NHS
Blood and Transplant

NHS Blood and Transplant
Annual Report and Accounts 2008/09

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 13 July 2009

HC 777

SG/2009/122 LONDON: The Stationery Office £9.50

NHS
Blood and Transplant

NHS Blood and Transplant
Annual Report and Accounts 2008/09

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 13 July 2009

HC 777

SG/2009/122 LONDON: The Stationery Office £9.50

© Crown Copyright 2009
The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately
and not used in a misleading context.
The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy
Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

ISBN: 9780102961577

Account of NHS Blood and Transplant at 31 March 2009

Contents

Annual Report ... 1
- Management Commentary ... 1
  - Strategic Objectives ... 1
  - Key Performance Headlines 2008/09 ... 2
  - Approved or planned future developments ... 5
  - Financial Review ... 7
  - Preparedness for the Adoption of International Financial Reporting Standards ... 8
  - Principles of Remedy ... 8
  - Environmental Matters ... 9
  - Emergency Preparedness ... 10
  - Disabled Employees Statement ... 10
  - Equal Opportunities Statement ... 11
  - Board Members ... 11
  - Better Payment Practice Code ... 12
  - External Audit ... 12
- Remuneration Report ... 13
  - Remuneration Committee Membership ... 13
  - Remuneration Policy ... 13
  - Senior Management Contract Information ... 13
  - Salary and Pension Entitlement of Senior Managers ... 15
  - Cash Equivalent Transfer Value ... 16
  - Real Increase in CETV ... 16

Annual Accounts ... 17
  - Statement of the Chief Executives Responsibilities ... 17
  - Statement on Internal Control ... 18
  - The Certificate and Report of the Comptroller and Auditor General ... 22
  - Accounts ... 24
  - Notes to the Accounts ... 27

Annual Report

Management Commentary

The accounts for the year ending 31 March 2009 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.

NHS Blood and Transplant (NHSBT) was established by Statutory Instruments 2005 No. 2529 and No. 2531 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 (BPL) that was a constituent part of the NBA.

Strategic Objectives

NHSBT is a Special Health Authority in England and North Wales, with responsibilities across the United Kingdom in relation to organ donation and transplantation. Our core purpose is to save and improve lives.

It is our responsibility to ensure the supply of enough safe blood, tissues, solid organs and plasma products to the NHS both now and in the future. We rely entirely on the altruism and loyalty of our donors and in 2008/09, countless lives were saved and transformed by their generosity in donating ca 1.97 million units of blood and 3,504 solid organs.

Building on the progress made since NHSBT was established in October 2005, we need to respond to the changing demands of hospitals, regulatory authorities, and above all, donors, patients and the public, to deliver the first-class performance and service they rightly expect from us.

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

The 2008/11 Strategic Plan established our strategic objectives for 2008/09, as follows:

i) Blood Components

To provide a sustainable supply of blood and blood components and services that meet all safety quality, service provision and compliance standards, as efficiently as possible, via the modernisation of the blood supply chain.

ii) Specialist Services

To provide a range of specialist (diagnostic) services which are financially sustainable while maintaining quality, service provision and compliance standards.

iii) Organ Donation

To identify and refer increasing numbers of potential donors, and to increase the number of donors, enabling an increase in the number of transplants.

iv) Fractionated Products

To achieve financial viability (of BPL) in the manufacture and sales of a targeted range of fractionated products, derived from blood plasma, that meet all quality, service and compliance standards.

v) Organisation

To establish NHSBT as an acknowledged, effective and efficient provider of products and services, focused on service to donors and customers, flexible to meet changing needs and ambitious to succeed.

Key Performance Headlines 2008/09

During 2008/09, significant progress has been made and delivery of our strategy remains on course. Considering progress made against each of our strategic objectives in turn:

i) Blood Components

Actions have been taken to improve performance in blood collection and to stabilise blood stock levels. During 2008/09 blood collection has exceeded plan and an improving trend has been established. Blood stocks have generally been in the target range of 40,000 to 50,000 units. At no time have total stocks fallen below the 3 day alert level, but there were three instances where stocks of O negative and B negative fell below the 3 day alert level.

This has been achieved despite a significantly higher than planned level of demand, originally forecast at 1.765 million units in 2008/09, and reflecting the year on year trends that had been seen over recent years. Towards the start of the 2008 calendar year a change in trend became apparent and it appeared that the demand for red cells had started to stabilise. This trend has now been confirmed and actual demand for 2008/09 was 1.86 million units (versus 1.82 million in 2007/08). Demand for platelets and frozen components were also ahead of plan.

During 2008/09 plans to make significant progress within the blood supply chain have been put into effect. Specifically to:

- Complete the preparation for the medium to long-term transformation of blood collection and commence an operational improvement programme.

Following a successful pilot, the Operational Transformation Programme (OTP) in Blood Donation has been rolled out across all blood collection teams and is demonstrating opportunity to realise significant operational benefits and clear improvements in donor satisfaction.

- Open the new blood centre at Filton and consolidate activities within the South West.

The new and iconic processing facility at Filton was completed to plan and under budget. Specialist Service and administrative functions have moved into the building, initial Medicines and Healthcare products Regulatory Agency (MHRA) audits have been successfully completed and the consolidation of processing and testing in the South West was completed by the end of May 2009.

- Continue to implement agreed blood safety initiatives.

The production of cryoprecipitate for children, via the importation of virus inactivated plasma, was implemented.

- An intent to apply a cap on the price of blood charged to our customers and bring a halt to the year on year increases seen over recent years.

The red cell price was set at c £140/unit in 2008/09. At the 2008 National Commission Group meeting a price of c £133/unit has been agreed (essentially reflecting the increase in demand described on page 2). The price is forecast to decrease further in 2010/11 when the full year benefits of the processing rationalisation and OTP are seen.

ii) Specialist Services

The Specialist Service change programme included implementation of price increases and volume growth across the portfolio of Specialist Services, along with consolidation of activities, in order to improve financial viability and reduce the cross-subsidy provided by blood components.

During 2008/09 agreement has been secured with our Commissioners to deliver a range of price increases in 2009/10 (with corresponding decreases in blood component prices) in line with our strategic targets.

A commercial business team has been established to support and drive the planned growth of activity and significant progress has been made on the consolidation programme with the transfer of Red Cell Immunology from Southampton to Filton, Tissue Services into Liverpool, Reagents from Birmingham and Cambridge to Liverpool, all completed. Good progress has also been made in the planning for further consolidation in future years and for the planned divestment from the provision of routine antenatal services.

After dipping at the start of the year, performance has improved steadily against agreed service levels, with all areas achieving SLA targets by the year-end. The planned implementation of Hematos (the replacement specialist services IT system) relating to Histocompatibility and Immunogenetics in summer 2008 was deferred but was completed in February 2009.

iii) Organ Donation

Organ donation activity undertaken to the end of March 2009 compared favourably to previous performance over the 2007/08 financial year, with the total number of organ donors increasing by 11%. In addition, during January 2009, the number of donors on the Organ Donation Register reached 16 million – 12 months before the planned date and was at 16.12 million by the year end.

As a result, the total number of organ transplants carried out in the period April 2008 to March 2009 was 3,504, the highest ever seen and 8% above 2007/08.

However, despite this record of achievement there remain ca 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 ca 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 response, the organ donation change programme was tasked with establishing NHSBT as the national Organ Donation Organisation and commencing implementation of the recommendations of the Organ Donation Taskforce (ODTF), which outlined a series of measures to significantly increase the level of organ donation in the UK.

During 2008/09, the implementation of the ODTF recommendations has proceeded at pace. This has included:

- Implementation of 73 clinical “Donation Champions” and Organ Donation Committees within donating hospitals.
- Implementation of financial reimbursement to all hospitals for the additional costs incurred when facilitating a potential or actual donor.
- Implementation of a centrally employed Donor Transplant Co-ordinator network in four regions (Yorkshire, Scotland, North London and South East).
- Development and introduction of an electronic (web-based) system for the process of donor registration and organ offering (EOS).
- Development of an initial procurement framework and service delivery requirement for the commissioning of a national Organ Retrieval Service.
- Preparations for a major public awareness campaign (currently scheduled to launch at the end of 2009).

iv) Fractionated Products

The Fractionated Products work-plan was focused on increasing capacity and growing sales in order to reduce grant-in-aid funding and drive the business towards financial sustainability.

Following a targeted programme of investment in its Elstree factory, and root cause analysis of manufacturing bottlenecks, BPL has demonstrated a significant and sustainable increase in its manufacturing capacity. The current run rate is equivalent to a 75% increase in plasma processing capability over that achieved in 2007/08. In addition, the lead-times for each of the three main product groups have decreased from an average of 66 to 49 days releasing around £4 million of cash previously tied up in work in progress (WIP). The improved management of cash has enabled BPL to cover the increased cost of plasma due to:

- The exchange rate moving from $1.97/£ to $1.42/£.
- The increase volume of plasma received in the second half of the year.
- The higher price of the plasma required to supplement the volumes shipped from DCI (a DH owned US plasma supplier).

Although sales have grown (with export sales higher by > 20%) they have been lower than budget for much of the year. This was entirely due to delays in shipments of plasma from Diagnostic Chemistries Incorporation (DCI) and hence a lack of product available for sale. Some of this has been rectified by year end but has created timing pressure on working capital and cash.

v) Organisation

Implementation of a new leadership team within NHSBT has been completed with key appointments made in the areas of Blood Donation and Organ Donation and Transplantation.

A revised Executive and Board performance framework was deployed, which combined several disparate performance reports into one integrated performance report. The report captures pro-active risk management, progress against targets and milestones, KPI development and financial performance.

NHSBT was inspected by the Healthcare Commission for the first time during 2008/09 and achieved a ranking of 'Good' for our overall quality of service. This provides a solid foundation from which to move forward.

A hardware upgrade and consolidation of the 3 regional databases in PULSE was successfully completed, and from August 2008 NHSBT has been operating across all aspects of blood donation, processing, testing and issue within a single database for the first time in our history.

2008/09 has also seen significant cost pressures. Earlier in the year this was due to the impact of oil/fuel on both utility costs and in the cost of petrochemical based plastics. Later in the year, following the "credit crunch" these pressures abated but were replaced by the impact of currency rates and especially the impact of the Euro/Sterling exchange rate. Despite the cost pressures, and with red cell demand higher than planned, we have continued to meet our financial targets.

Approved or planned future developments

The Strategic Plan is reviewed and updated on an annual basis as part of our integrated planning, performance, risk management and assurance framework.

In March 2009 the NHSBT Board approved the 2009/12 Strategic Plan, which sets out:

- Our strategic objectives over the period 2009/10 to 2011/12,
- Our plans to achieve them,
- The outcomes we expect to deliver, and
- The metrics by which we will measure our success.

We are now entering a critical phase of delivery and the updated Strategic Plan maintains a strong focus on the delivery of key plans during 2009/10 and the benefits that will then be seen in full during 2010/11. This includes the realisation of benefits identified by the Blood Donation Operational Transformation Programme, as well as completion of the processing consolidation across the South East and North regions.

However, whilst being absolutely focused on delivery of our key objectives in 2009/10, the Strategic Plan also captures the actions that will be taken to identify and deliver the next wave of opportunities through which we can further develop our services and improve efficiency.

This amounts to a challenging change agenda for the coming year. Our priorities during 2009/10 are as follows:

1. Delivering a stable and reliable supply of blood and components while continuing the implementation of the Transformation Programme within the blood supply chain. Specifically:

- Realisation of the benefits identified by the Operational Transformation Programme (OTP) within Blood Donation.

- Commence (and substantially complete) the consolidation of processing and testing within the South East and the North.

- Continue delivery of the Processing and Testing operational improvement programme, including improvements to the cold chain and supporting logistics.

- Build on the capability of Filton and work towards establishing the site as a world class facility.

- Work within the £140/unit price cap for red cells that was identified in last years plan (the price agreed at the 2008 NCG is now set at £133/unit for 2009/10).

- Develop services to customer hospitals by piloting a new electronic blood ordering system and developing a programme to improve order fulfilment processes.

- Continue to implement agreed blood safety initiatives, maintaining platelet production from component donation at 80%, reducing Transfusion Related Acute Lung Injury (TRALI) through 100% production of Fresh Frozen Plasma from male donors and improving the appropriate use of red cells through support of the Better Blood Transfusion programme.

- Continue to evaluate a range of potential future blood safety interventions as mandated by Advisory Board for the Safety of Blood, Tissues and Organs (SaBTO).

2. Continue to implement the Specialist Services strategic programme, growing sales volumes by 5%, increasing the number of units held in the Cord Blood Bank and delivering further elements of the consolidation and divestment programme (especially RCI changes in the Northwest and in Cambridge).

3. Increase the levels of deceased organ donation, living organ donation and cornea donation. Continue the implementation of the Organ Donation Taskforce recommendations as they relate to NHSBT. Building on the foundations laid in 2008/09 we will:

- Increase the number of Donor Champions to c 200 and continue to reimburse hospitals for the costs incurred in facilitating a donor.

- Ensure that the 4 Donor Transplant Co-ordinator teams created in 2008/09 become fully operational, while transferring and developing the remaining 8 teams.

- Complete the roll out of Electronic Offering System (phase 1) producing and implementing plans for its further development (phase 2 and 3).

- Complete the commissioning of a National Organ Retrieval Service and agree the donor management model for later implementation.

- Launch a high-profile, multi-media campaign to increase public awareness of and support for organ donation in the UK, increasing the number of people on the Organ Donor Register to 17.5 million.

4. Secure the benefits of the capacity increases at BPL. Deliver licence approvals to enable increased sales into Europe and the USA and work together with DH/DCI to secure higher volumes of plasma.

5. Maintain and, where appropriate, improve compliance with standards, ensure robust emergency preparedness arrangements are deployed and improve customer satisfaction and service levels.

6. Further develop the service directorate and support function structures, commence plans to deliver significant efficiencies in Corporate Services and optimise use of the estate.

7. Deliver the 2009/10 financial plan. Work within the agreed red cell price of £133/unit agreed with the National Commissioning Group. Reducing the gap between income and expenditure in Specialist Services by 35% (£24.5 million to £15.8 million) and meeting the BPL grant-in-aid targets.

Progress 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 2009/10 will be measured.

Financial Review

NHS Blood and Transplant primarily recovers its costs by charging NHS Trusts and other organisations for the supply of blood components, tissues and other services. Prices are based on full economic costs, and include capital charges repaid to the Department of Health. Funding is also received from the Department of Health to facilitate the provision of specialist and organ donation services.

For the period ending 31 March 2009 the Authority has reported an operating deficit of £77.1 million. This reflects the operating costs of Authority, as all blood and tissues collected are freely donated by volunteer donors.

Capital funding of £25.7 million was received from the Department of Health in order to purchase and replace fixed assets, of which £4.3 million was returned to the Department. A further £2.6 million received from the sale of land and buildings to the North Bristol trust was also used to purchase fixed assets during the year. 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.

During the period financing from the Department of Health of £59.1 million was received as grant-in-aid for revenue purposes, of which £16.7 million was returned to the Department in-year, reflecting agreed brokerage of £15.7 million transition cost funding (to support delivery of strategic change programmes in 2009/10) and £1.0 million funding for provisions that was not required.

NHS Blood and Transplant is a Special Health Authority and is treated as a Non Departmental Body (NDPB) under the Government Financial Reporting Manual

(FReM). In accordance with this guidance grant-in-aid received from the Department of Health is recognised in the general reserve.

Note 2 to the accounts shows an adjusted outturn position of £1.6 million surplus after taking into account £42.4 million revenue grant-in-aid. The surplus of £1.6 million was achieved through a combination of strong blood collections (and consequent stock levels) in the final quarter of the year, an increase in the value of year end tissue stocks, the translation of foreign currency transactions during the year and the translation of monetary assets and liabilities at the balance sheet date.

The new blood centre at Filton was opened in July, and was valued by the District Valuer at £55.0 million on the basis of depreciated replacement cost. This in year revaluation as a result of bringing the Filton centre into operational use has led to a fall in value of the land and buildings of £4.7 million which has been taken to the revaluation reserve.

On 27 February 2009 property at Southmead Hospital, owned by NHSBT, was sold to the North Bristol Trust. Prior to the sale, this property was valued by the District Valuer on the basis of depreciated replacement cost. This led to an impairment of £3.0 million offset against the revaluation reserve, and a subsequent loss on sale amounting to £2.9 million, reflected in the income and expenditure statement.

The working capital position, as shown in the Balance Sheet, is considered to be satisfactory at the period-end. Net current assets have increased from £59.1 million to £66.6 million, reflecting an overall increase in stocks, debtors and creditors. Total net assets have decreased from £379.4 million to £366.3 million. This primarily relates to the revaluation of land and building assets as at 31 March 2009 on a modern equivalent asset basis.

Preparedness for the Adoption of International Financial Reporting Standards

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 plans in place to complete a shadow set of IFRS accounts for 2008/09.

Principles of Remedy

NHSBT is committed to providing a quality response to our customers' queries and concerns. 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 2008/09, we responded to 6,453 items of correspondence in relation to organ donation, all within the 5 day target response timescale. In the same period, 883 contacts were received from hospital customers, with feedback from 28,000 blood donors, (44% complainant, and 37% complimentary). We have met targets for acknowledgement of blood donor and hospital complaints (99% in 2 days) and we continue to focus on improving the overall timeliness of our responses (87% of final responses completed within 20 days for blood donors/members of the public and 85% 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. Staff across NHSBT have received training in root cause analysis and this is actively used to develop a more detailed understanding of errors and incidents so that we can learn from these experiences. Outcomes with potential solutions were noted for 83% of resolved donor complaints. Complaints are used in conjunction with customer satisfaction surveys and performance indicators to highlight areas for improvement. Customer satisfaction ratings for the 'top two boxes' improved by 7.2 percentage points, from 50.3 in May 2008 to 57.5 in February 2009, exceeding our target of 53%. Activities that have resulted from feedback include amending our approach to queue management for blood donation sessions, removing the upper age limit for regular blood donors and our adopting the consistent low cost 0300 telephone number for our helpline for all NHSBT customers.

Developments for hospitals this year include improved checking procedures to avoid inaccurate order fulfilment and specific transport and delivery changes to meet hospital needs. Acknowledgement letter content for organ donor registration have been segmented for younger age groups in response to specific feedback.

We are currently using the new Department of Health recommendations to review our approach to complaint handling across NHSBT and identify how we can further improve.

Environmental Matters

In September of 2008, NHSBT established a Sustainable Development Group reporting to the Finance Director. The initial remit of the group was to baseline the organisations current position that included the extant structures and policies and the changes required to form more robust governance and reporting arrangements. Good progress has been made in these areas and the baselining activities continue, in particular around consumption of energy in preparation for the Carbon Reduction Commitment. The group are the governing body for overseeing the sustainable development programme and act as a steering committee for all sustainable initiatives. They are engaged in evaluating the impact on NHSBT of existing, new and emerging legislation, policy and guidance. NHSBT contributed to the NHS Carbon Reduction Strategy published in January 2009 and has commissioned an impact assessment of this strategy to identify gaps in performance and the risks to the organisation.

- In procurement, excellent progress has been made against the Sustainable Procurement Task Force's Flexible Framework where we are exceeding Department of Health targets. A sustainable procurement forum was held in December for around 80 of our key suppliers and as a consequence a number of them signed up for training on the government backed Envirowise scheme.

- An environmental improvement and accreditation programme (to ISO 14001) commenced at the Bio Products Laboratory and is currently on target; this is being evaluated for wider application across the organisation. Carbon Trust Standard Certification has been achieved and a programme of installing smart metering is in its advanced stages; this will ensure that Bio Products Laboratory meets all the prerequisites for a 'high' placing in the league table for Year 1 of the Carbon Reduction Commitment.

- At a local level, individual centres have been proactive in developing their own environmental initiatives e.g. Newcastle Centre who have plastic, cardboard baling and confidential waste recycling schemes in operation.

- NHSBT have entered into the Pennies from Heaven scheme to support its adopted charity, Macmillan Cancer Support.

Emergency Preparedness

The organisation has a robust, established and embedded Emergency Plan and Business Continuity system in place through which our commitment to the Department of Health (DH) Emergency Planning Guidance 2005 is discharged.

The Chief Executive takes responsibility for the Emergency Planning system, delegating this duty to an Assistant Director. The system includes a committee, chaired by the Assistant Director, that assesses the risk and provides assurance on the training and exercise programme. The system is delivered at practitioner level by operational staff. These staff facilitate Business Continuity Management arrangements and the production of emergency plans by working with operational managers. The Head of Emergency Planning leads training, exercising (a biannual communications exercise, annual table top and live exercises) and reviewing on a regular basis. He interacts with the DH and other NHS Emergency Planning professionals, and uses these interactions to interact across disciplines. He also ensures that NHSBT makes information available to the public about civil protection matters through our website www.blood.co.uk and maintains arrangements to warn, inform and advise the public in the event of an emergency.

Disabled Employees Statement

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

NHSBT aim to provide real opportunities for disabled people to join us and be retained as a member of staff, and to have equal access to training and development opportunities whilst in employment.

NHSBT have taken a proactive approach to disability equality. As a result, we have established a Disability Focus Group. It has been formed to ensure that NHSBT comply with the disability legislation and national initiatives. The forum is in place to examine the culture of the Organisation to ensure that we act in accordance with the equality and diversity best practice when providing services to the public, and promote NHSBT as an employer of choice. It is for disabled employees and will be co-chaired by a disabled employee. The forum report into the Equality and Diversity Working Group, a strategic group chaired by the HR Director.

The forum is currently working on the following work streams:

- Reasonable adjustments for disabled staff - working with the Health and Safety Committee.

- Positive Two Ticks - working with the recruitment team.

- Equality Impact Assessments - working with the Equality and Diversity Officer to review policy, procedures and any proposals to ensure that they promote disability equality.

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

Equal Opportunities Statement

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

- 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.

- 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.

- 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.

Board Members

Board Members serving during the period 1 April 2008 to 31 March 2009:

Chairman

Mr Bill Fullagar

Non Executive Directors

Mrs Elizabeth Buggins CBE (Period 1 April 2008 to 30 September 2008)
Ms Della Burnside (Commenced 2 April 2008)
Mr Andrew Blakeman (Commenced 2 April 2008)

Dr Christine Costello (Commenced 1 June 2008)
Mr John Forsythe
Mr David Greggains
Mr George Jenkins
Dr Diana Walford CBE

Executive Directors

Ms Lynda Hamlyn - Chief Executive
Mr Rob Bradburn - Finance Director (Commenced 8 April 2008)
Mr Peter Garwood - Director of Specialist Services
Ms Sally Johnson - Director of Organ Donation and Transplantation (Commenced 1 September 2008)
Dr Clive Ronaldson - Director of Patient Services
Mr Chris Rudge - Managing and Transplant Director UKT (Period 1 April 2008 to 31 August 2008)
Mrs Lorna Williamson - Medical Director
Mr Andy Young - Director of Blood Donation (Commenced 1 September 2008)

Details of the remuneration of senior managers of the Authority can be found in the Remuneration Report at pages 13 to 16.

Better Payment Practice Code

The Authority 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. Of the total number of bills paid 93.4% representing 95.8% of the value of non NHS bills and 97.5% representing 95.7% by value of NHS bills were paid within this target during the period.

External Audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The cost of audit work performed was £138k, including £10k in respect of audit for the preparedness of IFRS at trigger point 1. There were no payments to the auditors for non-audit work.

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 22 to 23.

Lynda Hamlyn
Chief Executive Date: 10 June 2009

Remuneration Report

Remuneration Committee Membership

During the period 1 April to 30 June 2008, membership of the Remuneration Committee comprised Bill Fullagar (Chair) and Elisabeth Buggins. Lynda Hamlyn and David Evans were 'standing attendees'. From 1 July 2008, 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. The Medical Director is employed on an NHS Consultant Contract, with the University of Cambridge. Remuneration for Non-Executive Board Members is set by the Secretary of State for Health through the NHS Appointments Commission.

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.

Jane Martin, Sales and Marketing Manager, BPL. NHS start date 1 January 1991, appointed September 1998. Appointed Interim Managing Director BPL 9 July 2007. Permanent full time post with 12 weeks notice of termination by the employee and a 12 week 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.

Chris Rudge, Managing and Transplant Director UKT, NHS start date 15 February 1972, appointed 1 December 2005. Permanent full-time post with three months' notice of termination by the employee, and three months' notice period by NHSBT. Seconded to the Department of Health from 1 September 2008.

Lorna Williamson, Medical Director. Appointed 1 October 2007. Contract of employment is with the University of Cambridge. NHSBT is recharged for salary costs.

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.

Salary and Pension Entitlement of Senior Managers

The following sections provide details of the remuneration and pension benefits of the most senior officials of the Authority and are subject to audit

a. Remuneration

	Year to 31 March 2009			Year to 31 March 2008		
	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)
Name and title	£000	£000	£00	£000	£000	£00
Mr B Fullagar (Chairman)	60-65	-	-	60-65	-	-
Mr A Blakeman (NED) Commenced 02/04/2008	5-10	-	-	-	-	-
Mrs E Buggins CBE (NED) Ended 30/09/2008	0-5	-	-	-	-	-
Ms D Burnside (NED) Commenced 02/04/2008	5-10	-	-	-	-	-
Dr C. Costello (NED) Commenced 01/06/2008	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)	5-10	-	-	5-10	-	-
Ms L Hamlyn (Chief Executive)	170-175	-	7	35-40	-	2
Mr R Bradburn (Finance Director) Commenced 08/04/2008	120-125	-	-	-	-	-
Mr D Dryburgh (Group Director of Estates and Logistics)	100-105	-	57	95-100	-	50
Mr D Evans (Group Director of Human Resources)	110-115	-	54	100-105	-	39
Mr P Garwood (Director of Specialist Services)	125-130	-	-	120-125	-	56
Ms S Johnson - (Director of Organ Donation and Transplantation) Commenced 01/09/2008	65-70	-	-	-	-	-
Ms H Joy (Director of Communications and Public Affairs)	100-105	-	1	70-75	-	-
Mr A McDermott (Director of Business Transformation Services)	105-110	-	92	100-105	-	85
Mr T Male (Director of Strategy Management)	100-105	-	8	100-105	-	-
Ms J Martin (Interim Managing Director BPL)	100-105	-	60	80-85	-	44
Dr C Ronaldson (Director of Patient Services)	115-120	-	41	110-115	-	57
Mr C Rudge (Managing and Transplant Director UKT) Ended 31/08/2008	55-60	-	1	130-135	-	-
Mr A Young (Director of Blood Donation) Commenced 01/09/2008	65-70	-	1	-	-	-

The sum of £242k has been paid to the University of Cambridge in respect of salary recharges for Dr L Williamson (Medical Director) for the period 01/04/2008 to 31/03/2009

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. Pension benefits

	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 2009 (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 2009	Cash Equivalent Transfer Value at 31 March 2008	Real increase in Cash Equivalent Transfer Value
Name and title	£000	£000	£000	£000	£000	£000	£000
Ms L Hamlyn (Chief Executive)	5-7.5	15-17.5	65-70	205-210	1,499	1034	438
Mr R Bradburn (Finance Director) Commenced 08/04/2008	0-2.5	5-7.5	0-5	5-10	24	-	24
Mr D Dryburgh (Group Director of Estates and Logistics)	0-2.5	2.5-5	0-5	10-15	52	24	27
Mr D Evans (Group Director of Human Resources)	0-2.5	5-7.5	25-30	85-90	518	369	140
Mr P Garwood (Director of Specialist Services)	0-2.5	2.5-5	55-60	170-175	1,334	961	349
Ms S Johnson (Director of Organ Donation and Transplantation) Commenced 01/09/2008	0-2.5	2.5-5	30-35	90-95	571	411	150
Ms H Joy (Director of Communications and Public Affairs)	2.5-5	10-12.5	5-10	25-30	158	74	83
Mr A McDermott (Director of Business Transformation Services)	0-2.5	2.5-5	0-5	10-15	81	36	44
Mr T Male (Director of Strategy Management)	0-2.5	5-7.5	40-45	120-125	885	638	232
Ms J Martin (Interim Managing Director BPL)	(2.5)-0	(7.5-5)	25-30	80-85	555	456	87
Dr C Ronaldson (Director of Patient Services)	0-2.5	5-7.5	30-35	100-105	830	552	264
Mr C Rudge (Managing and Transplant Director UKT) Ended 31/08/2008	(5)-(2.5)	7.5-10	60-65	180-185	-	1,231	(1,262)
Mr A Young (Director of Blood Donation) Commenced 01/09/2008	0-2.5	0-2.5	0-5	0-5	11	-	11

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
Chief Executive   Date: 10 June 2009

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

1. The NHS Blood and Transplant (NHSBT) Board 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 four Operating Directorates, Organ Donation and Transplantation (ODT), Blood Collection, Specialist Services and Patient Services which includes Bio Products Laboratory (BPL). Each Operating Directorate has a Director, accountable to me. Group Services Directors provide corporate services across the whole of NHSBT and are also accountable to me. I chair an NHSBT Executive Team which comprises all of the Operating Directors and the Group Service Directors.

3. NHSBT is a geographically diverse organisation having multiple internal functions and external relationships in both its commissioning and provider roles. Line management responsibility is 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. The last twelve months has seen NHSBT continue with the change programme that was commenced in the previous year. As a result the current year has been a time of ongoing organisational change which has been reflected in evolving management arrangements. The Authority has appointed a number of new Directors to lead its Operating Directorates (Organ Donation and Transplantation, Blood Collection and Patient Services) and has also appointed to a new post of Director of Business Transformation in order to provide a focus on the management of change that the Authority is engaged in delivering. In order to oversee the change programme a Transformation Programme Board was put in place, including one of our Non Executive Directors, and which monitored the activities and results of the existing sub-programme boards for specific operational and group areas. Progress against the change programme is reported to, and discussed at, Board meetings.

5. 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. During 2008/09 Clinical Governance was reviewed by the Medical Director and an improved management arrangements put in place to provide more focus and scrutiny.

6. 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.

7. 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 National Audit Office, the DH, and with the Healthcare Commission, to ensure that we draw on experience from the wider NHS. Close working relationships are also in place with organisations that have responsibility for licensing and accreditation of our services such as the Medicines and Healthcare products Regulatory Agency (MHRA) and Clinical Pathology Accreditation (CPA).

8. 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.

9. Performance is monitored and managed by the NHSBT Executive Team, and is reported monthly to the Board.

10. As an NHS employer, control measures are in place to ensure NHSBT complied with all employer obligations contained within the NHS Pension Scheme regulations. We have also carried out much work in reducing sickness absence within the Authority targeting specific areas of high sickness incidence. Overall NHSBT sickness absence averaged 4.79% during 2008/09, down from an average of 5.67% in 2007/08.

11. 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. In order to evolve into the UK wide Organ Donation and Transplant organisation envisaged by the Organ Donation Task Force we have also taken over the responsibility for a number of Donor Transplant Co-ordinators teams around the UK during the year. An ongoing challenge for NHSBT is to support and develop such new ways of working while ensuring that accountability is maintained.

12. As Chief Executive of NHSBT, I had 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

13. 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,

- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

14. The system of internal control was in place within NHSBT for the period ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts.

Capacity to handle risk

15. 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.

16. 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.

17. Directors and I received assurance from the organisation through our management and reporting frameworks, and provided assurance to the Board on the achievement of corporate objectives and mitigation of corporate risk. 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.

18. 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

19. 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.

20. 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 NHSBT strategic Risk Register identifies the risks inherent in our strategic plan. During the last quarter of 2007/08 we conducted a review of our existing risk management arrangements to ensure that they are fit for purpose. The review was overseen by the GAC. Throughout 2008/09 the Authority has been implementing the recommendations from this review to significantly improve the risk management arrangements within the organisation.

21. Stakeholders have been informed and consulted as appropriate on the development of the Strategic Plan and the management of any significant risks arsing from its delivery. Public awareness of the NHSBT Strategic Plan was raised through its presentation at open Board meetings and the availability of documents on our intranet pages.

22. 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.

23. During 2008/09 there has been a continued focus on the way we handle information within the Authority and Information Governance has been reviewed by our Internal Auditors who reported 'Adequate' assurance. During the last 12 months we have had no serious untoward incidents associated with information and we have been able to successfully encrypt all portable media to Cabinet Office recommended

standards and put further processes in place to ensure all new devices meet these standards.

24. The organisation had major incident plans in place which were fully compliant with the DH publication 'Handling Major Incidents – an operational doctrine' and the accompanying NHS guidance on major incident preparedness and planning.

Review of effectiveness

25. 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. The Head of Internal Audit 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.

26. During July 2008 NHSBT was assessed by the Healthcare Commission in relation to our Self-Declaration for 2007/08. The Healthcare Commission inspected against five randomly selected standards and found that we were compliant in all the standards (C1a Adverse Incident Reporting, C6 Partnership Working, C7a&c Clinical and Corporate Governance, C11b Mandatory Training, C13b Consent). This inspection fed into an overall published rating of 'Good' for the quality of services provided by NHSBT.

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

28. 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 maintain and develop an effective internal audit system which would identify controls and assurance gaps.

29. Where any gaps in assurance were evident, they were addressed within a management action plan. Action Plans were monitored by Directors and the GAC and both ourselves and our internal auditors did not consider that there were any significant gaps in control or assurance.

30. The above process helped NHSBT maximise its understanding and utilisation of all available information about the quality and effectiveness of our systems/operations to help us improve services and satisfy the increasing need for assurance about the effectiveness of systems of internal control.

31. 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 material gaps in its arrangements.

Signed: Lynda Hamlyn
Chief Executive and Accounting Officer Date: 10 June 2009

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 and Transplant for the year ended 31 March 2009 under the National Health Service Act 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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 Chief Executive and auditor

NHS Blood and Transplant and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of NHS Blood and Transplant and the Chief Executive's Responsibilities as the Accounting Officer.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the unaudited part of the Remuneration Report included in the Annual Report is consistent with the financial statements. I also report whether 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.

In addition, I report to you if NHS Blood and Transplant has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects NHS Blood and Transplant's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of NHS Blood and Transplant's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by NHS Blood and Transplant and the Chief Executive as Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to NHS Blood and Transplant's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of NHS Blood and Transplant's affairs as at 31 March 2009 and of its net expenditure for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and

- information, which comprises the Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SWIW 9SS

Date: 18 June 2009

Accounts

Income and Expenditure Account for the year ended 31 March 2009

Continuing operations

	Notes	31 March 2009 £000	31 March 2008 £000
Gross Income			
Income from activities	3.1	**401,739**	387,232
Other operating income	3.1	**48,931**	39,596
		450,670	426,828
Expenditure			
Staff costs	3.2	**(206,685)**	(192,901)
Other administrative expenses	3.3	**(320,705)**	(291,077)
		(527,390)	(483,978)
Net Operating Expenditure before interest		**(76,720)**	(57,150)
Finance Costs		**(355)**	(363)
Net Expenditure for the financial period	2	**(77,075)**	(57,513)

All income and expenditure is derived from continuing operations

Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

		31 March 2009 £000	31 March 2008 £000
Net Expenditure for the financial period		**(77,075)**	(57,513)
Unrealised (losses) on the revaluation of fixed assets	12.2	**(25,258)**	(16,431)
Unrealised gains on the indexation of fixed assets	12.2	**13,067**	21,555
Recognised (losses) for the financial period		**(89,266)**	(52,389)

The notes of pages 27 to 45 form part of this account.

Balance Sheet as at 31 March 2009

	Notes	**31 March 2009 £000**	31 March 2008 £000
Fixed assets:			
Intangible assets	5.1	**3,856**	3,378
Tangible assets	5.2	**303,998**	325,008
		307,854	328,386
Debtors: amounts falling due after more than one year	7	**474**	442
Current assets			
Stocks	6	**71,814**	53,889
Debtors	7	**35,317**	31,862
Cash at bank and in hand	8	**136**	90
		107,267	85,841
Creditors: amounts falling due within one year	9	**(40,711)**	(26,757)
Net current assets		**66,556**	59,084
Total assets less current liabilities		**374,884**	387,912
Creditors: amounts falling due after more than one year	9	**(3,853)**	(3,925)
Provisions for liabilities and charges	10	**(4,765)**	(4,551)
		366,266	379,436
Capital and Reserves			
General reserve	12.1	**260,992**	259,590
Revaluation reserve	12.2	**105,174**	119,726
Donated asset reserve	12.3	**100**	120
		366,266	379,436

The notes of pages 27 to 45 form part of this account.

The financial statements on pages 24 to 45 were approved by the Governance and Audit Committee in accordance with powers within the NHSBT Standing Orders on 4 June 2009, and are signed by the Accounting Officer, Lynda Hamlyn.

Lynda Hamlyn
Accounting Officer   Date: 10 June 2009

Cash Flow Statement for the year ended 31 March 2009

	Notes	**31 March 2009 £000**	31 March 2008 £000
Net cash (outflow) from operating activities	13	**(41,257)**	(27,265)
Servicing of finance			
Interest element of finance leases		**355**	363
Net cash (outflow) from servicing finance		**(355)**	(363)
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		**(705)**	(654)
(Payments) to acquire tangible fixed assets		**(23,361)**	(38,753)
Receipts from disposal of tangible fixed assets		**2,650**	191
Net cash (outflow) from investing activities		**(21,416)**	(39,216)
Net cash (outflow) before financing		**(63,028)**	(66,844)
Financing			
Grant in aid received for revenue expenditure		**42,356**	26,842
Grant in aid received for capital expenditure		**20,718**	39,978
(Decrease)/Increase in cash in the period	8	**46**	(24)

The notes of pages 27 to 45 form part of this account.

Notes to the Accounts

1. Accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be ‘discontinued’ only if they cease entirely. They are not considered to be ‘discontinued’ if they transfer from one NHS body to another.

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 the Authority are income from sales to the NHS and Parliamentary grant from the Department of Health.

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

The Authority 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 fixed assets 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 2008/09 was 3.5%

(2007/08 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General (OPG), where the charge is nil. Notional Capital charges are charged to the income and expenditure account. Capital charges are also paid to the Department of Health and accounted for in the income and expenditure account (previously the general reserve) in accordance with the accounts direction issued by the Secretary of State.

1.5 Fixed Assets

a) Capitalisation

All assets falling into the following categories are capitalised:

i) Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.

ii) Purchased computer software licenses are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

iii) Tangible assets which are capable of being used for more than one year, and they:

- individually have a cost equal to or greater than £5,000;

- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

iv) Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b) Valuation

Intangible Fixed Assets

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

i) Land and buildings (including dwellings)

Valuations are carried out by the District Valuer of the Inland Revenue Government Department at five yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005. In March 2009 a number of properties were revalued on a modern equivalent assets in line with Treasury Guidance, rather than the "like for like" replacement basis used in previous valuations.

This has been accounted for as at 31 March 2009 and used as a proxy for the revaluation of all land and buildings.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

To meet the underlying objectives established by the Department of Health the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- no adjustment has been made to the cost figures of operational assets in respect of dilapidations; and

- additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

ii) Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

iii) Assets in the course of construction are valued at current cost, using the index as for land and buildings or equipment as appropriate. These assets include any existing land or buildings under the control of a contractor.

iv) Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.

v) All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. Losses arising from revaluation are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year income and expenditure statement.

c) Depreciation and Amortisation

Depreciation is charged on each individual fixed asset 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 District Valuer. Leaseholds are depreciated over the primary 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 fifteen years

1.6 Donated Fixed Assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also 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 the Income and Expenditure Account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

i) raw materials, finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they cannot or will not be used;

ii) work in progress is valued at the lower of cost and net realisable value.

1.8 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 to 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 the Authority not been bearing it's own risks (with insurance premiums then being included as normal revenue expenditure).

1.9 Provisions

NHSBT provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

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. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with NHSBT. The total value of clinical negligence provisions carried by the NHSLA on behalf of NHSBT is disclosed at note 10.

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.

1.10 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.pensions.nhsbsa.nhs.uk. 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, based on a five year valuation cycle), and a FRS17 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. However, after taking into account the changes in the benefit and contribution

structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme’s liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure statement at the point that NHSBT commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member’s final year’s pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse or eligible unmarried partner.

New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

1.11 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 Account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation should be calculated on the same basis as used for depreciation i.e. on a quarterly basis.

1.12 Leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives or primary lease term. Finance charges are allocated to the income and expenditure account. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

1.13 Foreign Exchange

The Bio Products Laboratory (BPL) enters 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 lower end of actual price paid, or if significantly different, net replacement cost. 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.

1.14 Financial Instruments

Financial Assets

Financial assets are recognised on the balance sheet when the Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade debtors, when the goods or services have been delivered. Financial assets are derecognised when contractual rights have expired or the assets has been transferred. Financial assets are initially recognised at fair value.

Financial assets at fair value through income and expenditure

Financial assets are classified into the following categories; financial assets 'at fair value through income and expenditure'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Embedded derivatives that have different risks and characteristic to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through the Income and Expenditure account. They are held at fair value, with any resultant gain or loss recognised in the Income and Expenditure. 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 do not fall within any other financial asset classifications. They are measured at fair value with changes taken to the Revaluation reserve, with the exception of impaired losses. Accumulated gains or losses are recycled to the Income and expenditure Account on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quotes 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 balance sheet date, the Authority 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 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 assets carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate. The loss is recognised in the Income and Expenditure Account and the carrying amount of the asset is reduced directly, or through a provision for the 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 Account to the extent that the carrying amount of the receivable at the date of 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 balance sheet when the Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or 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.

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 Account. 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.

2. Reconciliation of net operating expenditure to grant in aid

	31 March 2009 £000	31 March 2008 £000
Net expenditure out-turn for the financial period	**(77,075)**	(57,513)
Revenue grant in aid	**42,356**	26,842
Operating deficit for the financial period	**(34,719)**	(30,671)
Capital charges paid to the Department of Health	**36,335**	34,640
Adjusted outturn for the financial period	**1,616**	3,969

3.1 Gross Income

	31 March 2009 £000	31 March 2008 £000
Income from activities		
Blood Product Income	**310,649**	303,134
BPL Product Sales	**89,227**	82,285
UKT - Income from Scottish Parliament	**992**	965
UKT - Income from National Assembly for Wales	**577**	562
UKT - Income from Northern Ireland Assembly	**294**	286
	401,739	387,232
Other income	**48,931**	39,596
	450,670	426,828

3.2 Staff Costs and related numbers

	31 March 2009			
	Total	**Permanently Employed Staff**	**Other**	31 March 2008
	£000	**£000**	**£000**	£000
Salaries and wages	**174,868**	**158,102**	**16,766**	162,416
Social security costs	**11,796**	**11,582**	**214**	11,299
Employer contributions to NHSPA	**20,021**	**19,650**	**371**	19,186
	206,685	**189,334**	**17,351**	192,901

The average number of employees during the year was:

	Total Number	**Permanently Employed Staff Number**	**Other Number**	31 March 2008
Total	**5,985**	**5,455**	**530**	5,840

Expenditure on staff benefits

The amount spent on staff benefits during the year is estimated at £927,000 (31 March 2008 £885,000).

Retirements due to ill-health

During the year there were 16 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 £872,000 (31 March 2008: 11 early retirements at a cost of £916,000).

Early retirements and redundancies

In addition to retirements due to ill health, during 2008/09 there were 100 early retirements and/or redundancies from NHSBT. £4,261,000 has been charged to the revenue account in 2008/09 in respect of these redundancies and early retirements (31 March 2008: 66 early retirements and/or redundancies, and a charge to the revenue account of £2,246,000).

3.3 Other Administrative Expenses

		Notes	£000	31 March 2009 £000	31 March 2008 £000
Other staff costs				**14,284**	12,738
Consumable supplies				**110,610**	111,811
Maintenance of buildings, plant and equipment				**17,712**	14,639
Rent and rates				**13,394**	12,385
Transport costs				**10,420**	8,845
External contractors				**15,531**	14,259
Purchase and lease of equipment and furniture				**7,900**	4,039
Utilities and telecommunications				**11,846**	8,890
Media advertising				**3,357**	3,274
UKT Scheme Payments				**9,263**	7,033
Capital Charges paid over as cash to Department of Health				**36,335**	34,640
Capital Non-cash :	Depreciation and amortisation	5.1, 5.2	**21,306**		21,623
	Impairments	5.1, 5.2	**2,915**		-
	Capital charges interest		**13,042**		12,796
	Loss on disposal	5.4	**3,698**		162
				40,961	34,581
Other finance costs - unwinding of discount				**39**	38
Auditor's remuneration: Audit Fees *				**138**	124
Foreign exchange loss				**(280)**	162
Miscellaneous				**29,195**	23,620
				320,705	291,077

* 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 . Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2008/09	**127,205**	**255,303**
Total non NHS bills paid within target	**118,848**	**244,672**
Percentage of non NHS bills paid within target	**93.4%**	**95.8%**
Total NHS bills paid 2008/09	**12,545**	**7,825**
Total NHS bills paid within target	**12,236**	**7,486**
Percentage of NHS bills paid within target	**97.5%**	**95.7%**

The Better Payment Practice Code requires NHSBT to aim to pay all valid invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later. The date of receipt of a valid invoice is the date that the invoice is registered on to the accounting system.

The Late Payment of Commercial Debts (Interest) Act 1998

There was no interest payable arising from claims made under the Late Payment of Commercial Debts (Interest) Act 1998. No compensation payments were made under this legislation (31 March 2008: £Nil).

5.1 Intangible fixed assets

	Software Licences £000	Development Expenditure £000	Total £000
Gross cost at 31 March 2008	10,881	2,624	13,505
Indexation	**-**	**69**	**69**
Additions - purchased	**705**	**-**	**705**
Reclassification	**41**	**-**	**41**
Disposals	**-**	**-**	**-**
Gross cost at 31 March 2009	**11,627**	**2,693**	**14,320**
Accumulated amortisation at 31 March 2008	10,127	-	10,127
Provided during the year	**337**	**-**	**337**
Disposals	**-**	**-**	**-**
Accumulated amortisation at 31 March 2009	**10,464**	**-**	**10,464**
Net book value at 31 March 2008	754	2,624	3,378
Net book value at 31 March 2009	**1,163**	**2,693**	**3,856**

5.2 Tangible fixed assets

	Land	Buildings exc. dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross cost at 31 March 2008	39,789	223,311	2,504	55,611	85,070	4,686	17,232	3,722	431,925
Additions - purchased	-	8,267	-	2,421	8,798	376	1,498	1	21,361
Reclassification	-	47,143	-	(48,962)	1,721	-	57	-	(41)
Indexation	1,701	9,496	106	2,183	2,253	123	-	97	15,959
Impairments	-	(2,915)	-	-	-	-	-	-	(2,915)
Other in year revaluations	(6,242)	(20,585)	(171)	-	-	-	-	-	(26,998)
Disposals	(1,952)	(3,548)	-	-	(5,052)	(441)	(68)	-	(11,061)
Gross cost at 31 March 2009	33,296	261,169	2,439	11,253	92,790	4,744	18,719	3,820	428,230
Accumulated depreciation at 31 March 2008		32,486	166		54,574	2,516	13,494	3,681	106,917
Provided during the year		11,182	59		8,243	349	1,124	11	20,968
Indexation		1,375	7		1,417	66	-	96	2,961
Other in year revaluations		(1,740)	-		-	-	-	-	(1,740)
Disposals		-	-		(4,365)	(441)	(68)	-	(4,874)
Accumulated depreciation at 31 March 2009		43,303	232		59,869	2,490	14,550	3,788	124,232
Net book value:									
Purchased at 31 March 2008	39,789	190,825	2,338	55,611	30,376	2,170	3,738	41	324,888
Donated at 31 March 2008	-	-	-	-	120	-	-	-	120
Total at 31 March 2008	39,789	190,825	2,338	55,611	30,496	2,170	3,738	41	325,008
Net book value:									
Purchased at 31 March 2009	33,296	217,866	2,207	11,253	32,821	2,254	4,169	32	303,898
Donated at 31 March 2009	-	-	-	-	100	-	-	-	100
Total at 31 March 2009	33,296	217,866	2,207	11,253	32,921	2,254	4,169	32	303,998

On 27 February 2009 property at Southmead Hospital, owned by NHSBT, was sold to the North Bristol Trust. Prior to the sale, this property was valued by the District Valuer on the basis of market value. This led to a fall in value of which £3,030,000 was offset against the revaluation reserve, and a subsequent loss on sale amounting to £2,900,000 was reflected in the operating cost statement.

In March 2009 a number of properties were valued on a modern equivalent asset basis. This has been accounted for as at 31 March 2009 and used as a proxy for the revaluation of the remaining land and buildings.

The net book value of assets held under finance leases at the balance sheet date within the category of buildings exc. dwellings are as follows:

	Land	Buildings exc. dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
31 March 2008	-	15,179	-	-	-	-	-	-	-
31 March 2009	-	12,287	-	-	-	-	-	-	-

The total amount of depreciation charged in the income and expenditure account in respect of assets held under finance leases within the category of buildings exc. dwellings are as follows:

	Land	Buildings exc. dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
Year to 31 March 2008	-	706	-	-	-	-	-	-	-
Year to 31 March 2009	-	736	-	-	-	-	-	-	-

5.3 Net Book Value of Land and Buildings

The net book value of land, buildings and dwellings as at 31 March 2009 comprises:

	31 March 2009	31 March 2008
	£000	£000
Freehold	229,251	204,632
Long leasehold	24,118	28,320
	253,369	232,952

5.4 Profit/(Loss) on disposal of Fixed Assets

	31 March 2009	31 March 2008
	£000	£000
(Loss) on disposal of intangible fixed assets	-	(3)
(Loss) on disposal of buildings	(3,062)	-
(Loss) on disposal of plant and machinery and transport equipment	(636)	(159)
	(3,698)	(162)

6. Stocks and work in progress

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	**28,732**	21,021
Work in progress	**11,863**	11,102
Finished processed goods	**31,219**	21,766
	71,814	53,889

7. Debtors

Amounts falling due within one year	**31 March 2009 £000**	31 March 2008 £000
NHS debtors	**12,585**	13,175
Provision for irrecoverable debts	**(376)**	(222)
Prepayments	**5,185**	6,183
Accrued income	**657**	884
Capital debtors	**538**	700
Other debtors	**16,728**	11,142
	35,317	31,862
Amounts falling due after more than one year		
Prepayments	**474**	442
	474	442

Provision for irrecoverable debts	**31 March 2009 £000**	31 March 2008 £000
At 31 March 2008	**222**	337
Arising during the year	**295**	161
Utilised during the year	**(40)**	(137)
Recovered during the year	**(101)**	(139)
At 31 March 2009	**376**	222
Aging of debts provided against		
Upto 12 months	**258**	151
Over 12 months	**118**	71
	376	222
Aging of Debtors Past Due but not provided for		
Upto 3 months	**3,347**	7,055
Between 4 and 12 months	**770**	1,037
Over 12 months	**85**	24
	4,202	8,116

8. Analysis of changes in cash

	At 31 March 2008 £000	**Change during the period £000**	**At 31 March 2009 £000**
Cash at OPG	71	**58**	**129**
Cash at commercial banks and in hand	19	**(12)**	**7**
	90	**46**	**136**

9. Creditors

Amounts falling due within one year

	31 March 2009 £000	31 March 2008 £000
NHS creditors	**2,313**	3,044
Capital creditors	**494**	2,494
Tax and social security	**1,097**	2,095
Other creditors	**13,856**	4,907
Accruals	**22,217**	13,769
Deferred income	**662**	383
Current part of finance leases	**72**	65
	40,711	26,757

Amounts falling due after more than one year

Finance Leases	**3,853**	3,925
	3,853	3,925

10. Provisions for liabilities and charges

	Product Liability £000	**Other £000**	**Total £000**
At 31 March 2008	2,085	2,466	4,551
Arising during the year	**180**	**1,220**	**1,400**
Utilised during the year	**(205)**	**(408)**	**(613)**
Reversed unused	**(504)**	**(108)**	**(612)**
Unwinding of discount	**30**	**9**	**39**
At 31 March 2009	**1,586**	**3,179**	**4,765**
Expected timing of cash flows:			
Within 1 year	1,586	2,698	**4,284**
1-5 years	-	103	**103**
Over 5 years	-	378	**378**

Product liability provisions relate to legal actions brought against the Authority through the use of Authority products by individuals, mainly Hepatitis C cases. Provisions for the settlement of Hepatitis C cases amounting to £1,419,000 (31 March 2008: £1,545,000) have been brought under an action for product liability, and are included in the above Product Liability provision total of £1,586,000 (31 March 2008: £2,085,000).

Included within the 'Other' category are provisions relating to legal claims for personal injury and donor claims, provisions relating to legal claims for late delivery of product, provisions for stock, provisions for injury benefits and supplier provisions.

£5,000 (31 March 2008: £Nil) is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of the existing liabilities scheme. There is a provision of £Nil in respect of clinical negligence liabilities (31 March 2008: £Nil).

11. Movements in working capital other than cash

	31 March 2009 £000	31 March 2008 £000
(Increase)/decrease in stocks	**(17,925)**	(538)
(Increase)/decrease in revenue debtors	**(3,649)**	(6,912)
Increase/(decrease) in revenue creditors	**15,882**	2,172
	(5,692)	(5,278)

12. Movements on reserves

12.1 General reserve

	31 March 2009 £000	31 March 2008 £000
Balance at 31 March 2008	**259,590**	234,565
Net expenditure for the financial period	**(77,075)**	(57,513)
Revenue Grant in Aid	**42,356**	26,842
Capital Grant in Aid	**20,718**	39,978
Non Cash Charge : Cost of Capital	**13,042**	12,796
Transfer to General Fund: realised elements of the revaluation reserve	**2,361**	2,922
Balance at 31 March 2009	**260,992**	259,590

12.2 Revaluation reserve

	31 March 2009 £000	31 March 2008 £000
Balance at 31 March 2008	**119,726**	117,524
Indexation of fixed assets	**13,067**	21,555
Revaluation of fixed assets	**(25,258)**	(16,431)
Transfer to General Fund: realised revaluation	**(2,361)**	(2,922)
Balance at 31 March 2009	**105,174**	119,726

12.3 Donated asset reserve

	31 March 2009 £000	31 March 2008 £000
Balance at 31 March 2008	**120**	141
Depreciation of donated assets	**(20)**	(21)
Balance at 31 March 2009	**100**	120

13. Reconciliation of operating costs to operating cash flows

		31 March 2009 £000	31 March 2008 £000
Net Operating Expenditure before interest		**(76,720)**	(57,150)
Non-cash transactions - capital charges		**37,243**	34,398
Loss on disposal		**3,698**	162
Adjust for movements in working capital other than cash	11	**(5,692)**	(5,278)
Increase/(decrease) in provisions	10	**214**	603
Net cash inflow/(outflow) from operating activities		**(41,257)**	(27,265)

14. Contingent liabilities

A contingent liability of £242,000 (31 March 2008: £277,000) 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 10.

A contingent liability of £381,000 (31 March 2008: £513,000) relates to Hepatitis C cases brought under an action for product liability.

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.

15. Capital commitments

At 31 March 2009 the value of contracted capital commitments was £4,808,000 (31 March 2008: £17,023,000).

16. Commitments under leases

16.1 Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

		31 March 2009 £000	31 March 2008 £000
Land and buildings			
Operating leases which expire:	within 1 year	**586**	437
	between 1 and 5 years	**1,519**	1,643
	after 5 years	**714**	367
		2,819	2,447
Other leases			
Operating leases which expire:	within 1 year	**675**	585
	between 1 and 5 years	**2,243**	1,819
	after 5 years	**-**	9
		2,918	2,413

16.2 Finance Leases

Obligations under finance leases are as follows:

	31 March 2009 £000	31 March 2008 £000
Rentals due within one year	**416**	423
Rentals due after 1 year but within 5 years	**1,692**	1,692
Rentals due thereafter	**6,345**	6,768
	8,453	8,883
Less interest element	**4,528**	4,893
	3,925	3,990

17. Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) totalling £nil as at 31 March 2009 (31 March 2008: £nil).

18. Losses and special payments

18.1 Losses Statement	31 Mar 2009		31 Mar 2008	
	No. Cases	£000	No. Cases	£000
Book keeping Losses	105	14	2	1
Losses arising from overpayments	1	1	1	4
Losses of Accountable Stores	112	199	129	426
Fruitless payments and constructive losses	37	165	-	-
	255	379	132	431

Nett exchange gains of £280,000 (comprising gains of £1,499,000 and losses of £1,219,000) are excluded from the above table. The corresponding figure for 2007/08 was nett losses of £162,000.

18.2 Special Payments	31 Mar 2009		31 Mar 2008	
	No. Cases	£000	No. Cases	£000
Special Severance Payments	8	91	8	178
Compensation Payments	187	548	156	586
Ex Gratia Payments	54	3	65	19
	249	642	229	783

There were no individual payments that exceeded £250,000 (Period ended 31 March 2008 no cases).

19. 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 £456 million of income (31 March 2008: £435 million), including capital funding, and £46 million of expenditure (31 March 2008: £45 million), which represented trading with 219 separate organisations.

In addition, £38 million of plasma was purchased from Diagnostics Chemistries Inc. (DCI) our United States supplier (31 March 2008: £28 million). DCI is wholly owned by Plasma Resources UK Ltd a company wholly owned by the Department of Health.

The following named members of the Board have registered interests in related parties as stated below:

Name and Title	Registered Interest(s)
Mr G Jenkins *	East Kent Hospitals NHS Trust (Chairman) and Maidstone and Tunbridge Wells NHS Trust (Chairman)
Mr C Rudge (Managing and Transplant Director UKT)	Barts and the London NHS Trust (Consultant)

* Non Executive Director

NHSBT Transactions with Members Registered Interests

	Income £000's	Expenditure £000's
East Kent Hospitals NHS Foundation Trust	3,740	1
Maidstone and Tunbridge Wells NHS Trust	3,205	-
Barts and the London NHS Trust	6,875	-

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.

20. Post balance sheet events

In accordance with the requirements of FRS 21 events after the balance sheet date, post balance sheet events 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. There were no material post balance sheet events.

---

21. Financial instruments

FRS 29, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity 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 FRS 29 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.

As allowed by FRS 29, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

Liquidity risk

The Authority's net operating costs 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. A relatively small amount of income arises from export sales.

Capital expenditure costs are financed from resources voted annually by Parliament. NHSBT is not, therefore, exposed to significant liquidity risks.

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 UKT 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.

The Bio Products Laboratory operating division enters into forward exchange contracts to purchase US dollars to pay for its plasma. It is therefore exposed to foreign currency risk should the year-end US dollar/sterling exchange rate move significantly from the contract rate.

Fair values

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

---

22. Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
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	-	-	-	-
Total Intra-Government Balances	16,024	-	3,830	-
Balances with bodies external to government	19,293	474	36,881	3,853
At 31 March 2009	35,317	474	40,711	3,853
Balances with other central government bodies	4,826	-	3,011	-
Balances with local authorities	1,386	-	22	-
Balances with NHS Trusts and organisations	12,125	-	2,795	-
Balances with public corporations and trading funds	-	-	248	-
Total Intra-Government Balances	18,337	-	6,076	-
Balances with bodies external to government	13,525	442	20,681	3,925
At 31 March 2008	31,862	442	26,757	3,925

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID6186778 07/09

Printed on Paper containing 75% recycled fibre content minimum.

information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich NR3 1GN
General enquiries: 0870 600 5522
Order through the Parliamentary Hotline *Lo-call* 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Parliamentary Bookshop
12 Bridge Street, Parliament Square
London SW1A 2JX
Telephone orders: 020 7219 3890
General enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: http://www.bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:
TSO Ireland
16 Arthur Street, Belfast BT1 4GD
Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-296157-7