskforce (ODTF) report and the National Blood Service Strategy Review, both announced in January 2008.

Significant progress has been made and we are within the critical phases of delivery of that programme. The Strategic Plan is reviewed and updated on an annual basis, as part of our integrated planning, performance, risk management and assurance framework. Therefore, in March 2010, the NHSBT Board approved the 2010/13 Strategic Plan. This document sets out our strategic objectives (captured above), strategic targets and strategic themes, along with the key aspects of our broad action plans. Our latest Plan continues to focus on benefits delivery, both operational and financial, ensuring that the benefits envisaged in the 2008/11 Plan are fully embedded as we go forward.

We are also very cognisant of the current economic situation, the state of public finances and the likely constraints that our customers will be required to work within over the next few years. As such, our latest Plan captures our intent to identify and develop opportunities and initiatives that will drive out further improvements and efficiencies beyond those captured in the 2008/11 Strategic Plan. At this stage, the updated Plan captures our goal to identify, evaluate and pilot activities, for delivery in 2011/12 and beyond, with detailed implementation plans to be captured in future iterations of the Strategic Plan.

The key activities for 2010/11 that are captured in our Strategic Plan include the following:

### **Blood Components**

- Plans to sustainably issue 80% of platelets produced via component donation in line with our mandated direction from DH.
- Implementation of the bacterial screening of platelets and the prion filtration of red cells for children under 16 and adult haemoglobinopathy patients (as mentioned above). We will also continue to develop the impact analysis of further blood safety initiatives in conjunction with the UK Advisory Committee for the Safety of Blood, Tissues and Organs (SaBTO).
- Completion of the existing rationalisation projects in processing and testing, securing and embedding the related benefits. In addition, the completion of tactical consolidations in the related office based estate and release of existing leased facilities.
- Development of plans for further improvement of efficiencies in the blood supply chain, via lean manufacturing methodologies, underpinned by active benchmarking of operational performance and productivity versus other (mostly European) blood services.
- Increased focus on customer service and development of our customer service proposition. In particular this includes the current activity with regard to piloting, and intent to roll out, an Online Blood Ordering System (OBOS). This modernises one element of the interface between NHSBT and NHS hospitals and is a precursor to developing a broader and more automated customer portal.

- Development of a supply chain model and underlying processes that would allow us to integrate and optimise the management of blood stocks between ourselves and NHS hospitals.
- A need to develop a coherent blood donor strategy, which seeks to ensure ongoing sufficiency of the blood supply, and the related need to modernise and improve the experience that our donors have when they come to donate blood. This modernisation programme will include the development, and pilot, of a “Direct to Session” model; strategic systems, information and process improvement; coupled with organisational development within Blood Donation (capacity, skills, and expertise).

### **Specialist Services (SpS)**

- Completion of existing rationalisation projects, securing and embedding the related benefits from Red Cell Immunology/Stem Cell Immunology consolidations and the divestment of the routine ante natal screening service.
- Recruitment of product management resource in support of Diagnostic Services, Tissues and Stem Cell Therapies in order to introduce greater market orientation and skills within SpS and hence underpin the strategic plans with a sound assessment of the commercial opportunities and risks.
- Leading the UK wide Strategic Stem Cell review (regarding BBMR and Cord Blood) on behalf of the DH.
- Development and launch of new (tactical) products within Tissues in order to increase revenue and support the financial viability of SpS.
- Review the supporting systems and processes within SpS to identify improvements in end-to-end processes in support of greater customer service (e.g. Hematos development, delivery of Diagnostic Service reports via Electronic Data Interchange (EDI) and improved links to billing processes).

### **Organ Donation and Transplantation (ODT)**

- Deriving the benefits from the deployment and ongoing development of the 12 Regional Donor Transplant Co-ordinator Teams and the Clinical Leads for Organ Donation (CLOD) now in place, and completing the roll out of the CLOD Professional Development Programme.
- Continued development of the commissioning of organ retrieval and supporting processes, with 2010/11 seeing the development of options for donor management and a review of capacity in the South West.
- Sustaining and further developing the public awareness campaign that was launched in November 2009.
- Development of a performance improvement culture and framework underpinned by the development of supporting processes and reporting systems.
- In addition, and commensurate with development of NHSBT as the UK Organ Donor Organisation, we will also strengthen our governance, quality and IT

systems infrastructure with particular focus on the Organ Donor Register and organ allocation schemes. We will also develop our response to the European Directive on Organ Donation and ensure compliance with the European Working Time Directive.

### **Bio Products Laboratory (BPL)**

- Continue to focus on developing BPL into a business that is capable of generating a sustainable profit, cash surpluses and self-funding its development needs over the long term. In the long term BPL is aiming to become a business with the following shape:
  - Sustainable processing of 1,000,000 litres of plasma per annum.
  - A robust sales income of at least £165m per annum.
  - Gross profit margins of around 30%.
  - A trading profit margin of around 10%.
- The detailed plans necessary to deliver this objective continue to be re-worked, especially with regard to assessment of the strategic options to improve gross margin quality. However, in the short term BPL continues to seek sales opportunities and improve its planning capability and cash flow forecasting.

### **NHSBT Corporate**

- Identifying and developing synergistic opportunities between the Operating Divisions of NHSBT (e.g. marketing, tissues/organs etc) and improved alignment of Research and Development (R&D) funding and programmes with our strategy.
- Ongoing development of performance management and integrated governance structures, adherence to regulation, risk management capability and business continuity management.
- Implementation of the Agenda for Change Unsocial Hours agreement, a review of working practices and continued focus on organisational development and people management.
- Continuous improvement to supporting group systems and processes based on reducing transactional activity and increasing automation. This includes an explicit commitment to an ongoing assessment of the opportunity to partner with NHS Shared Business Services in accounting and payroll.
- Development of our Estates strategy underpinned by a comprehensive set of options appraisals and supported by extensive analysis of costs and benefits.
- Development of options with regard to a Transport Management System and the opportunity to drive savings from the £20m per annum that we incur in logistics cost.
- Implementation of a detailed sustainable development action plan.

Progress in delivery of this Plan will be regularly monitored through our performance management framework, which focuses on key performance measures and targets related to our strategic outcomes. These metrics, along with other “health

monitoring” KPI’s, and regular milestone reporting, will form the basis against which our progress during 2010/11 will be measured.

## **Financial Review**

NHS Blood and Transplant is a Special Health Authority and is treated as a Non Departmental Body (NDPB) under the Government Financial Reporting Manual (FRoM). In accordance with this guidance NHSBT reports on a net expenditure basis with grant-in-aid received from the Department of Health recognised in the general reserve.

On this basis, for the period ending 31 March 2010 the Authority has reported net expenditure of £102.8 million. This reflects the operating costs of Authority, as all blood and tissues collected are freely donated by volunteer donors. This result is consistent with an income/expenditure surplus of £4.9m. Note 2 to the accounts reconciles the net expenditure position to an income/expenditure basis, described as our “operating surplus” and treating the £71.7m Grant in Aid received from the Department of Health as income. The operating surplus of £4.9 million primarily relates to capital charges (non cash) being less than plan together with under spends in blood donation and group services.

Capital funding of £16.0 million was received from the Department of Health in order to purchase and replace fixed assets, of which £3.1 million was returned to the Department. The appropriate levels of interest and depreciation are also included within the Income and Expenditure Account in addition to the capital charges repaid to the Department of Health.

Although a healthy income surplus was recorded in 2009/10 the primary challenge during the year was cash management at BPL. Due to the biological nature of its products, requiring significant time in quarantine, BPL operates with high stock levels and an inherently long cash cycle. During the year BPL increased its sales by 30% and, despite being profitable, consumed cash in order to finance the higher level of working capital dictated by the increased activity. Although sales increased substantially the increase was less than planned with a marked deterioration in some of its target export markets being noticeable in the last six months of the year. This resulted in higher stock levels than planned at period-end leading to an unplanned cash pressure on NHSBT overall. In order to work within its revenue funding limit this resulted in a higher level of creditors than planned. In addition, due to the uncertainty regarding the saleability of certain of its stock lines, significant provisions of £7.8m were applied to the valuation of stock at year end. Although contracts are in place that should ensure that these stock lines are converted into sales revenue during 2010/11, this is not guaranteed and the high level of commercial uncertainty dictated that a highly prudent approach be taken to their valuation.

As a result although the working capital position, as shown in the Statement of Financial Position, was satisfactory overall there was an increase in current liabilities from £46.7 million (2008/09), to £66.4 million (2009/10) reflecting the higher creditor position required for NHSBT to meet its cash target. This was offset by an increase in current assets from £107.3 million (2008/09) to £129 million (2009/10) that included the impact of the higher stock position at BPL. Total net assets decreased from £365.8 million to £323.2 million. This primarily related to the downward revaluation of land and building assets at BPL as at 31 March 2010. These were revalued at period-end on a modern equivalent asset basis.

## **Principles of Remedy**

NHSBT is committed to providing quality responses to our customers' queries and concerns in line with 'Listening, Responding Improving', the Department of Health guidelines. We actively seek feedback from our customers: hospitals, blood, tissue and organ donors, so that we can take steps to put things right when expectations and needs are not met, and we can understand where we need to improve. Complaints procedures and our contact details are provided through leaflets and on our websites.

During 2009/10, we received 1240 contacts from hospital customers, with feedback from 23,000 blood donors, (48% complainant, and 25% complimentary). We have met targets for acknowledgement of organ, blood donor and hospital complaints (99% in 2 days) and we continue to focus on improving the overall timeliness of our responses (99% of 459 final complaint responses were completed within 20 days for organ donors, with 93% blood donors/ members of the public and 90% for hospitals).

Our responses aim to address specific concerns and wherever possible are provided by front line managers who are closest to the issues. We want to apologise where service standards are not achieved, make the relevant improvement, or provide an acceptable explanation where this is not possible. All feedback is analysed and reported to management teams monthly to identify trends and remedial actions. Work to develop a more detailed understanding of errors and incidents continues, so that we can improve our learning from these experiences. We are seeking direct contact to resolve complaints and 45% of blood donor complaint issues were responded to by telephone during 2010/11. Outcomes with potential solutions were noted for 89% of resolved blood donor complaints.

Complaints are used in conjunction with customer satisfaction surveys and performance indicators to highlight areas for improvement. Significant improvement in hospital satisfaction (around 8% in top 2 box score) has resulted from efforts in specific areas, notably the transport of products to hospitals and diagnostic reporting for them. Developments for hospitals this year include the pilot of an online blood ordering system and a much improved format for the monthly information update. The advance booking of appointments by blood donors has increased and we have amended our approach to appointment slot management to increase flexibility for donors who wish to 'drop in'. Our efforts to improve queue management have resulted in increased blood donor satisfaction with waiting times.

We use the guidance from 'Managing Public Money' to address requests for reimbursement and aim to provide fair and proportionate compensation where appropriate. We will continue to review our implementation of 'Listening, Responding Improving', for resolving issues of concern across NHSBT, in line with the Ombudsman's principles.

## **Environmental, Social and Community Matters**

In 2009/10 NHSBT continued to drive the sustainability agenda forward, making progress with a programme of work across a number of key areas and ensuring that adequate preparations were in place for the Carbon Reduction Commitment. Sustainable Development was a workshop theme for the Executive Team mid year where they were presented with a number of challenging scenarios focusing on the supply chain of a future NHSBT. Externally, NHSBT contributed to the SOGE II

consultation documentation and a successful application was made to the Carbon Trust's Collaborative Carbon Management Programme.

### ***Environmental***

The ISO 14001 accreditation programme at BPL is very nearly complete. Work is also underway to conduct initial environmental impact assessments across all the main Blood Centres and ODT. This will inform the next phase which will establish an environmental management system across the whole organisation. An initiative was launched to baseline the waste streams across the organisation and to understand the issues and variances around local storage, different council operations and waste operators. Other initiatives included conversions from steam to gas, low energy lighting, auto light switching trials and adjustments to optimise incoming electrical supplies.

### ***Travel***

The lease car policy was reviewed and new upper limits for CO<sub>2</sub> emissions have been imposed. In addition all new lease cars must now have a 5 star Euro NCAP (safety) rating. The travel plan for Filton has been reviewed and a travel survey and mapping service at Cambridge have been commissioned from Travel for Work. At the end of the year the Cycle to Work scheme was launched in order to encourage staff to use more sustainable modes of transport to and from work. These initiatives will form the basis of our travel policy and plans for the future.

### ***Communications***

A communications plan has been produced by the internal communications team. Sustainable Development messages have been sent out both in the Chief Executives Christmas address and also in the monthly Connect briefings. An intranet site is nearing completion that will keep all staff informed of performance in this area, the projects that are being undertaken and what they can do as individuals both at work and at home. Work also commenced on a themed Connect magazine that is due for publication in May 2010. A series of roadshows are planned to promote the cycle to work scheme and a formal campaign to reduce the overall carbon footprint of the organisation will follow.

### ***Procurement***

Excellent progress has been made against the Sustainable Procurement Task Force's Flexible Framework where we are on target to achieve full maturity by 2012, well in advance of the suggested SOGE target of 2017. The initial assessment of suppliers has been reviewed following concerns over utilising the Kraljec model to rate suppliers. An analysis of contracts is now being put into place to establish those with both the highest carbon concentration and the largest impact on the environment.

### ***Carbon Reduction Commitment Energy Efficiency Scheme (CRC)***

The organisation qualifies for CRC and has made some significant changes to the way it collects and analyses consumption data in the run up to registration. Work has continued to get all sites metered for both gas and electricity and will ensure NHSBT is in a favourable position to provide accurate data to the governing body (Environment Agency). As BPL has already met the conditions for early action metrics (Carbon Trust Standard and automatic metering installations) a decision was taken to disaggregate and register them in the scheme as a Significant Group Undertaking.



### **Corporate**

The Sustainable Development Group (SDG) continued to meet however it was felt that a high level steering group constituting key Executive Directors was required in order to provide: direction for SDG; feed back into the Executive Team and also visibility to staff and stakeholders of our commitment to sustainability.

A successful application was made in December to take part in the Carbon Trust Collaborative Carbon Management Service. Pre work has been completed and the 10 month programme will commence in May.

### **Emergency Preparedness**

The organisation has in place plans that are compliant with the NHS Emergency Planning Guidance 2005 and NHSBT has produced specific plans, approved by the Department of Health, for the management of blood stock in a shortage situation, which are available to hospitals and other blood users on the Department website. The plans in place were compliant with the document "Pandemic flu: A national framework for responding to an influenza pandemic" issued jointly between the Cabinet Office and the Department of Health. The plans were put into operation following the declaration of a pandemic by the World Health Organisation. A lead Executive Director was appointed and teams working at strategic, tactical and operational level were stood up. The lead Executive Director attended Department of Health meetings for SHA flu directors and plans were modified as needed based on these briefings and also the "Swine Flu: Guidance for Planners" document issued jointly by the Cabinet Office and the Department of Health in October 2009. Assurance on the operation of the plans was provided by the early use of tabletop exercises across all the teams and an audit of the plans by the organisation's internal auditor. A debrief and lessons identified process has been initiated and a paper will be provided to the NHSBT Board.

The organisation has also created an Emergency Preparedness Committee to oversee emergency planning activity and to identify business continuity as a separate but associated work stream. The remit of the committee is the governance of emergency preparedness, structures, plans and maintenance. The committee meets quarterly and has a responsibility to produce an annual report for the attention of the Executive Team and the Governance and Audit Committee.

### **Action taken to maintain or develop the provision of information to, and consultation with, employees**

There has been a considerable amount of work done to develop mechanisms that enhance our ability to communicate, consult and provide information to all NHSBT employees. The former recognition agreement has been reviewed and a new updated version of this consultative framework has been agreed nationally with staff side colleagues. This Working in Partnership Agreement sets out the consultative framework through which a partnership approach to joint working will be achieved. Functional NHSBT Staff Partnership sub-committees have been established matching the NHSBT's structure. Administration and operating processes have been defined and improved. Work is now underway to implement the new framework and to develop a local/regional consultative structure that reflects the spirit and principles of the Partnership Agreement. This work will be completed by the autumn.

## **Disabled Employees Statement**

Our work on disability equality is included within our Single Equality Scheme.

NHSBT is committed to providing real opportunities for disabled people who wish to work for the organisation. We recognise that in order to become an employer of choice, we need to take pro- active steps to fully embed disability equality in everything we do.

This is why we will ensure that disabled people in the work place gain equal access to training and development opportunities, we will also make sure that all our disabled employees are provided with every opportunity to achieve their potential.

NHSBT have already taken a number of proactive measures to mainstream disability equality. An example of this is establishing a disability focus group.

The main purpose of this group is to champion disability equality within NHSBT. The group also acts a consultative group with a remit to provide advice and guidance on a range of disability issues throughout NHSBT.

The Disability Focus Group is chaired by a disabled employee and the group report into NHSBT Equality & Diversity Working Group a strategic group chaired by an Executive Director.

The group is currently working on the following work streams:

- Promoting reasonable adjustments in the work place
- Working with recruitment to ensure disability equality is a key feature within the recruitment and resourcing strategy. For example the two ticks symbol.
- Working with Remploy to promote disability work placements
- Advising Managers and staff on disability equality impact assessments.

These work streams link into existing internal and operational strategic groups.

## **Equal Opportunities Statement**

NHSBT is committed to promoting equality & diversity, providing an inclusive and supportive environment for all staff. The key agreed organisational aims are to:

1. Have a workforce that embraces equality and diversity. We will recruit, develop and retain a workforce that is able to deliver high quality services that are fair, accessible, appropriate and responsive to the diverse needs of different groups and individuals.

2. Be a better place in which to work; ensuring that the NHSBT is seen as an employer of choice, achieving equality of opportunity and fair outcomes in the workplace.

3. Have a service that uses its leverage to make a difference – to ensure that the NHSBT exploits its influences and resources as an NHS employer to make a difference to the life opportunities and the health of the population, especially those who are excluded or disadvantaged.

The organisation will:

- Ensure that people are treated solely on the basis of their abilities and potential, regardless of race, colour, nationality, ethnic origin, religious or political belief or affiliation, trade union membership, age, gender, gender reassignment, marital status, sexual orientation, disability, socio-economic background, or any other inappropriate distinction.
- Promote diversity and equality for staff, donors and patients and value the contributions made by individuals and groups of people from diverse cultural, ethnic, socio-economic and distinctive backgrounds.
- Promote and sustain an inclusive and supportive working and clinical environment, which affirms the equal and fair treatment of individuals in fulfilling their potential, and does not afford unfair privilege to any individual or group.
- Wherever reasonable and practicable, promote flexible working hours.
- Treat part time staff fairly and equally.
- Challenge inequality and less favourable treatment.
- Ensure individuals experience equality of opportunity
- Promote an environment free from harassment and bullying on any grounds to all staff donors and patients.

## **Sickness Absence Data**

During the period January 2009 to December 2009 the total number of whole time equivalent days lost to sickness absence was 58,494 days. This information is disclosed in accordance with DH guidance and equates to an average of 10.4 days per whole time equivalent; and a sickness absence rate of 4.6%.

## **Board Members**

Board Members serving during the period 1 April 2009 to 31 March 2010:

### **Chairman**

Mr Bill Fullagar

### **Non Executive Directors**

Ms Della Burnside

Mr Andrew Blakeman

Dr Christine Costello

Mr John Forsythe

Mr David Greggains

Mr George Jenkins

Dr Diana Walford (CBE) (1 April 2009 to 30 September 2009)

### **Executive Directors**

Ms Lynda Hamlyn - Chief Executive

Mr Rob Bradburn - Finance Director

Mr Peter Garwood - Director of Specialist Services (1 April 2009 to 30 September 2009)

Ms Sally Johnson - Director of Organ Donation and Transplantation

Dr Clive Ronaldson - Director of Patient Services

Mrs Lorna Williamson - Medical Director

Mr Andy Young - Director of Blood Donation (1 April 2009 to 21 July 2009)

Details of the remuneration of senior managers of the Authority can be found in the Remuneration Report at pages 18 to 21.

### **Better Payment Practice Code**

As a public sector Organisation NHSBT is required to pay all trade creditors in accordance with the Better Payment Practice Code. The target is to pay all valid invoices by the due date or within 30 days of receipt of the goods or a valid invoice, whichever is the later. NHSBT's performance against this code is shown below;

	<b>Number</b>	<b>£000</b>
Total Non-NHS trade invoices paid in the year	123,567	304,179
Total Non-NHS trade invoices paid within target	106,755	263,196
Percentage of NHS trade invoices paid within target	86.4%	86.5%
Total NHS trade invoices in the year	13,553	8,017
Total NHS trade invoices paid within target	12,176	6,938
Percentage of NHS trade invoices paid within target	93.8%	86.5%

Public sector Organisations are also bound by the Late Payment of Commercial Debts (Interest) Act 1988. This provides a statutory right for suppliers to claim interest on late payments of commercial debt. During 2009/10 NHSBT made a payment of £2.5k arising from claims made under this legislation.

### **Prompt Payment Code**

The Government has encouraged all public sector Organisations to speed up the payments process and make payment of invoices wherever possible within 10 days. During 2009/10 NHSBT paid 26.25% of the total number of invoices paid, representing 24.01% by value, within a 10 day period.

### **External Audit**

The Comptroller and Auditor General (C&AG) is appointed by statute to audit NHSBT and report to Parliament on the truth and fairness of the annual financial statements and regularity of income and expenditure. The National Audit Office (NAO), the organisation that undertakes the services on behalf of

the C&AG appointed Deloitte LLP as its strategic partner firm for the audit. This meant that Deloitte completed the detailed audit of the accounts on NAO's behalf but with the NAO providing an oversight. The cost of audit work performed is £120k (£128k 2008-09). There were no payments to the auditor for non-audit work during the year.

As Accounting Officer:

- so far as I am aware, there is no relevant audit information of which the NHSBT's auditors are unaware; and
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSBT's auditors are aware of that information.

The Audit certificate can be found on pages 28 to 29.

Lynda Hamlyn  
Chief Executive

Date: 14 June 2010

## **REMUNERATION REPORT**

### **Remuneration Committee Membership**

During 2009-10 membership of the Remuneration Committee comprised David Greggains (Chair), Della Burnside and Bill Fullagar, with Lynda Hamlyn and David Evans as 'standing attendees'.

### **Remuneration Policy**

Remuneration of the Chief Executive, Managing Directors and Group Directors is in line with the decisions of the Remuneration Committee and all relevant DH guidance. Increase in pay is in line with nationally agreed pay awards, provided individual business plan targets, as identified within annual appraisals, are met. Remuneration for Non-Executive Board Members is set by the Secretary of State for Health through the NHS Appointments Commission.

### **Methods to Assess Performance Conditions**

All senior managers are appraised regularly and their performance is assessed against personal and corporate objectives. The element of remuneration based on performance for relevant senior staff is as defined by the NHS National Very Senior Managers Pay Framework, and associated guidance issued by the Department of Health.

### **Senior Management Contract Information**

Contract details for those in senior positions with responsibility for directing or controlling major activities of the Organisation are shown below. The NHS start date is the date of commencement of continuous NHS service for pension purposes.

Lynda Hamlyn, Chief Executive, NHS start date 1 April 1986, appointed 14 January 2008. Full time permanent post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Rob Bradburn, Finance Director, NHS start date 8 April 2008, appointed 8 April 2008. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Douglas Dryburgh, Group Director of Estates and Logistics, NHS start date 29 August 2006, appointed 29 August 2006. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

David Evans, Group Director of Human Resources, current NHS continuous service start date 30 July 1998, appointed 5 June 2006. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Peter Garwood, Director of Specialist Services, NHS start date 17 January 1972, appointed 9 July 2007. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Sally Johnson, Director of Organ Donation and Transplantation, NHS start date 1 August 2007, appointed, 1 September 2008. Permanent full-time post three months' notice of termination by the employee, and six months' notice period by NHSBT.

Henrietta Joy, Director of Communications and Public Affairs, appointed 9 July 2007. Permanent full time post with three months' notice of termination by the employee and six months' notice period by NHSBT.

Alan McDermott, Director of Business Transformation Services, NHS start date 14 August 2006, appointed 14 August 2006. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Terry Male, Director of Strategy Management, NHS start date 12 August 1991, appointed 21 November 2005. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Clive Ronaldson, Director of Patient Services, NHS start date 1 March 1993, appointed 1 July 2008. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Lorna Williamson, Medical and Research Director. Appointed 1 October 2007. Contract of employment with the University of Cambridge until 30<sup>th</sup> June 2009. Contract with NHSBT from 1<sup>st</sup> July 2009. Permanent full-time post with three months notice by the employee, and three month notice period by NHSBT.

Andy Young, Director of Blood Donation, NHS Start date 1 September 2008, appointed 1 September 2008. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

The remuneration and pension benefits of the most senior officials of the Authority are shown on pages 20 and 21 and these tables are subject to audit.

## Salary and Pension Entitlement of Senior Managers

a. Remuneration	Year to 31 March 2010			Year to 31 March 2009		
	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00) £00	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00) £00
Name and title	£000	£000	£00	£000	£000	£00
Mr B Fullagar (Chairman)	60-65	-	-	60-65	-	-
Mr A Blakeman (NED)	5-10	-	-	5-10	-	-
Ms D Burnside (NED)	5-10	-	-	5-10	-	-
Dr C. Costello (NED)	5-10	-	-	5-10	-	-
Mr J Forsythe (NED)	5-10	-	-	5-10	-	-
Mr D Greggains (NED)	5-10	-	-	5-10	-	-
Mr G Jenkins (NED)	10-15	-	-	10-15	-	-
Dr D Walford CBE (NED) (Period 01/04/2009 to 30/09/2009)	0-5	-	-	5-10	-	-
Mr S Williams (NED) (Commenced 04/03/2010)	0-5	-	-	-	-	-
Ms L Hamlyn (Chief Executive)	190-195	-	7	170-175	-	7
Mr R Bradburn (Finance Director)	130-135	-	-	120-125	-	-
Mr D Dryburgh (Group Director of Estates and Logistics)	110-115	-	51	100-105	-	57
Mr D Evans (Group Director of Human Resources)	120-125	-	46	110-115	-	54
Mr P Garwood (Director of Specialist Services) (Period 01/04/2009 to 30/09/2009)	60-65	70-75	-	125-130	-	-
Ms S Johnson - (Director of Organ Donation and Transplantation)	120-125	-	-	65-70	-	-
Ms H Joy (Director of Communications and Public Affairs) (Period 01/04/2009 to 11/12/2009)	70-75	-	-	100-105	-	1
Mr A McDermott (Director of Business Transformation Services)	120-125	-	93	105-110	-	92
Mr T Male (Director of Strategy Management) Period 01/04/2009 to 06/04/2009)	0-5	-	-	100-105	-	8
Dr C Ronaldson (Director of Patient Services)	130-135	-	43	115-120	-	41
Dr L Williamson (Medical Director) Commenced 01/07/2009	155-160	-	-	-	-	-
Mr A Young (Director of Blood Donation) (Period 01/04/2009 to 21/07/2009)	35-40	-	-	65-70	-	1

The sum of £62k was paid to the University of Cambridge in salary recharges for Dr L Williamson (Medical Director) for the period 01/04/2009 to 30/06/2009

The position of Director of Communications and Affairs was filled by an agency staff member on an interim basis from 16/11/2009

For the period 16/11/2009 to 31/03/2010 agency costs amount to £85k.

NED = Non-Executive Director

Benefits in kind were in relation to the provision of cars and are stated in round £100's not £1000's.



<b>b. Pension benefits</b>	Real increase in pension at at age 60 (bands of £2,500)	Real increase in lump sum at at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2010 (bands of £5,000)	Lump sum at age 60 related to Accrued pension at 31 March 2009 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2010	Cash Equivalent Transfer Value at 31 March 2009	Real increase in Cash Equivalent Transfer Value
Name and title	£000	£000	£000	£000	£000	£000	£000
Ms L Hamlyn (Chief Executive)	2.5-5	10-12.5	70-75	220-225	1,683	1,499	147
Mr R Bradburn (Finance Director)	0-2.5	-	0-5	-	53	24	28
Mr D Dryburgh (Group Director of Estates and Logistics)	0-2.5	5-7.5	5-10	15-20	87	51	34
Mr D Evans (Group Director of Human Resources)	0-2.5	5-7.5	30-35	95-100	603	518	72
Mr P Garwood (Director of Specialist Services) period 01/04/2009 - 30/09/2009)	0-2.5	0-2.5	55-60	175-180	-	1,334	(1368)
Ms S Johnson (Director of Organ Donation and Transplantation)	0-2.5	5-7.5	30-35	100-105	653	571	67
Ms H Joy (Director of Communications and Public Affairs) (Period 01/04/2009 - 11/12/2009)	0-2.5	0-2.5	5-10	30-35	191	158	26
Mr A McDermott (Director of Business Transformation Services)	0-2.5	2.5-5	5-10	15-20	127	81	44
Mr T Male (Director of Strategy Management) (period 01/04/2009 - 06/04/2009)	0-2.5	0-2.5	45-50	135-140	-	885	(908)
Dr C Ronaldson (Director of Patient Services)	2.5-5	10-12.5	35-40	115-120	979	830	129
Dr L Williamson (Medical Director) (Commenced 01/07/2009)	7.5-10	20-22.5	65-70	195-198	1,538	1,194	314
A Young (Director of Blood Donation) (Period 01/01/2009 to 21/07/2009)	0-2.5	-	0-5	-	18	11	7

## Notes to the Remuneration Report

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure, and from 2004/05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of period.

Lynda Hamlyn      Date: 14 June 2010  
Chief Executive

## **ANNUAL ACCOUNTS**

### **Statement of the Chief Executives Responsibilities As the Accounting Officer of the Special Health Authority**

Under the National Health Service Act 2006 and with the approval of HM Treasury the Secretary of State has directed NHS Blood and Transplant to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of NHS Blood and Transplant and of its income and expenditure, total recognised gains and losses and cash flow for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply appropriate accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The NHS Chief Executive has appointed the NHS Blood and Transplant Chief Executive as the Accounting Officer for NHS Blood and Transplant.

The responsibilities of an Accounting Officer, including responsibility for the propriety, and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of NHS Blood and Transplant, are set out in Managing Public Money issued by HM Treasury.

## Statement on Internal Control

### Scope of responsibility

1. The Board of NHS Blood and Transplant (NHSBT) is accountable for internal control. As Accounting Officer, I have responsibility, together with the Board, for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, as set out in the Accounting Officers' Memorandum, issued by the Department of Health (DH).
2. NHSBT comprises of three Operating Divisions, Blood and Specialist Services, Organ Donation and Transplantation (ODT) and the Bio Products Laboratory (BPL). Within Blood and Specialist Services there are two Operating Directorates, Patient Services (including Specialist Services) and Blood Donation. The Chief Operating Officer of BPL formally reports to the Director of Patient Services. The Directors of Patient Services, Blood Donation and ODT are all accountable to me. Group Services Directors provide corporate services across the whole of NHSBT and are also accountable to me. All Directors form the organisation's Executive Team, which I chair.
3. NHSBT is a complex, geographically dispersed organisation with a number of significantly different roles and functions. We have adopted a corporate approach to the planning and development of services with line management responsibility discharged through the NHSBT Directors underpinned by a defined set of objectives and accountabilities arising from our Strategic Plan and the associated Annual Workplan.
4. Through the Board and subsequently myself, the Directors have operational responsibility for the delivery of all aspects of governance, including the provision, oversight and effective working of the systems of internal control, and in particular, the Risk Management process.
5. Responsibility for our governance systems is delegated to the Finance Director who has lead responsibility in providing the link between the Governance and Audit Committee (GAC) and the Board.
6. Governance and Assurance, including risk, are integral to our corporate planning model and our quality system. Close working and networking arrangements exist with Internal Auditors, the DH, and with the Quality Care Commission, to ensure that we draw on experience from the wider NHS.
7. Work to progress achievement of our strategic objectives is outlined in both the Strategy and the annual workplan. Each operating Directorate has identified risks to the achievement of objectives and developed supporting work-plans that provide a robust Assurance Framework.
8. The performance of NHSBT is monitored and managed through the Executive Team on (at least) a monthly basis. The NHSBT Board receives a comprehensive and integrated performance report on a monthly basis.
9. As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from

salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

10. We have increased cross-sector working and developed shared posts with other partners in the wider health and social care community, to plan and deliver services. We have also worked with our colleagues in the UK Health Departments to implement the recommendations of the Organ Donation Taskforce and develop NHSBT as the UK's Organ Donation Organisation. We are also working with NHS Global to determine whether the products and services provided by NHSBT can be supplied internationally and bring benefits to the NHS.

11. As Chief Executive of NHSBT, I have responsibility to ensure that a wide range of communication and consultation mechanisms existed with key stakeholders i.e. Trusts, Clinicians, Patients, Donors, Staff and DH. NHSBT representation on various official groups and professional bodies, and regular meetings with DH, were utilised as appropriate to increase shared understanding of our risks and mitigation activity, providing assurance that we were doing our reasonable best to achieve our objectives.

### **The purpose of the system of internal control**

12. The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all and any risk of failure to achieve policies, aims and objectives; it therefore provides only reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisations policies, aims and objectives; and
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

13. The system of internal control was in place within NHSBT for the period ended 31st March 2010 and up to the date of approval of the Annual Report and Accounts.

### **Capacity to handle risk**

14. The NHSBT approach to risk is fully documented in the corporate Risk Management policy, which identifies the (risk-associated) roles and responsibilities of staff at all levels. In addition, the NHSBT approach to Governance (including risk) is featured in the Welcome Pack provided to all new staff during induction. During 2009/10 all Directorate Senior Management Teams were given training in the use of the corporate risk management processes as part of their individual management meetings.

15. All our existing quality systems collectively, provided assurance and feed into our Assurance Framework, which maps a path from strategic objectives, via strategic risks, through to the constituent mitigating activities. This framework demonstrates that risks were controlled appropriately in order for objectives to be achieved to the benefit of appropriate stakeholders.

16. Directors and I received assurance from the organisation and discuss both performance and risk at our monthly Executive Team Performance Meeting. Subsequent to this, assurance is provided to the Board on the achievement of corporate objectives and mitigation of corporate risk. This provides a dynamic focus for the Board and Executive Team on both performance and associated risks. Directors are accountable for demonstrating:

- that key controls are in place to assist in securing and delivering objectives;
- that the controls systems, upon which we were placing reliance, are effective;
- any gaps in controls systems or assurances are addressed within an agreed corrective action plan.

17. The Assurance Framework provided the Board and Directors with a process that enabled each body to discharge their respective accountabilities. This process was supported through formal Board meetings, the GAC and usual line management arrangements,

### **The risk and control framework**

18. NHSBT is committed to delivering its strategy, and its associated benefits, and we have endeavoured to maintain the right balance between delivery of the strategic activities and the risks associated with such delivery. It is mine and the Board's view that the risks of not pursuing the changes outlined in the strategy far outweigh the risks associated with managing the delivery of such changes.

19. The NHSBT Assurance Framework is the key element of the risk strategy through which risks were defined in the context of objectives at both the strategic and operational levels. The Risk Management Policy and Guidelines clearly state the process for managing risks within the organisation, including risk identification, assessment and how to record controls to risks and the agreement of clear accountabilities. The process for identification of risk 'appetite' and subsequent escalation and de-escalation is also clearly documented. The NHSBT strategic Risk Register identifies the risks inherent in our strategic plan. During 2009/10 we have worked hard to successfully implement the recommendations of our review of our existing risk management arrangements that was conducted in 2008/09. The implementation was overseen by the GAC and our internal audit partner.

20. Stakeholders have been informed and consulted as appropriate on the development of the Strategic Plan and the management of any significant risks arising from its delivery. Public awareness of the NHSBT Strategic Plan was raised through its presentation at open Board meetings.

21 NHSBT's Strategic Plan also contains objectives that bring with them significant organisational change and associated risks that impact directly on our staff. We have put in place a number of additional measures to ensure effective consultation with staff and their representative bodies. We have also proactively communicated and consulted with other stakeholders such as the DH, other NHS bodies, individual Members of Parliament and the Chair of the Health Select Committee where appropriate.

22. During 2009/10 there has been a continued focus on the way we handle information within the Authority. The organisation has an active Information Governance programme, with an identified Senior Information Risk Owner for the

organisation and Information Asset Owners for specific systems as required by the Cabinet Office as well as a management forum overseeing the programme. The programme has delivered security measures for laptop computers and mobile media, training on information security for all staff and has been introducing improved systems for data handling and data checking. As a result of these actions the minimum standards required by the Cabinet Office have been met. Looking forward NHSBT will work on further developing the quality of Information Governance through generating a formal Information Governance Strategy backed up by appropriate resourcing and the development of a formal information governance compliance and assurance programme.

23. During the latter part of 2009/10 we became aware that we were receiving a higher number of queries than normal regarding the accuracy of donation preferences indicated by organ donors on the Organ Donation Register (ODR). This was traced to an issue with donors volunteering to join the ODR via the DVLA driving licence application form whereby the information received via electronic interface with the DVLA was being treated incorrectly by NHSBT within the ODR. The issue was addressed by a group with director level leadership and appropriate remediation was planned, checked, validated and implemented in April 2010. An external investigation was announced at the time and both the Human Tissues Authority and the Information Commissioner were notified. When remediation of this issue is complete there will be a lessons identified process, and any lessons applicable to other data handling systems will be applied.

### **Review of effectiveness**

24. As Accounting Officer, I had responsibility, together with the Board, for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed in a number of ways. Price Waterhouse Coopers (PwC), who provide our internal audit service, provided me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Senior Managers within the organisation, who had responsibility for the development and maintenance of the system of internal control, provided me with assurance. The Assurance Framework itself provided me with evidence that the effectiveness of controls that managed the risks to the organisation achieving its principal objectives had been reviewed.

25. As a result of the programme of internal audit work conducted by PwC during 2009/10 they have provided an overall opinion that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. However they also report that some weaknesses in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. These have been reported as result of specific individual internal audit reviews and are monitored via the GAC to ensure that recommendations are followed up by management and completed.

26. During July 2009/10 NHSBT received from the Healthcare Commission an overall published rating of 'Excellent' for the quality of services provided by NHSBT in 2008/09. Further work in providing enhanced levels of assurance around the 2009 declaration against Standards for Better Health was undertaken. A lead Non-Executive Director and Executive Director was identified for each of the seven domains and were made accountable for seeking assurance that the evidence

supporting the NHSBT declaration was justified, as well as the processes for collecting and supporting the evidence base. Full compliance was declared against all the standards for the first seven months of 2009/10. During the final five months of the year NHSBT reported the lapse in assurance relating to Standard C9 (Information Governance) in respect of the issue with the Organ Donation Register as noted above.

27. In March 2010 NHSBT was successful in gaining Level 2 compliance against the NHS Litigation Authority Risk Management Standards which represented an improvement on the Level 1 compliance previously awarded. This demonstrated that the organisation had successfully implemented a number of key policies required for the management of risk.

28. A significant risk faced by NHSBT during the year related to the ability of BPL to forecast and manage its cash flow. An element of BPL's strategy is to ensure financial self sustainability through increasing the output of its Elstree manufacturing facility and using this to grow its position in export markets. This growth (with export sales increased by 88% in 2009/10), allied to a naturally long working capital/cash cycle, makes forecasting of cash an inherently difficult process and has required NHSBT to provide unplanned cash support at various times during the year. In recognition of this NHSBT engaged PwC to conduct a review of the sales, marketing and planning capability within BPL. The recommendations arising from this work have been built into the BPL work plan for 2010/11.

29. In addition the increased exposure of BPL to exports, especially in developing markets, has lead to increased commercial and legal risk and the need for greater visibility and approval of new contractual arrangements at NHSBT corporate level. In response NHSBT Standing Financial Instructions have been amended to require that significant export distribution contracts are approved by the NHSBT Finance Director and are appropriately scrutinised by the BPL Committee and NHSBT Board.

30. My review this period was also informed by comments made by the external auditors in their management letters and other reports on aspects of the system of internal control.

31. The GAC held meetings, with Internal Auditors present, at least quarterly and reported on these to the Board. We worked closely with our Internal Auditors to develop an effective internal audit system which would identify controls and assurance gaps.

32. The above processes assisted NHSBT to maximise its understanding and utilisation of all available information about the quality and effectiveness of our systems/operations in order to help us improve services and to satisfy the increasing need for assurance regarding the effectiveness of our systems of internal control.

33. In conclusion, at a time of great change and transformation for NHSBT, and the need to continue to deliver against the core elements of our services, the organisation has been able to manage itself with no significant gaps in its arrangements.

Signed: Lynda Hamlyn

Date: 14 June 2010

Chief Executive and Accounting Officer

## **The Certificate and Report of the Comptroller and Auditor General To the Houses of Parliament and the Scottish Parliament**

I certify that I have audited the financial statements of NHS Blood & Transplant for the year ended 31 March 2010 under the National Health Services Act 2006. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to NHS Blood & Transplant's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by NHS Blood & Transplant; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view, of the state of NHS Blood & Transplant's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Services Act 2006 and the Secretary of State directions issued thereunder by the Secretary of State with the approval of HM Treasury.



## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Services Act 2006 and the directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- the information which comprises the Management Commentary, included within the Annual Report, is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Date: 12 July 2010

**Net Expenditure Statement for the year ended 31 March 2010**

		<b>31 March 2010</b>	As restated at 31 March 2009 (see note 31)
	Notes	£000	£000
<b>Gross Income</b>			
Income from activities	2	<b>434,763</b>	401,739
Other operating income	2	<b>57,894</b>	48,931
		<b>492,657</b>	450,670
<b>Expenditure</b>			
Staff costs	3.1	<b>(223,744)</b>	(206,830)
Depreciation	9, 10	<b>(19,435)</b>	(21,328)
Other administrative expenses	3.2	<b>(339,942)</b>	(286,504)
		<b>(583,121)</b>	(514,662)
<b>Net Operating Expenditure before interest</b>		<b>(90,464)</b>	(63,992)
Finance Costs	4	<b>(353)</b>	(394)
Cost of Capital	5	<b>(12,005)</b>	(13,042)
<b>Net Expenditure for the financial period</b>	2	<b>(102,822)</b>	(77,428)

**All income and expenditure is derived from continuing operations**

**Notes 1 to 31 form part of these accounts.**

**Statement of Financial Position as at 31 March 2010**

	Notes	31 March 2010 £000	As restated at 31 March 2009 (see note 31) £000	As restated at 1 April 2008 (see note 31) £000
<b>Non Current Assets</b>				
Intangible Assets	9	4,432	3,856	3,378
Property, Plant & Equipment	10	261,264	305,261	326,293
Trade and other receivables	14	393	474	442
<b>Total non-current assets</b>		<b>266,089</b>	<b>309,591</b>	<b>330,113</b>
<b>Current assets</b>				
Inventories	13	88,593	71,814	53,776
Trade and other receivables	14	37,310	35,317	31,862
Financial assets	15	-	-	186
Cash and cash equivalents	16	2,835	136	90
<b>Total current assets</b>		<b>128,738</b>	<b>107,267</b>	<b>85,914</b>
<b>Current Liabilities</b>				
Trade and other payables	17	59,385	42,294	28,202
Borrowings	18, 20	79	72	65
Provisions for liabilities and charges	19	6,912	4,284	2,696
<b>Total current liabilities</b>		<b>66,376</b>	<b>46,650</b>	<b>30,963</b>
<b>Non-current assets plus net current assets</b>		<b>328,451</b>	<b>370,208</b>	<b>385,064</b>
<b>Non-current liabilities</b>				
Borrowings	18, 20	3,774	3,853	3,925
Provisions for liabilities and charges	19	1,432	481	1,742
<b>Total non-current liabilities</b>		<b>5,206</b>	<b>4,334</b>	<b>5,667</b>
<b>Total Assets Employed:</b>		<b>323,245</b>	<b>365,874</b>	<b>379,397</b>
<b>Taxpayers' Equity</b>				
General Fund	22.1	249,937	259,337	258,266
Revaluation Reserve	22.2	73,228	106,437	121,011
Donated Asset Reserve	22.3	80	100	120
<b>Total Taxpayers' Equity:</b>		<b>323,245</b>	<b>365,874</b>	<b>379,397</b>

Notes 1 to 31 form part of these accounts.

The financial statements on pages 30 to 60 were approved by the Governance and Audit Committee in accordance with powers within the NHSBT Standing Orders on 8th June 2010, and are signed by the Accounting Officer, Lynda Hamlyn.

Lynda Hamlyn  
Accounting Officer

Date: 14th June 2010

**Statement of Changes in Taxpayers' Equity for the year ended 31 March 2009**  
(as restated : see note 31)

	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Balance at 1 April 2008	258,266	121,011	120	<b>379,397</b>
<b>Changes in taxpayers' equity for 2008/09</b>				
Net expenditure for the financial period	(77,428)	-	-	<b>(77,428)</b>
Net gain/(loss) on revaluation of Property, Plant and Equipment	-	(12,260)	-	<b>(12,260)</b>
Net gain/(loss) on revaluation of Intangible Assets		69		<b>69</b>
Transfers between reserves	2,383	(2,383)	-	-
Non-cash charges – cost of capital	13,042	-	-	<b>13,042</b>
Other movements in reserves	-	-	(20)	<b>(20)</b>
<b>Total recognised income and expense for 2008/09</b>	<b>(62,003)</b>	<b>(14,574)</b>	<b>(20)</b>	<b>(76,597)</b>
<b>Net Parliamentary funding</b>	<b>63,074</b>	<b>-</b>	<b>-</b>	<b>63,074</b>
<b>Balance at 31 March 2009</b>	<b>259,337</b>	<b>106,437</b>	<b>100</b>	<b>365,874</b>

**Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010**

	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Balance at 1 April 2009	259,337	106,437	100	<b>365,874</b>
<b>Changes in taxpayers' equity for 2009/10</b>				
Net expenditure for the financial period	(102,822)	-	-	<b>(102,822)</b>
Net gain/(loss) on revaluation of Property, Plant and Equipment	-	(36,371)	-	<b>(36,371)</b>
Transfers between reserves	(3,162)	3,162	-	-
Non-cash charges – cost of capital	12,005	-	-	<b>12,005</b>
Other movements in reserves	-	-	(20)	<b>(20)</b>
<b>Total recognised income and expense for 2009/10</b>	<b>(93,979)</b>	<b>(33,209)</b>	<b>(20)</b>	<b>(127,208)</b>
<b>Net Parliamentary funding</b>	<b>84,579</b>	<b>-</b>	<b>-</b>	<b>84,579</b>
<b>Balance at 31 March 2010</b>	<b>249,937</b>	<b>73,228</b>	<b>80</b>	<b>323,245</b>

**Statement of Cash Flows for the year ended 31 March 2010**

	Notes	31 March 2010	31 March 2009
		£000	£000
<b>Cash flows from operating activities</b>			
Net operating costs		<b>(90,464)</b>	(63,992)
Other cashflow adjustments	21.3	<b>23,826</b>	28,709
Movement in Working Capital	21.1	<b>(2,024)</b>	(5,361)
Provisions utilised		<b>(512)</b>	(613)
<b>Net cash (outflow) from operating activities</b>		<b><u>(69,174)</u></b>	<b><u>(41,257)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of plant, property and equipment		<b>(11,996)</b>	(23,361)
Purchase of intangible assets		<b>(906)</b>	(705)
Proceeds from disposal of non current assets		<b>538</b>	2,650
<b>Net cash inflow/(outflow) from investing activities</b>		<b><u>(12,364)</u></b>	<b><u>(21,416)</u></b>
<b>Cash flows from financing activities</b>			
Net Parliamentary funding		<b>84,579</b>	63,074
Interest paid		<b>(342)</b>	(355)
<b>Net financing</b>		<b><u>84,237</u></b>	<b><u>62,719</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,699</b>	46
<b>Cash and cash equivalents at 31 March 2009</b>		<b><u>136</u></b>	<b><u>90</u></b>
<b>Cash and cash equivalents at 31 March 2010</b>		<b><u><u>2,835</u></u></b>	<b><u><u>136</u></u></b>

## Notes to the Accounts

### 1. Accounting Policies

The financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FrEM) issued by HM Treasury. The accounting policies contained in the FrEM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. The particular policies adopted by NHSBT are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In preparedness for the adoption of IFRS NHSBT has submitted a restatement of its opening balances as at 1 April 2008 to the Department of Health, and has completed a shadow set of IFRS accounts for 2008/09. This is the first published account under International Financial Reporting Standards (IFRS). An explanation of how the transition to IFRS has affected the reported financial position of NHSBT is shown in note 31.

#### Early adoption of IFRSs, amendments and interpretations

NHSBT has adopted IFRS 8, operating segments, early. The effective date of the standard was for accounting periods beginning on, or after 1 January 2010. The adoption affects disclosure requirements only and are shown at Note 2.

#### IFRSs, amendments and interpretations in issue but not yet effective, or adopted

IAS8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted early by the entity:

IFRS9 Financial Instruments	A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2013.
IFRS1 First-time adoption of IFRS.	Three sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods beginning on, or after 1 January 2010. The effective date of the third set of amendments is for accounting periods beginning on, or after 1 July 2010.
IFRS5 Non-current assets held for sale & discontinued operations	Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of

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	amendments is for accounting periods beginning on, or after 1 January 2010.
IFRS8 Operating Segments	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.
IAS1 Presentation of financial statements	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.
IAS7 Statements of cash flow	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.
IAS24 Related party disclosures	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.
IAS27 Consolidated financial statements	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.
IAS32 Financial instruments: presentation	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 February 2010.
IAS36 Impairment of assets	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 February 2010.
IAS38 Intangible assets	Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 February 2010.
IAS39 Financial Instruments	Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods beginning on, or after 1 January 2010.

### 1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of intangible assets, property, plant and equipment at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by Treasury.

In the application of NHSBT's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if

## Account of NHS Blood and Transplant at 31 March 2010

the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.2 Income

Operating income is income which relates directly to the operating activities of NHSBT. It principally comprises fees and charges for services provided on a full-cost basis to the NHS and external customers.

Income is accounted for applying the accruals convention. The main sources of funding for NHSBT are income from sales to the NHS and a Parliamentary grant from the Department of Health. Where revenue is received for a specific activity which is to be delivered in the following financial year, that revenue is deferred.

The Parliamentary Grant is from Request for Resources 1 (RfR1) within an approved cash limit, and is credited to the general reserve. Parliamentary funding is recognised in the financial period in which it is received.

The products and services provided to the NHS include Coagulation Factors, Albumin and Immunoglobins from the Bio Products Laboratory (BPL) operating division, components and services from Blood Centres, and the provision of transplant services by UK Transplant operating division. Other income includes such services as ante-natal screening, tissue typing for transplants and overseas trade by BPL.

### 1.3 Taxation

NHSBT is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

### 1.4 Capital Charges

The treatment of intangible assets, property, plant and equipment in the account is in accordance with the principal capital charges objective, to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges during 2009/10 was 3.5% (2008/09 3.5%) on all assets less liabilities, except for donated assets and cash balances held with the Government Banking Service, where the charge is nil. Notional Capital charges are charged to the Income and Expenditure Statement. In addition, a cash payment in respect of capital charges is made to the Department of Health and accounted for in the Income and Expenditure Statement in accordance with the accounts direction issued by the Secretary of State.

### 1.5 Property, Plant & Equipment

#### (a) Capitalisation

Property, Plant & Equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes
- it is expected to be used for more than one year;
- individually to have a cost equal to or greater than £5,000; or
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they have broadly



## Account of NHS Blood and Transplant at 31 March 2010

- simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

### (b) Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the NHSBT's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

All land and buildings are revalued using professional valuations in accordance with IAS 16 every five years. A three yearly interim valuation will also be carried out. The last valuation of NHSBT land and buildings was carried out in March 2009, with the exception of land and buildings at BPL which were revalued in March 2010. This latter valuation was undertaken by DVS Property Specialists for the Public Sector.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Equipment assets are indexed annually in accordance with the appropriate categories within the publicised Health Service Cost Index. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Increases arising on revaluation are taken to the Revaluation Reserve except when it reverses a revaluation decrease for the same asset previously recognised in the Income and Expenditure Statement, in which case it is credited to the Income and Expenditure Statement to the extent of the decrease previously charged there. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Income and Expenditure Statement.

## Account of NHS Blood and Transplant at 31 March 2010

### 1.6 Intangible Assets

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of NHSBT's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow, or service potential to be provided to, NHSBT; where the cost of the asset can be measured reliably.

Expenditure on research activities is not capitalised and is recognised as an expense in the period in which it is incurred.

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at fair value. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- an asset is created that can be identified
- the technical feasibility of completing the intangible asset so that it will be available for use.
- the intention to complete the intangible asset and use it.
- the ability to use the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it.
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is charged to the Income and Expenditure Statement in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent asset basis), and indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposite effects of development costs and technological advances, and is amortised.

### 1.7 Depreciation, amortisation and impairments

Depreciation is charged on each individual intangible asset, property plant and equipment, to write off the costs or valuation, less any residual value, as follows:

- i) Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii) Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii) Land and assets in the course of construction are not depreciated.
- iv) Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the Valuation Officer. Assets held under

## Account of NHS Blood and Transplant at 31 March 2010

finance leases are depreciated over their estimated useful lives or, where shorter, the lease term.

v) Equipment asset are depreciated evenly over the expected useful life:

- Short term equipment assets      one to five years
- Medium term equipment assets    six to ten years
- Long term equipment assets      eleven to twenty years

vi) Freehold Land and properties under construction, and assets held for sale are not depreciated.

The estimated useful lives of intangible assets, and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

At each Statement of Financial Position date, NHSBT checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Income and Expenditure Statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Income and Expenditure to the extent to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### 1.8 Donated Assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

### 1.9 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a complete sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising from the disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the income and

## Account of NHS Blood and Transplant at 31 March 2010

expenditure account. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated assets, a transfer is made to or from the donated asset reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset reserve is then transferred to retained earnings.

Property, plant and equipment that are to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

### 1.10 Inventories

Inventories are valued as follows:

- i) Raw materials, work in progress and finished goods of plasma based products are valued on a weighted average cost basis.
- ii) Blood products are valued at the lower of cost on a full recovery cost basis, or net realisable value, which represents the expected future selling price.

### 1.11 Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 1.12 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings including losses which would have been made good through insurance cover had NHSBT not been bearing its own risk (with insurance premiums then being included as normal revenue expenditure).

### 1.13 Employee Benefits

#### *Short-term employee benefits*

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

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### *Pension costs*

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions)

The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

#### *a) Full actuarial (funding) valuation*

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

#### *b) Accounting valuation*

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

### **1.14 Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Income and Expenditure Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of

## Account of NHS Blood and Transplant at 31 March 2010

current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

### 1.15 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### *NHSBT as lessee*

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating NHSBT's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

### 1.16 Foreign Exchange

NHSBT's functional currency and presentational currency is sterling. The Bio Products Laboratory (BPL) may enter into forward exchange contracts to purchase US dollars to pay for its plasma. BPL values its plasma and the plasma element of its goods for resale at the actual average price paid, or if significantly different, net replacement cost. Resulting exchange gains and losses are taken to the Income and Expenditure Statement. All other transactions, which are denominated in a foreign currency, are translated into sterling at the exchange rate ruling on the date of each transaction.

### 1.17 Provisions

Provisions are recognised when NHSBT has a present legal or constructive obligation as a result of a past event, and it is probably that NHSBT will be required to settle the obligation. NHSBT provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected from a third party, the receivable amount is recognised as an asset if it is virtually certain that re-imburements will be received and the amount of the receivable can be measured reliably.

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### *Clinical Negligence Costs*

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which NHSBT pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. The contribution is charged to expenditure.

From 1 April 2000, the NHSLA took over the full financial responsibility for all ELS cases unsettled at that date and from 1 April 2002 all CNST cases. Provisions for these are included in the accounts of the NHSLA. Although the NHSLA is administratively responsible for all cases from 1 April 2000, the legal liability remains with NHSBT. The value of provisions of NHSBT carried by the NHSLA is disclosed in Note 19.

### *Non-clinical Risk Pooling*

NHSBT participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which NHSBT pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to Income and Expenditure Statement as and when they become due.

## **1.18 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of NHSBT, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHSBT. A contingent asset is disclosed where an inflow of economic benefits is probable.

## **1.19 Financial Instruments**

### *Financial assets*

Financial assets are recognised on the Statement of Financial Position when NHSBT becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value.

### *Financial assets at fair value through income and expenditure*

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through income and expenditure. They are held at fair value, with any resultant gain or loss recognised in

## Account of NHS Blood and Transplant at 31 March 2010

the Income and Expenditure Statement. The net gain or loss incorporates any interest earned on the financial asset.

### *Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that does not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Income and Expenditure Statement on de-recognition.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, NHSBT assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Income and Expenditure Statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Income and Expenditure Statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### *Financial liabilities*

Financial liabilities are recognised on the Statement of Financial Position when NHSBT becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired. Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through income and expenditure' or other financial liabilities.



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### Financial liabilities at fair value through income and expenditure

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through income and expenditure. They are held at fair value, with any resultant gain or loss recognised in the Income and Expenditure Statement. The net gain or loss incorporates any interest earned on the financial asset.

### *Other financial liabilities*

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

### **1.20 Subsidiaries**

For 2009/10, in accordance with the directed accounting policy from the Secretary of State, NHSBT does not consolidate the NHSBT Charitable Funds for which it is the Corporate Trustee, into its financial statements.

**2. Segmental Reporting and Reconciliation of net operating expenditure to grant in aid**

For the year 1 April 2009 to 31 March 2010	Total	Blood Components	Specialist Services	Organ		Fractionated Products
				Donation & Transplant	Group Services	
<b>Revenue</b>						
Blood Product Income	316,531	316,531	-	-	-	-
Fractionated Product Sales - UK	60,237	-	-	-	(134)	60,371
Fractionated Product Sales - South America	22,300	-	-	-	-	22,300
Fractionated Product Sales - Asia	19,833	-	-	-	-	19,833
Fractionated Product Sales - Europe (excluding UK)	7,979	-	-	-	-	7,979
Fractionated Product Sales - North America	2,304	-	-	-	-	2,304
Fractionated Product Sales - Africa	1,334	-	-	-	-	1,334
Fractionated Product Sales - Oceania	261	-	-	-	-	261
Income from Scottish Parliament	2,675	-	-	2,675	-	-
Income from National Assembly for Wales	593	-	-	593	-	-
Income from Northern Ireland Assembly	716	-	-	716	-	-
Other income	57,894	3,872	38,762	942	12,138	2,180
<b>Gross Income (per Income &amp; Expenditure Statement)</b>	<b>492,657</b>	<b>320,403</b>	<b>38,762</b>	<b>4,926</b>	<b>12,004</b>	<b>116,562</b>
Revenue Grant In Aid	71,659	9,900	3,939	51,387	3,133	3,300
<b>Total Revenue</b>	<b>564,316</b>	<b>330,303</b>	<b>42,701</b>	<b>56,313</b>	<b>15,137</b>	<b>119,862</b>
<b>Expenditure</b>						
Staff Costs and Other Administrative Expenses	527,615	215,585	40,975	52,103	113,024	105,928
Depreciation and Cost of Capital	31,440	3,432	1,563	283	12,998	13,164
Finance Costs	353	-	-	-	353	-
<b>Total Expenditure</b>	<b>559,408</b>	<b>219,017</b>	<b>42,538</b>	<b>52,386</b>	<b>126,375</b>	<b>119,092</b>
<b>Operating surplus for the financial period</b>	<b>4,908</b>	<b>111,286</b>	<b>163</b>	<b>3,927</b>	<b>-111,238</b>	<b>770</b>
Less : Revenue grant in aid	(71,659)					
Less : Capital charges paid to the Department of Health	(36,071)					
<b>Net Expenditure (per Income &amp; Expenditure Statement)</b>	<b>(102,822)</b>					

For the year 1 April 2008 to 31 March 2009	Total	Blood Components	Specialist Services	Organ		Fractionated Products
				Donation & Transplant	Group Services	
<b>Revenue</b>						
Blood Product Income	310,649	310,643	-	-	6	-
Fractionated Product Sales - UK	60,555	-	-	-	(110)	60,665
Fractionated Product Sales - South America	7,341	-	-	-	-	7,341
Fractionated Product Sales - Asia	13,996	-	-	-	-	13,996
Fractionated Product Sales - Europe (excluding UK)	5,920	-	-	-	-	5,920
Fractionated Product Sales - North America	43	-	-	-	-	43
Fractionated Product Sales - Africa	1,258	-	-	-	-	1,258
Fractionated Product Sales - Oceania	114	-	-	-	-	114
Income from Scottish Parliament	992	-	-	992	-	-
Income from National Assembly for Wales	577	-	-	577	-	-
Income from Northern Ireland Assembly	294	-	-	294	-	-
Other income	48,931	3,363	31,097	657	11,050	2,764
<b>Gross Income (per Income &amp; Expenditure Statement)</b>	<b>450,670</b>	<b>314,006</b>	<b>31,097</b>	<b>2,520</b>	<b>10,946</b>	<b>92,101</b>
Revenue Grant In Aid	42,356	7,301	4,066	21,321	2,579	7,089
<b>Total Revenue</b>	<b>493,026</b>	<b>321,307</b>	<b>35,163</b>	<b>23,841</b>	<b>13,525</b>	<b>99,190</b>
<b>Expenditure</b>						
Staff Costs and Other Administrative Expenses	456,999	206,601	38,053	17,528	113,409	81,408
Depreciation and Cost of Capital	34,370	3,511	1,725	477	14,282	14,375
Finance Costs	394	-	-	-	394	-
<b>Total Expenditure</b>	<b>491,763</b>	<b>210,112</b>	<b>39,778</b>	<b>18,005</b>	<b>128,085</b>	<b>95,783</b>
<b>Operating surplus for the financial period</b>	<b>1,263</b>	<b>111,195</b>	<b>-4,615</b>	<b>5,836</b>	<b>-114,560</b>	<b>3,407</b>
Less : Revenue grant in aid	(42,356)					
Less : Capital charges paid to the Department of Health	(36,335)					
<b>Net Expenditure (per Income &amp; Expenditure Statement)</b>	<b>(77,428)</b>					

## 2. Segmental Reporting and Reconciliation of net operating expenditure to grant in aid ctd

NHSBT comprises three Operating Divisions and Group Services:

**Group Services** includes Research & Development activity, and other overhead departments including Finance, Human Resources, IT Services and Estates & Logistics. The Group Services costs are to support the Blood Component, Specialist Services and the Organ Donation & Transplant segments. These costs are reported separately to the Board, and therefore have not been allocated across the above mentioned segments

Patient Services is a division that comprises two segments, namely **Blood Components & Specialist Services**, and provides blood, blood components and specialist services. Specialist services includes diagnostic services, tissues, the NHS Cord Blood Bank (CBB) and the British Bone Marrow Registry (BBMR). The Division primarily seeks to recover its costs through the pricing of blood components and services to NHS hospitals, which are set annually via a national commissioning process. Grant in aid is provided by DoH to support the activities of the CBB and the BBMR.

**Organ Donation and Transplant (ODT)** is primarily funded through grant in aid from the Department of Health, along with contributions from the Devolved Health Administrations. The purpose of the Division is to identify and refer increasing numbers of potential organ donors and to increase the number of actual donors so that an increase in the number of transplants is enabled.

**The Bio Products Laboratory (Fractionated Products Division)** provides a secure source of plasma proteins (albumin, immunoglobulin and clotting factors) to NHS hospitals and aims to supply around 50% of their needs. Products are sold at market prices. The objective of this Division is to attain financial viability and to do so uses its excess capacity for export sales and to provide contract fractionation services.

### 3.1 Staff Costs and related numbers

	31 March 2010			31 March
	Total	Permanently Employed Staff	Other	2009 Total
	£000	£000	£000	£000
Salaries and wages	190,014	167,460	22,554	175,013
Social security costs	12,551	12,220	331	11,796
Employer contributions to NHS Pensions Agency	21,179	20,611	568	20,021
	<u>223,744</u>	<u>200,291</u>	<u>23,453</u>	<u>206,830</u>

The average number of employees during the year was:

	Total	Permanently Employed Staff	Other	31 March
	Number	Number	Number	2009
Total	<u>6,065</u>	<u>5,479</u>	<u>586</u>	<u>5,985</u>

#### Expenditure on staff benefits

The amount spent on staff benefits during the year is estimated at £938,000 (31 March 2009 £927,000).

#### Retirements due to ill-health

During the year there were 10 early retirements from NHSBT on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £502,000 (31 March 2009: 16 early retirements at a cost of £872,000).

#### Early retirements and redundancies

In addition to retirements due to ill health, during 2009/10 there were 174 early retirements and/or redundancies from NHSBT. £7,285,000 has been charged to the revenue account in 2009/10 in respect of these redundancies and early retirements (31 March 2009: 100 early retirements and/or redundancies, and a charge to the revenue account of £4,261,000). These amounts are included within other staff costs in note 3.2.

**3.2 Other Administrative Expenses**

	Notes	£000	31 March 2010 £000	As restated at 31 March 2009 (see note 31) £000
Other staff costs			25,332	18,545
Consumable supplies			137,723	110,610
Maintenance of buildings, plant and equipment			20,300	17,712
Rent and rates			13,494	13,394
Transport costs			11,475	10,420
External contractors			17,118	15,531
Purchase and lease of equipment and furniture			5,169	7,900
Utilities and telecommunications			13,609	11,846
Media advertising			9,048	3,357
ODT Scheme Payments			25,879	9,263
Professional Fees *			11,572	14,762
Capital Charges paid over as cash to Department of Health			36,071	36,335
Capital Non-cash :				
Impairments	11	50		2,915
Loss on disposal	8	281		3,698
			331	6,613
Auditor's remuneration: Audit Fees **			130	138
Foreign exchange loss/(gain)			311	(280)
Miscellaneous			12,380	10,358
			<b>339,942</b>	<b>286,504</b>

\* Professional Fees include legal and programme management costs

\*\* The Audit Fee includes £10k for the audit of work in preparedness for IFRS. No payment was made to the auditors for non audit work.

**4. Finance costs**

	31 March 2010 £000	31 March 2009 £000
Interest expense under finance leases	342	355
Other finance costs - unwinding of discount	11	39
<b>Total finance costs</b>	<b>353</b>	<b>394</b>

**5. Cost of Capital Charge Calculation**

	31 March 2010 £000	31 March 2009 £000
Opening total assets employed	365,874	379,436
Less opening donated assets	(100)	(120)
Less opening cash in Office of Paymaster General account	(129)	(90)
<b>Opening relevant net assets at 1 April (A)</b>	<b>365,645</b>	<b>379,226</b>
Net relevant assets at 31 March	323,245	366,266
Less closing donated assets	(80)	(100)
Less closing cash in Government banking Services accounts	(2,822)	(136)
<b>Adjusted net relevant assets at 31 March (B)</b>	<b>320,343</b>	<b>366,030</b>
<b>Cost of capital for the year ((A)/2 + (B)/2) * 3.5%</b>	<b>12,005</b>	<b>13,042</b>

**6. Operating leases****NHSBT as lessee**

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
<b>Payments recognised as an expense</b>		
Minimum lease payments	<b>10,054</b>	9,777
<b>Total future minimum lease payments</b>		
<b>Payable:</b>		
Not later than one year	<b>5,401</b>	5,264
Later than one year and not later than five years	<b>7,254</b>	8,478
Later than five years	<b>224</b>	343
<b>Total</b>	<b><u>12,879</u></b>	<u>14,085</u>

**7 The Late Payment of Commercial Debts (Interest) Act 1998**

Interest of £2,484 was paid in relation to claims made under the Late Payment of Commercial Debts (Interest) Act 1998. No compensation payments were made under this legislation (31 March 2009: £Nil and £Nil).

**8. Other gains and losses**

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
(Loss) on disposal of intangible assets	<b>(6)</b>	-
(Loss) on disposal of land and buildings	-	(3,062)
(Loss) on disposal of plant and equipment	<b>(275)</b>	(636)
<b>Total</b>	<b><u>(281)</u></b>	<u>(3,698)</u>

**9.1 Intangible non-current assets 2009/10**

	<b>Total £000</b>	<b>Software Purchased £000</b>	<b>Development Expenditure £000</b>
<b>Cost or Valuation</b>			
At 1 April 2009	14,320	11,627	2,693
Additions - purchased	<b>906</b>	<b>732</b>	<b>174</b>
Reclassification (see note 10.1)	<b>108</b>	<b>108</b>	-
Disposals	<b>(60)</b>	<b>(60)</b>	-
<b>At 31 March 2010</b>	<b>15,274</b>	<b>12,407</b>	<b>2,867</b>
<b>Amortisation</b>			
At 1 April 2009	10,464	10,464	-
Provided during the year	<b>432</b>	<b>432</b>	-
Disposals	<b>(54)</b>	<b>(54)</b>	-
<b>At 31 March 2010</b>	<b>10,842</b>	<b>10,842</b>	-
Net book value at 1 April 2009	3,856	1,163	2,693
<b>Net book value at 31 March 2010</b>	<b>4,432</b>	<b>1,565</b>	<b>2,867</b>
<b>Net book value at 31 March 2010 comprises:</b>			
Purchased	4,432	1,565	2,867
<b>Asset Financing</b>	<b>4,432</b>	<b>1,565</b>	<b>2,867</b>

**9.2 Intangible non-current assets 2008/09**

	<b>Total £000</b>	<b>Software Purchased £000</b>	<b>Development Expenditure £000</b>
<b>Cost or Valuation</b>			
At 1 April 2008	13,505	10,881	2,624
Indexation	<b>69</b>	-	<b>69</b>
Additions - purchased	<b>705</b>	<b>705</b>	-
Reclassification	<b>41</b>	<b>41</b>	-
<b>At 31 March 2009</b>	<b>14,320</b>	<b>11,627</b>	<b>2,693</b>
<b>Amortisation</b>			
At 1 April 2008	10,127	10,127	-
Provided during the year	<b>337</b>	<b>337</b>	-
<b>At 31 March 2009</b>	<b>10,464</b>	<b>10,464</b>	-
Net book value at 1 April 2008	3,378	754	2,624
<b>Net book value at 31 March 2009</b>	<b>3,856</b>	<b>1,163</b>	<b>2,693</b>
<b>Net book value at 31 March 2009 comprises:</b>			
Purchased	3,856	1,163	2,693
<b>Asset Financing</b>	<b>3,856</b>	<b>1,163</b>	<b>2,693</b>

**9.3 Economic Lives of Intangible Assets**

<b>Intangible assets</b>	<b>Min Life Years</b>	<b>Max Life Years</b>
Software licences	3	8

**10. Property, plant and equipment****10.1 Property, plant and equipment 2009/10**

	Total	Land	Buildings exc. dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>									
At 1 April 2009 (as restated : see note 31)	429,515	33,296	262,454	2,439	11,253	92,790	4,744	18,719	3,820
Additions - purchased	11,810	-	1,766	-	4,516	4,833	118	577	-
Reclassification *	(108)	-	1,979	-	(3,739)	1,612	-	40	-
Indexation	1,571	-	-	-	25	1,201	151	-	194
Impairments	(50)	-	(50)	-	-	-	-	-	-
Other in year revaluations	(61,342)	(2,241)	(58,892)	(209)	-	-	-	-	-
Disposals	(6,453)	-	-	-	-	(6,444)	(9)	-	-
<b>At 31 March 2010</b>	<b>374,943</b>	<b>31,055</b>	<b>207,257</b>	<b>2,230</b>	<b>12,055</b>	<b>93,992</b>	<b>5,004</b>	<b>19,336</b>	<b>4,014</b>
<b>Depreciation:</b>									
At 1 April 2009 (as restated : see note 31)	124,254	-	43,325	232	-	59,869	2,490	14,550	3,788
Provided during the year	19,003	-	9,836	58	-	7,606	376	1,115	12
Indexation	1,034	-	-	-	-	761	80	-	193
Other in year revaluations	(24,434)	-	(24,144)	(290)	-	-	-	-	-
Disposals	(6,178)	-	-	-	-	(6,169)	(9)	-	-
<b>Accumulated depreciation at 31 March 2010</b>	<b>113,679</b>	<b>-</b>	<b>29,017</b>	<b>0</b>	<b>-</b>	<b>62,067</b>	<b>2,937</b>	<b>15,665</b>	<b>3,993</b>
<b>Net book value at 1 April 2009</b>	<b>305,261</b>	<b>33,296</b>	<b>219,129</b>	<b>2,207</b>	<b>11,253</b>	<b>32,921</b>	<b>2,254</b>	<b>4,169</b>	<b>32</b>
<b>Net book value at 31 March 2010</b>	<b>261,264</b>	<b>31,055</b>	<b>178,240</b>	<b>2,230</b>	<b>12,055</b>	<b>31,925</b>	<b>2,067</b>	<b>3,671</b>	<b>21</b>
<b>Net book value at 31 March 2010 comprises:</b>									
Purchased at 31 March 2010	261,184	31,055	178,240	2,230	12,055	31,845	2,067	3,671	21
Donated at 31 March 2010	80	-	-	-	-	80	-	-	-
<b>Asset Financing:</b>	<b>261,264</b>	<b>31,055</b>	<b>178,240</b>	<b>2,230</b>	<b>12,055</b>	<b>31,925</b>	<b>2,067</b>	<b>3,671</b>	<b>21</b>
Owned	247,542	31,055	164,518	2,230	12,055	31,925	2,067	3,671	21
Held on Finance Lease	13,722	-	13,722	-	-	-	-	-	-
	<b>261,264</b>	<b>31,055</b>	<b>178,240</b>	<b>2,230</b>	<b>12,055</b>	<b>31,925</b>	<b>2,067</b>	<b>3,671</b>	<b>21</b>

\* These figures relate to the reclassification of Assets Under Construction upon completion. The net figure of £108,000 relates to Intangible Assets that were under construction at the start of the year (see note 9.1)

The reduction in value of land and buildings primarily relates to a downward revaluation of property assets at BPL undertaken during March 2010 by DVS Property Specialists.

**10.2 Property, plant and equipment 2008/09 (as restated : see note 31)**

	Total	Land	Buildings exc. dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>									
At 1 April 2008	433,210	39,789	224,596	2,504	55,611	85,070	4,686	17,232	3,722
Additions - purchased	21,361	-	8,267	-	2,421	8,798	376	1,498	1
Reclassification	(41)	-	47,143	-	(48,962)	1,721	-	57	-
Indexation	15,959	1,701	9,496	106	2,183	2,253	123	-	97
Impairments	(2,915)	-	(2,915)	-	-	-	-	-	-
Other in year revaluations	(26,998)	(6,242)	(20,585)	(171)	-	-	-	-	-
Disposals	(11,061)	(1,952)	(3,548)	-	-	(5,052)	(441)	(68)	-
<b>At 31 March 2009</b>	<b>429,515</b>	<b>33,296</b>	<b>262,454</b>	<b>2,439</b>	<b>11,253</b>	<b>92,790</b>	<b>4,744</b>	<b>18,719</b>	<b>3,820</b>
<b>Depreciation:</b>									
At 1 April 2008	106,917	-	32,486	166	-	54,574	2,516	13,494	3,681
Provided during the year	20,990	-	11,204	59	-	8,243	349	1,124	11
Indexation	2,961	-	1,375	7	-	1,417	66	-	96
Other in year revaluations	(1,740)	-	(1,740)	-	-	-	-	-	-
Disposals	(4,874)	-	-	-	-	(4,365)	(441)	(68)	-
<b>Accumulated depreciation at 31 March 2009</b>	<b>124,254</b>	<b>-</b>	<b>43,325</b>	<b>232</b>	<b>-</b>	<b>59,869</b>	<b>2,490</b>	<b>14,550</b>	<b>3,788</b>
<b>Net book value at 1 April 2008</b>	<b>326,293</b>	<b>39,789</b>	<b>192,110</b>	<b>2,338</b>	<b>55,611</b>	<b>30,496</b>	<b>2,170</b>	<b>3,738</b>	<b>41</b>
<b>Net book value at 31 March 2009</b>	<b>305,261</b>	<b>33,296</b>	<b>219,129</b>	<b>2,207</b>	<b>11,253</b>	<b>32,921</b>	<b>2,254</b>	<b>4,169</b>	<b>32</b>
<b>Net book value at 31 March 2009 comprises:</b>									
Purchased at 31 March 2009	305,161	33,296	219,129	2,207	11,253	32,821	2,254	4,169	32
Donated at 31 March 2009	100	-	-	-	-	100	-	-	-
<b>Asset Financing:</b>	<b>305,261</b>	<b>33,296</b>	<b>219,129</b>	<b>2,207</b>	<b>11,253</b>	<b>32,921</b>	<b>2,254</b>	<b>4,169</b>	<b>32</b>
Owned	291,011	33,296	204,879	2,207	11,253	32,921	2,254	4,169	32
Held on Finance Lease	14,250	-	14,250	-	-	-	-	-	-
	<b>305,261</b>	<b>33,296</b>	<b>219,129</b>	<b>2,207</b>	<b>11,253</b>	<b>32,921</b>	<b>2,254</b>	<b>4,169</b>	<b>32</b>

**10.3 Net Book Value of Land and Buildings**

The net book value of land, buildings and dwellings as at 31 March 2010 comprises:

	<b>31 March 2010 £000</b>	As restated at 31 March 2009 £000	As restated at 1 April 2008 £000
Freehold	<b>196,637</b>	238,996	215,442
Long leasehold	<b>14,888</b>	15,636	18,795
	<b>211,525</b>	<b>254,632</b>	<b>234,237</b>

The comparative figures have been restated to reflect the correct classification as freehold of a building previously disclosed as being long leasehold.

**11. Impairments****11.1 Impairments charged in the year to the Operating Cost Statement**

	31 March 2010		31 March 2009	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Impairments arose from:				
Changes in market price	<b>50</b>	-	2,915	-
<b>Total</b>	<b>50</b>	-	<b>2,915</b>	-

**11.2 Impairments charged in the year to the revaluation reserve**

There were no impairments charged in year to the revaluation reserve (2008/09: £nil).

**12. Non-current assets held for sale**

There were no non-current assets held for sale (2008/09: Nil)

**13. Inventories**

	<b>31 March 2010</b>	31 March 2009	1 April 2008
Raw materials and consumables	<b>29,838</b>	28,732	21,021
Work in progress	<b>17,637</b>	11,863	11,102
Finished processed goods	<b>41,118</b>	31,219	21,653
	<b>88,593</b>	<b>71,814</b>	<b>53,776</b>

The stock value is net of a provision of £7,800,000 (31 March 2009 : £Nil) in relation to stock held at BPL.



**14. Trade and other receivables**

	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
<b>Current</b>			
NHS Receivables - Revenue	16,798	12,585	13,175
Non NHS Trade Receivables - Revenue	14,903	16,728	11,142
Non NHS Receivables - Capital	-	538	700
Provision for impairment of Receivables	(102)	(376)	(222)
Prepayments and accrued income	5,711	5,842	7,067
<b>Subtotal</b>	<b>37,310</b>	<b>35,317</b>	<b>31,862</b>
<b>Non Current</b>			
Other prepayments and accrued income	393	474	442
<b>Subtotal</b>	<b>393</b>	<b>474</b>	<b>442</b>
<b>Total trade and other receivables</b>	<b>37,703</b>	<b>35,791</b>	<b>32,304</b>
 <b>Provision for irrecoverable debts</b>			
	<b>2009-2010 £000</b>	2008-2009 £000	
Amounts falling due within one year			
Non - NHS trade receivables			
At 1 April	376	222	
Provided in year	25	295	
Written off during year	(163)	(40)	
Recovered during year	(136)	(101)	
<b>At 31 March</b>	<b>102</b>	<b>376</b>	
 <b>Aging of debts provided against</b>			
Upto 12 months	45	258	
Over 12 months	57	118	
	<b>102</b>	<b>376</b>	
 <b>Receivables past due but not impaired</b>			
Upto 3 months	8,483	3,347	
Between 4 and 12 months	685	770	
Over 12 months	34	85	
	<b>9,202</b>	<b>4,202</b>	

**15. Financial Assets**

	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
<b>At 'fair value through profit and loss'</b>			
Embedded derivatives	-	-	186
	<b>-</b>	<b>-</b>	<b>186</b>

**16. Cash and Cash equivalents**

	<b>2010 £000</b>	2009 £000	2008 £000
Balance at 1 April	136	90	114
Net change in the year	2,699	46	-24
Balance at 31 March	<b>2,835</b>	<b>136</b>	<b>90</b>
 <b>Comprising:</b>			
Held with Government Banking Services accounts	2,822	129	71
Commercial banks and cash in hand	13	7	19
Cash and cash equivalents as in Statement of cash flows	<b>2,835</b>	<b>136</b>	<b>90</b>

**17. Trade and other payables**

	<b>31 March 2010</b>	As restated at 31 March 2009 (see note 31)	As restated at 1 April 2008 (see note 31)
	<b>£000</b>	£000	£000
<b>Current</b>			
NHS Payables - revenue	<b>10,470</b>	2,313	3,044
Non-NHS trade Payables - revenue	<b>20,765</b>	13,856	4,907
Non-NHS trade Payables - capital	<b>308</b>	494	2,494
Tax and Social Security Costs	<b>6,911</b>	1,097	2,095
Accruals and deferred income	<b>20,931</b>	24,534	15,662
<b>Total trade and other payables</b>	<b>59,385</b>	42,294	28,202

**18. Borrowings**

Borrowings relate exclusively to a building acquired under a Finance Lease. Full details of the borrowings balance are disclosed in note 20.

**19. Provisions for liabilities and charges**

<b>At 31 March 2009</b>	<b>Product Liability</b>	<b>Late Delivery Charge</b>	<b>Employee Benefits</b>	<b>Tax and NI Liabilities</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2008	1,780	1,396	421	-	841	4,438
Provisions - Arising in the year	<b>293</b>	<b>539</b>	<b>122</b>	-	<b>559</b>	<b>1,513</b>
Utilised during the year	<b>(205)</b>	-	<b>(45)</b>	-	<b>(363)</b>	<b>(613)</b>
Reversed unused	<b>(395)</b>	-	-	-	<b>(217)</b>	<b>(612)</b>
Unwinding of discount	<b>30</b>	-	<b>9</b>	-	-	<b>39</b>
<b>Balance at 31 March 2009</b>	<b>1,503</b>	<b>1,935</b>	<b>507</b>	<b>0</b>	<b>820</b>	<b>4,765</b>
<b>At 31 March 2010</b>	<b>Product Liability</b>	<b>Late Delivery Charge</b>	<b>Employee Benefits</b>	<b>Tax and NI Liabilities</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2009	1,503	1,935	507	-	820	4,765
Provisions - Arising in the year	<b>68</b>	-	<b>1,119</b>	<b>3,500</b>	<b>1,148</b>	<b>5,835</b>
Utilised during the year	<b>(90)</b>	-	<b>(107)</b>	-	<b>(315)</b>	<b>(512)</b>
Reversed unused	<b>(1,421)</b>	-	-	-	<b>(228)</b>	<b>(1,649)</b>
Effect of Foreign Exchange	-	<b>(106)</b>	-	-	-	<b>(106)</b>
Unwinding of discount	-	-	<b>11</b>	-	-	<b>11</b>
<b>Balance at 31 March 2010</b>	<b>60</b>	<b>1,829</b>	<b>1,530</b>	<b>3,500</b>	<b>1,425</b>	<b>8,344</b>

**Expected timing of cash flows:**

Within 1 year	<b>60</b>	<b>1,829</b>	<b>98</b>	<b>3,500</b>	<b>1,425</b>	<b>6,912</b>
Between 1 year and 5 years	-	-	<b>386</b>	-	-	<b>386</b>
Thereafter	-	-	<b>1,046</b>	-	-	<b>1,046</b>

Product liability provisions relate to legal actions brought against the authority through the use of Authority products by individuals, mainly Hepatitis C cases. The provision for Hepatitis C cases has been reduced to £60,000 (31 March 2009: £1,419,000) following a review of these cases and legal advice obtained on the probability of claims materialising. A provision is held where a reliable estimate can be made. Where a reliable estimate cannot be made a contingent liability is disclosed at note 23.

Included within the 'Other' category are provisions relating to legal claims for personal injury, legal claims from donors, and supplier claims.

£Nil (31 March 2009: £5,000) is included in the provisions of the NHS Litigation Authority at 31 March 2010 in respect of the existing liabilities scheme. There is a provision of £8,000 in respect of clinical negligence liabilities (31 March 2009: £Nil).

**20. Finance leases****Finance lease obligations (ie as lessee)**

	<b>Minimum lease payments</b>		
	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£000</b>	£000	£000
Not later than one year	<b>423</b>	416	423
Later than one year and not later than five years	<b>1,692</b>	1,692	1,692
Later than five years	<b>5,922</b>	6,345	6,768
	<b>8,037</b>	8,453	8,883
Less future finance charges	<b>4,184</b>	4,528	4,893
Present value of future lease obligations	<b>3,853</b>	3,925	3,990
	<b>Present value of minimum lease payments</b>		
	<b>31 March 2010</b>	31 March 2009	1 April 2008
	<b>£000</b>	£000	£000
Not later than one year	<b>79</b>	72	65
Later than one year and not later than five years	<b>398</b>	363	331
Later than five years	<b>3,376</b>	3,490	3,594
Present value of future lease obligations	<b>3,853</b>	3,925	3,990
Analysed as :			
Current borrowings	<b>79</b>	72	65
Non-current borrowings	<b>3,774</b>	3,853	3,925
	<b>3,853</b>	3,925	3,990

The finance lease relates to a building acquired in Speke in 2004/05. The building is depreciated over the primary lease term of 25 years.

**21.1 Movements in working capital**

	<b>31 March 2010</b>	As restated at 31 March 2009 (see note 31)
	<b>£000</b>	£000
Increase/(decrease) in receivables within 1 year	<b>1,993</b>	3,269
Increase/(decrease) in receivables after 1 year	<b>(81)</b>	32
Increase/(decrease) in inventories	<b>16,779</b>	17,925
(Increase)/decrease in payables within 1 year	<b>(17,098)</b>	(14,092)
(Increase)/decrease in payables after 1 year	<b>79</b>	65
<b>Subtotal</b>	<b>1,672</b>	7,199
Less Movement in receivables relating to items not passing through the I&E statement	<b>(538)</b>	(162)
Less Movement in payables relating to items not passing through the I&E statement	<b>186</b>	2,000
<b>Subtotal</b>	<b>(352)</b>	1,838
<b>Total</b>	<b>2,024</b>	5,361

**21.2 Analysis of changes in net debt**

	<b>As at 1 April 2009</b>	<b>Cash flows</b>	<b>As at 31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Banking Services cash at bank	129	2,693	<b>2,822</b>
Commercial cash at bank and in hand	7	6	<b>13</b>
<b>Total</b>	<b>136</b>	<b>2,699</b>	<b>2,835</b>

**21.3 Other cashflow adjustments**

	<b>31 March 2010</b>	As restated at 31 March 2009 (see note 31)
	<b>£000</b>	£000
Depreciation	<b>18,983</b>	20,971
Amortisation	<b>432</b>	337
Impairments and reversals	<b>50</b>	2,915
Loss on disposal	<b>281</b>	3,698
Provisions - Arising in Year and Effect of Foreign Exchange	<b>5,729</b>	1,400
Provisions - Reversed unused	<b>(1,649)</b>	(612)
<b>Total</b>	<b>23,826</b>	28,709

**22. Movements on reserves****22.1 General reserve**

	<b>2009-2010</b>	2008-2009
	<b>£000</b>	£000
Balance at 1 April as restated (see note 31)	<b>259,337</b>	258,266
Net expenditure for the financial period	<b>(102,822)</b>	(77,428)
Revenue Grant in Aid	<b>71,659</b>	42,356
Capital Grant in Aid	<b>12,920</b>	20,718
Non Cash Charge : Cost of Capital	<b>12,005</b>	13,042
Transfer Negative balance from Revaluation Reserve ( * see below)	<b>(3,866)</b>	-
Transfer to General Fund: realised elements of the revaluation reserve	<b>704</b>	2,383
<b>Balance at 31 March</b>	<b><u>249,937</u></b>	<u>259,337</u>

**22.2 Revaluation reserve**

	<b>2009-2010</b>	2008-2009
	<b>£000</b>	£000
Balance at 1 April	<b>106,437</b>	121,011
Indexation of fixed assets	<b>537</b>	13,067
Revaluation of fixed assets	<b>(36,908)</b>	(25,258)
Transfer Negative balance to General reserve ( * see below)	<b>3,866</b>	-
Transfer to General Fund: realised revaluation	<b>(704)</b>	(2,383)
<b>Balance at 31 March</b>	<b><u>73,228</u></b>	<u>106,437</u>

**22.3 Donated asset reserve**

	<b>2009-2010</b>	2008-2009
	<b>£000</b>	£000
Balance at 1 April	<b>100</b>	120
Depreciation of donated assets	<b>(20)</b>	(20)
<b>Balance at 31 March</b>	<b><u>80</u></b>	<u>100</u>

\* The transfer of £3,866,000, from the revaluation reserve to the general reserve, relates to a remaining negative revaluation amount held in respect of property assets brought into operational use during 2005/2006.

**23. Contingencies at 31 March 2010**

A contingent liability of £259,000 (31 March 2009: £242,000) relates to potential costs associated with donor claims, personal injury claims, and non Hepatitis C product liability claims. The related provisions are included under 'Product liability' and 'Other' in Note 19.

A contingent liability of £1,175,000 (31 March 2009: £381,000) relates to Hepatitis C cases brought under an action for product liability.

A contingent liability of £3,300,000 (31 March 2009: £Nil) relates to potential employee related Tax and NI liabilities. The related provisions are included under 'Tax and NI Liabilities' in Note 19.

Due to the nature of the contingent liabilities it is difficult to predict with any degree of accuracy the final amounts due and when they will crystallise.

**24. Capital commitments**

At 31 March 2010 the value of contracted capital commitments was £4,292,000 (31 March 2009: £4,808,000).

**25. Other commitments**

The Authority has entered into non-cancellable contracts (which are not operating leases) totalling £nil as at 31 March 2010 (31 March 2009: £nil).

**26 Losses and special payments****26.1 Losses Statement**

	31 March 2010		31 March 2009	
	No. Cases	£000	No. Cases	£000
Book keeping Losses			105	14
Losses of pay, allowances and superannuation benefits	36	9		
Losses arising from overpayments			1	1
Losses of Accountable Stores	117	108	112	199
Fruitless payments and constructive losses	25	120	37	165
Claims waived or abandoned	15	72		
	<u>193</u>	<u>309</u>	<u>255</u>	<u>379</u>

**26.2 Special Payments**

	31 March 2010		31 March 2009	
	No. Cases	£000	No. Cases	£000
Special Severance Payments	7	230	8	91
Compensation Payments	184	433	187	548
Ex Gratia Payments	31	3	54	3
	<u>222</u>	<u>666</u>	<u>249</u>	<u>642</u>

There were no individual payments that exceeded £250,000 (Period ended 31 March 2009 no cases).

**27. Related parties**

The Authority is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year the Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, i.e. the majority of NHS trusts. During the period these transactions were valued at £487 million of income (31 March 2009: £456 million), including capital funding and grant in aid, and £70 million of expenditure (31 March 2009: £46 million), which represented trading with 223 separate organisations.

In addition, £55 million of plasma was purchased from Diagnostics Chemistries Inc. (DCI) our United States supplier (31 March 2009: £38 million). DCI is wholly owned by Plasma Resources UK Ltd a company wholly owned by the Department of Health.

The following named member of the Board has registered interests in related parties as stated below:

<u>Name and Title</u>	<u>Registered Interest(s)</u>
Mr G Jenkins (Non Executive Director)	South London Healthcare NHS Trust (Chairman)

**NHSBT Transactions with Members Registered Interests**

	Income	Expenditure
	£000's	£000's
South London Healthcare NHS Trust	3,210	-

During the period none of the members of the key management staff or other related parties has undertaken any material transactions with NHS Blood and Transplant.

**28. Events after the reporting period**

In accordance with the requirements of IAS 10 events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

After the end of the reporting period the Board approved a contract for the distribution of BPL products in the USA. The contract provides for the sale of products against which significant valuation provisions of £7.8m were made in the accounts. Given that this stock has a limited life, and is to be sold on a sale and return basis it is considered prudent that the stock provisions are retained despite the approval of the distribution contract.

**29. Financial Instruments**

## Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the way that NHSBT is financed, NHSBT is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. NHSBT has no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing NHSBT in undertaking its activities. NHSBT is therefore exposed to little credit, liquidity or market risk.

## Liquidity risk

The majority of NHSBT's operating costs arise in Blood and Specialist Services. These are mainly recovered through prices under annual service agreements with NHS Trusts and Primary Care Trusts, which are financed from resources voted annually by Parliament, and provide an ongoing and predictable level of income. Likewise Organ Donation and Transplantation is financed through grant in aid from resources voted annually by Parliament. NHSBT faces liquidity risk in respect of BPL which operates on a commercial basis and has a high level of exports where the timing of receipts can be variable and difficult to forecast. Liquidity risk within BPL is high but as BPL represents 20% of NHSBT's operating budget the overall risk to NHSBT is manageable.

Capital expenditure costs are financed from resources voted annually by Parliament. Liquidity risk is low.

## Credit Risk

Bio Products Laboratory makes sales to customers and is therefore exposed to credit risk. This risk is mitigated by many of these sales being tender based and made under Letters of Credit along with the long association between Bio Products Laboratory and their Foreign Customers.

## Interest-rate risk

All the NHSBT's financial assets and financial liabilities, including the finance lease, carry nil or fixed rates of interest. It is not therefore exposed to interest-rate risk.

## Foreign currency risk

The NBS and ODT operating divisions have a relatively small amount of foreign currency income or expenditure, converted at the spot rate at the time of the transaction. They are not therefore exposed to significant foreign currency risk.

Bio Products Laboratory makes purchases and sales in foreign currencies (principally US Dollars). Foreign currency bank accounts are used to allow these transactions to be used to off-set one another. To the extent that these transactions are not forecast to off-set one another forward contracts are taken out to reduce foreign currency risk and provide certainty with regard to future cash flows. It should be noted that NHSBT as a Strategic Health Authority cannot speculate on foreign currency movements.

This approach is geared towards providing certainty but potentially exposes the entity to risk in that advantage of favourable movements in foreign exchange cannot be taken, albeit unfavourable movements are avoided. There is also a risk that cash flow forecasts are not accurate and therefore the off-setting transactions do not occur as planned leading to a gain or loss as the result of foreign currency movements.

## Fair values

Fair values are not significantly different from book values and therefore no additional disclosure is required.

**30. Intra-government balances**

	Receivables Amounts falling due within one year £000	Receivables Amounts falling due after more than one year £000	Payables Amounts falling due within one year £000	Payables Amounts falling due after more than one year £000
Balances with other central government bodies	3,420	-	7,076	-
Balances with local authorities	-	-	26	-
Balances with NHS Trusts and organisations	16,798	-	10,470	-
Balances with public corporations and trading funds	-	-	-	-
<b>Total Intra-Government Balances</b>	<u>20,218</u>	<u>0</u>	<u>17,572</u>	<u>0</u>
Balances with bodies external to government	17,092	393	41,813	-
<b>At 31 March 2010</b>	<u><u>37,310</u></u>	<u><u>393</u></u>	<u><u>59,385</u></u>	<u><u>0</u></u>
Balances with other central government bodies	2,883	-	1,232	-
Balances with local authorities	18	-	285	-
Balances with NHS Trusts and organisations	13,123	-	2,313	-
Balances with public corporations and trading funds	-	-	-	-
<b>Total Intra-Government Balances</b>	<u>16,024</u>	<u>0</u>	<u>3,830</u>	<u>0</u>
Balances with bodies external to government	19,293	474	38,536	3,853
<b>At 31 March 2009</b>	<u><u>35,317</u></u>	<u><u>474</u></u>	<u><u>42,366</u></u>	<u><u>3,853</u></u>

**31. Adoption of IFRS**

In preparing the opening IFRS balance sheet, NHSBT has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the body's financial position and financial performance is set out below and in the following tables.

The following are the adjustments arising on transition to IFRS

**Adjustments****a) Holiday Pay Accrual**

In accordance with IAS 19, an accrual of £1,510,000 at 1st April 2008 and £1,655,000 at 31st March 2009.

**b) Capitalisation of Building**

In accordance with IAS 17, an increase in fixed assets (buildings) and the revaluation reserve of £1,285,00 at 1st April 2008 and £1,263,000 at 31st March 2009. The value of the associated finance lease creditor is insignificant.

**c) Recognition of Financial Assets**

In accordance with IAS 39, an embedded derivative of £186,000 at 1st April 2008 and £Nil at 31st March 2009.

## 31. Adoption of IFRS, continued

## Reconciliation of Equity at 1st April 2008

	Adjustment	UK GAAP at 31st March 2008 (£000)	IFRS adjustments (£000)	Restated in accordance with IFRS at 1st April 2008 (£000)
<b>Non Current Assets</b>				
Intangible Assets		3,378		3,378
Property, Plant & Equipment	b)	325,008	1,285	326,293
Trade and other receivables		442		442
<b>Current assets</b>				
Inventories		53,889	-113	53,776
Trade and other receivables		31,862		31,862
Financial assets	c)	-	186	186
Cash and cash equivalents		90		90
<b>Current Liabilities</b>				
Trade and other payables	a)	26,692	1,510	28,202
Borrowings		65		65
Provisions for liabilities and charges		2,809	-113	2,696
<b>Non-current assets plus net current assets</b>		385,103	-39	385,064
<b>Non-current liabilities</b>				
Borrowings		3,925		3,925
Provisions for liabilities and charges		1,742		1,742
<b>Total Assets Employed:</b>		379,436	-39	379,397
<b>Taxpayers' Equity</b>				
General Fund	a) + c)	259,590	-1,324	258,266
Revaluation Reserve	b)	119,726	1,285	121,011
Donated Asset Reserve		120		120
<b>Total Taxpayers' Equity:</b>		379,436	-39	379,397

## Reconciliation of Equity at 1st April 2009

	Adjustment	UK GAAP at 31st March 2009 (£000)	IFRS adjustments (£000)	Restated in accordance with IFRS at 1st April 2009 (£000)
<b>Non Current Assets</b>				
Intangible Assets		3,856		3,856
Property, Plant & Equipment	b)	303,998	1,263	305,261
Trade and other receivables		474		474
<b>Current assets</b>				
Inventories		71,814		71,814
Trade and other receivables		35,317		35,317
Financial assets	c)	-	-	-
Cash and cash equivalents		136		136
<b>Current Liabilities</b>				
Trade and other payables	a)	40,639	1,655	42,294
Borrowings		72		72
Provisions for liabilities and charges		4,284		4,284
<b>Non-current assets plus net current assets</b>		370,600	-392	370,208
<b>Non-current liabilities</b>				
Borrowings		3,853		3,853
Provisions for liabilities and charges		481		481
<b>Total Assets Employed:</b>		366,266	-392	365,874
<b>Taxpayers' Equity</b>				
General Fund	a) + c)	260,992	-1,655	259,337
Revaluation Reserve	b)	105,174	1,263	106,437
Donated Asset Reserve		100		100
<b>Total Taxpayers' Equity:</b>		366,266	-392	365,874

## Reconciliation of Net Expenditure for 2008/09

<b>Net Expenditure for 2008/09 under UK GAAP</b>		<b>77,075</b>
Adjustments for:		
Movement in Accrual for Annual Leave	a)	145
Depreciation on increase in building valuation	b)	22
Movement in Financial Assets	c)	186
<b>Restated Net Expenditure for 2008/09 under IFRS</b>		<b>77,428</b>





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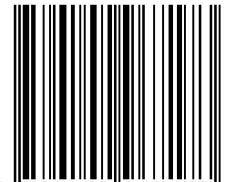
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