Health Protection Agency

2010

ANNUAL REPORT AND ACCOUNTS

Health Protection Agency
Annual Report and Accounts 2010

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Protecting health, preventing harm, preparing for threats

The Health Protection Agency is an independent UK organisation that was set up by government in 2003 to protect the public from threats to their health from infectious diseases and environmental hazards.

It does this by providing advice and information to the general public, to health professionals such as doctors and nurses, and to national and local government.

The cost of health protection to the UK taxpayer has been reduced by the contribution from the £140.4m of sales of health products and services to third parties, by winning research grants and careful budget management.

The HPA is dedicated to working as efficiently as possible and increasing productivity to deliver the maximum possible health outcomes with the resources available.

WHAT DOES THE HPA DO?

The HPA identifies and responds to health hazards and emergencies caused by infectious disease, hazardous chemicals, poisons or radiation. It also ensures the safety and effectiveness of biological medicines such as vaccines and blood products.

It gives advice to the public on how to stay healthy and avoid health hazards, provides data and information to government, and advises people working in healthcare.

It also makes sure the nation is ready for future threats to health that could happen naturally, accidentally or deliberately.

The HPA combines public health and scientific knowledge, research and emergency planning within one organisation – and works at international, national, regional and local levels.

It also supports and advises other organisations that play a part in protecting health.

The HPA's advice, information and services are all underpinned by evidence-based research. It also uses its research to develop new vaccines and treatments that directly help patients.

Although set up by government, the HPA is completely independent and has the freedom to provide whatever advice and information is necessary to protect people's health.
The agency exists to help protect the health of everyone in the UK. Its ambition is to lead the way by identifying, preparing for and responding to health threats.

WHO DOES THE HPA WORK WITH?

The HPA works with a wide range of people and organisations, including:

- The general public.
- The NHS.
- Government departments and the governments of Scotland, Wales and Northern Ireland.
- Other government agencies.
- Local authorities.
- Industry.
- International health organisations.

STAFF AND STRUCTURE

The HPA's expertise is provided by around 4,100 staff, which includes doctors and nurses, scientists, technicians, emergency planners and administrators.

Around half the agency's staff are based at four major centres: the Centre for Infections; the Centre for Radiation, Chemical and Environmental Hazards; the Centre for Emergency Preparedness and Response; and the National Institute for Biological Standards and Control. There is also a small central office in London.

The remainder are based locally, working with the NHS to provide health protection expertise for the community, and in a network of microbiological laboratories.

The HPA is governed by a Board, which is led by a chairman. This sets the organisation's long-term direction, objectives and strategy. The delivery of these, along with the day-to-day management of the agency, is the responsibility of the chief executive and an Executive Group.

Some significant events from 2009/10

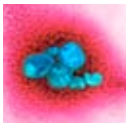
APRIL

The National Institute of Biological Standards and Control (NIBSC) – a world-renowned institute and a world leader in the standardisation and control of biological medicines – merges with the HPA, creating a unique public health body and extending the agency's range of expert services.

The HPA launches a restructured network of food, water and environment laboratories at strategic locations across England, boosting the agency's ability to deal with emerging health threats.

The HPA reports there were 1,370 cases of malaria among UK travellers in 2008. The figures show that UK travellers visiting friends and family abroad, particularly in Nigeria and Ghana, continue to be the group most likely to acquire malaria.

The HPA takes a leading role in England's response to the 'swine flu' pandemic when it hits the UK. Testing of suspected cases is carried out and the agency provides regularly updated, expert advice and guidance to government, medical professionals and the public.



MAY

The HPA produces the first genetic fingerprint of the pandemic flu virus, paving the way for a greater understanding of how the virus affects humans. The HPA shares the first UK isolate of the virus, which is crucial to the development of an effective vaccine, with partner scientific institutes.

The HPA announces there were 813 reported cases of Lyme disease in 2008. The agency reminds people participating in outdoor activities in national parks and other wooded and heathland to be aware of the risk of tick bites.

Latest estimates of the number of people asymptomatic for variant Cretuzfeldt-Jakob disease (vCJD) in the population remain very low, according to results from a large- scale study of tonsil tissue by the HPA, published in the *British Medical Journal*.

JUNE

The HPA produces a pandemic flu vaccine candidate. Meanwhile, the WHO raises its influenza alert level to Phase 6.

Following an in-depth review of the scientific evidence, an expert advisory group of the HPA recommends a tightening of safety levels for radon gas in homes and workplaces. Radon is responsible for an estimated 1,000 lung cancer deaths a year.

Poor egg-handling practices in restaurants and takeaways could be putting UK consumers at risk, according to a report from the HPA and the Local Authorities Coordinators of Regulatory Services (LACORS).

The HPA's quarterly figures show there is a 29% decrease in MRSA bloodstream infections and a 36% reduction in cases of *Clostridium difficile*, compared with the same quarter of the previous year.

JULY

The HPA repeats its advice that sunbeds should be off-limits to under-18s and never be used for cosmetic tanning, as the International Agency for Research on Cancer classifies sunbeds as carcinogens.

A study by the HPA and LACORS reveals the presence of salmonella and *Escherichia coli* bacteria in a small number of ready-to-eat shelled nuts. The study shows that 0.1% of samples are unsafe due to the presence of salmonella and 0.8% of samples contain *E. coli*.

The government announces moving to a treatment phase to manage the pandemic flu outbreak. The agency continues to provide scientific advice to government and to use established surveillance systems to monitor the spread of the virus.

The HPA reports an 11% decrease in the total number of new gonorrhoea infections diagnosed in the UK last year from 18,649 infections in 2007 to 16,629 in 2008 – the lowest number recorded since 1999.

AUGUST

The HPA reports a likely reduction in the number of pandemic flu cases, with a decrease in GP consultation rates coinciding with the first full week of operation of the National Pandemic Flu Service.

SEPTEMBER

Air pollution experts at the HPA state that well-run and regulated incinerators do not pose a significant threat to public health.

The HPA launches e-Bug – an education programme and interactive website for schools, developed with the assistance of 18 European countries.

The HPA-commissioned National Poisons Information Service reports an 11% rise in the number of telephone enquiries from health professionals relating to incidents involving children under 10 years.

HPA surveillance of MRSA bloodstream infections and *C. difficile* shows a continued decrease in cases of both, with MRSA cases dropping by 39.3% and *C. difficile* cases dropping by 37%, compared with the same quarter in 2008.

The HPA publishes a report of the investigation into illness affecting 529 diners at the Fat Duck restaurant in Bray, Berkshire in early 2009.

Mercury vapours from a broken energy-saving lightbulb do not pose a significant threat to public health, according to air pollution experts at the HPA.

The HPA investigates outbreaks of *E. coli* at a number of petting farms across the country.

OCTOBER

The HPA joins forces with the UN and World Health Organization to launch a strategy for safer hospitals, at an HPA-hosted event aimed at protecting hospitals from natural disasters.

NOVEMBER

The HPA reminds people to have their fossil fuel and wood-burning appliances checked by an engineer, to reduce the risk of carbon monoxide poisoning over winter.

A third of adults diagnosed with HIV in the UK in 2008 were diagnosed late, according to HPA figures. The HPA launches revised guidelines for assessing the microbiological safety of ready-to-eat foods placed on the market.

The HPA works with Spanish authorities to investigate a number of cases of *E. coli* O157 associated with travellers returning from Benidorm in Spain.

DECEMBER

The HPA publishes an epidemiological commentary on trends of MRSA bloodstream and *C. difficile* infections from July 2007 to September 2009.

The number of people developing tuberculosis continues to increase, according to a report published by the HPA.

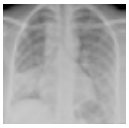
JANUARY

The HPA welcomes the addition of a new pneumococcal vaccine to the childhood immunisation programme, which protects against further strains of the disease.

The HPA issues guidance to health professionals and drug users following confirmation of two cases of anthrax infection in injecting drug users in London and the North West.

FEBRUARY

Following the release of a report on the health effects of ultrasound by the Advisory Group on Non-Ionising Radiation (AGNIR), the HPA advises that parents-to-be should not hesitate to continue using ultrasound scans for diagnostic purposes, but to consider the uncertainties when deciding whether to have ultrasound scans that do not have a defined diagnostic benefit and provide only souvenir images or 'real time' scans.



MARCH

Provisional figures published by the HPA show a 5.5% increase in cases of tuberculosis in the UK – the biggest rise in the number of cases since 2005.

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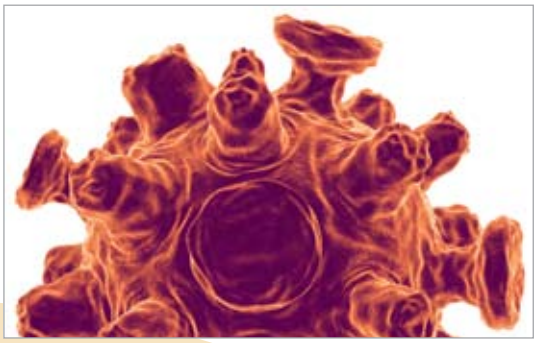

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On the cover: Emergency response training exercise (HPA), influenza virus (Shutterstock) and childhood immunisation (iStockphoto)

DR DAVID L HEYMANN
CHAIRMAN

Chairman's foreword

It gives me great pleasure to introduce the Health Protection Agency's seventh annual report and accounts.

Our role is to improve public health protection of the people of the UK. This vital work is achieved by working with a wide range of stakeholders including the Department of Health, other government departments and agencies, the devolved administrations, organisations in the not-for-profit and private sector, and the general public to provide first-class expertise, skills, analysis, information and advice.

This report sets out the highlights from another eventful year for the HPA. Since its creation the agency has repeatedly demonstrated its importance and value to UK and international public health, and 2009 provided more proof, if it were needed, of this.

> "Our integrated structure allowed us to maximise our collective strengths and act in a coordinated manner"

Swine flu was the most significant test this organisation has faced, but it was passed with flying colours for a number of important reasons, including the commitment and expertise of our staff and our integrated structure, encompassing staff on the frontline and in centres of excellence, which allowed us to maximise our collective strengths and act in a coordinated and rapid manner. I believe our nation's response would have been far less effective if the health protection effort necessary had been delivered by separate organisations.

Also, as a non-departmental public body, our independence allowed us to deliver advice and information predicated entirely on science.

I would like to express my heartfelt pride and gratitude to all the staff of the agency, at all levels, for their colossal efforts throughout the flu pandemic – and across all the other important work carried out as part of our remit. It has been an honour to be part of such a skilled, effective and dynamic organisation and I feel sure the HPA has the potential for even greater successes in the future.

STRATEGIC IMPROVEMENTS

This is a time of significant strategic and organisational activity for the HPA, as it moves and develops from its formative years to a mature agency that leads the way in health protection.

Last year saw the development and implementation of a five-year vision and corporate values, and the successful integration of the National Institute for Biological Standards and Control.

This year will see the launch and delivery of our new strategic plan, a far-reaching and detailed document that sets out our priorities and programmes for the next five years to turn our vision into a reality.

MEETING FUTURE CHALLENGES

As well as today's infections, environmental hazards and emergencies, the coming years will inevitably bring new threats to the UK that test our health protection ability. Issues such as global warming may have profound and unpredictable consequences and present additional threats to health.

Whatever the future has in store, the HPA has the diverse skills, commitment and enthusiasm necessary to ensure we are prepared and the public has the best possible protection against harm. We stand ready to meet the threats presented by the next decade.

JUSTIN McCRACKEN
CHIEF EXECUTIVE

Chief executive's statement

The HPA has faced many high-profile challenges in its short history, but none have set us centre stage in the public consciousness nor tested us quite as much as the 2009 swine flu pandemic.

Facing a global threat on a scale not seen in over 40 years was a profound examination of our capability and value, made more challenging by the intense media interest and scrutiny at every stage.

> "The response of our staff was magnificent"

But unique threats like pandemic flu are the very reason we exist.

The response of our expert staff was nothing short of magnificent. The benefits of years of planning were realised, as the agency led the way in tackling the pandemic – from rapid intervention at a local level by our health protection units to testing, research, surveillance, epidemiology and vaccine development in our centres and laboratory network.

We delivered a constant stream of essential advice and information where and when it was needed, to the public, health professionals, government and colleagues across the globe. We informed decision-making, guided public health actions and influenced behaviour.

We also worked effectively in partnership with NHS organisations and other stakeholders. Our actions were thorough, evidence-based and decisive. This proved invaluable in the efforts to show the spread of the disease and in mitigating its effects.

Pandemic flu was compelling evidence of what the agency does and can achieve – and further enhanced our UK and global reputation as a leading force in health protection.

Yet, while the flu pandemic dominated the headlines, as you will see from the pages of this report, 2009 was also a year of substantial activity and progress right across the agency's core activities of minimising the health impact from key infections, environmental hazards and emergencies, and ensuring the safety and effectiveness of biological medicines. There are many other stories worth telling.

FINANCIAL SITUATION

The HPA is not immune to the ongoing economic difficulties caused by the global financial crisis that began in 2007.

However, strong financial stewardship over recent years, combined with a healthy operating income to augment our grants from government, means the organisation is comparatively well placed to weather the financial storm.

It is inescapable that the organisation needs to deliver services with maximum efficiency, so that it continues to be more than the sum of its parts and meets the increasing service demands and expectations placed upon it. This is a challenge for all parts of the HPA in 2010 and the years ahead.

LOOKING AHEAD

I would like to take this opportunity to thank all members of staff throughout the agency for their efforts and achievements, and I look forward to working with them in the coming year.

I am confident that with its integrated structure, expertise and experience, the agency will meet any challenges that the next year may bring – and we will continue to excel in our important work of protecting health, preventing harm and preparing for threats.

Delivering the strategy

STAFF AND STRUCTURE

As an independent specialist organisation dedicated to protecting the health of the population of the UK, the HPA provides impartial advice and authoritative information on health protection issues to the public, to health professionals and to government.

Everything the organisation does is based on expert skills and knowledge applied to strong frontline services. The HPA works at international, national, regional and local levels to identify new threats to health, to prepare for them, to prevent them where possible and, should they arise, to reduce their impact on public health.

The HPA combines public health, scientific and health protection expertise, research and emergency planning within one organisation. It provides an integrated approach to protecting UK public health through the provision of support and advice to the NHS, local authorities, emergency services, other 'arms-length bodies', the Department of Health and the devolved administrations.

> "We work at international, national, regional and local levels to identify threats to health – and to prepare, prevent and respond to them"

The HPA's workforce includes doctors and nurses, scientific and technical staff from many specialist disciplines, administrative staff and emergency planners. They work with, and are supported by, colleagues in corporate services.

During 2009/10, the HPA's services were provided by an average of 4,108 full-time equivalent staff. They were based in a number of centres (the Centre for Infections in north London, the Centre for Radiation, Chemical and Environmental Hazards in Oxfordshire, the Centre for Emergency Preparedness and Response in Wiltshire and the National Institute for Biological Standards and Control (NIBSC) in Hertfordshire) and throughout the country working at local and regional levels and in a network of microbiology laboratories. There is also a small headquarters in London. A location map of HPA sites is shown on p51.

For more information on the roles and functions of HPA centres and divisions please visit www.hpa.org.uk/annualreport

www.hpa.org.uk

STRATEGIC FOCUS

The HPA makes long-term strategic plans to direct its extensive skills and resources in the most effective way to protect public health against a wide range threats.

These strategic plans are the basis for individual programmes of work and for the annual business plans that the agency agrees with its sponsor, the Department of Health.

The agency prepares quarterly reports on its achievements against these plans for its internal management, Board, and the Department of Health. Highlights from these achievements are the basis for the operating review pages of this annual report that follow on pages 14-42.

The strategic plan, on which the work of 2009/10 was based, was formulated for the five-year period 2008-2013 and revised to include the work of NIBSC, which joined the agency on 1 April 2009.

The plan emphasised the early recognition and response to all health protection emergencies. It identified priorities for supporting the NHS in reducing the incidence and consequences of

THE HPA'S STRATEGIC PATHWAY

VISION

The Health Protection Agency exists to help protect the health of everyone in the United Kingdom. Our ambition is to lead the way by identifying, preparing for and responding to health threats and setting standards for health protection

HEALTH OUTCOMES

- Reduction of key infections
- Minimise health impact from environmental hazards including radiation, chemicals and poisons
- Reduction in harm arising from incidents and emergencies
- Safe and effective development of biological medicines

KEY HEALTH PROTECTION PROGRAMMES

- Radiation
- Chemicals, poisons, and other environmental hazards
- Healthcare-associated infections
- Vaccine preventable diseases
- Hepatitis B and C
- Tuberculosis
- HIV and sexually transmitted diseases
- Gastrointestinal diseases
- Health threats and emergencies
- Pandemic influenza
- Biological standards and controls

STRATEGIC AIMS

- The primary expert force in delivering health protection
- Recognised internationally as a world-class health protection body
- Trusted by all in providing public health protection services
- Leading effective collaborative working with the NHS and others
- Use state-of-the-art facilities to deliver consistent, cutting-edge services
- Forward-looking, managing risks and anticipating future challengers
- An employer of choice, with a committed, skilled and motivated staff
- Excellent for advice, advocacy, information management and communication
- One cohesive organisation
- Respected for excellence in translating results into health improvements

VALUES

- Innovation
- Striving for excellence
- Focus on quality of service
- Respect for others
- Integrity

key infections, and in protecting the population against exposure to radiation and chemical hazards in the environment.

The strategy also covered the agency's contribution to global health protection through agencies such as the World Health Organization and the obligations of the International Health Regulations, as many threats to UK public health have an international dimension.

Finally, the 2008-13 plan set out the agency's intentions to enhance its workforce, governance and infrastructure so that it could best deliver its health protection plans.

The business plan for 2009/10 that underlies this annual report formed the second year of delivering the five-year strategic plan 2008-13.

Many key concerns in the 2008-2013 strategy, for health protection against infections and environmental hazards, were overseen by programme boards. There were 11 of these 'key health protection priority' programmes in place during 2009/10 plus 10 'other high-level priority' programmes focused on strengthening the organisation to deliver them.

> "We combine public health, scientific and health protection expertise, research and emergency planning within one organisation"

During 2008 and 2009 HPA staff and stakeholders developed the agency's agreed vision and purpose, set out in *Leading the Way in Health Protection* – the next five years. This identified four health outcomes covering the HPA's purpose, and 10 strategic aims for the organisation, matching the programmes covering other high-level priorities.

During 2009/10 the HPA built on the vision document and the work of the programme boards to develop its next strategic plan. The four health outcomes were analysed into more detailed health topics and goals across the wide spectrum of health protection objectives.

In parallel, a zero-based budgeting exercise ensured that all staff and resources were closely associated with achieving the stated aims of the agency.

A further pilot project related the cost of health protection to quantified economic benefits, improving the prioritisation of increasingly scarce public sector resources.

The result has been the development of a strategic overview 2010-2015 and related business plans to cover the year ahead. The overview strengthens the agency's ability to manage future reductions in government funding available for health protection, as already announced by the end of the reporting year 2009/10.

The strategic overview document is available at www.hpa.org.uk/publications

www.hpa.org.uk

The management structure of the agency has been steadily adapted to deliver the agency's strategic plans to meet the needs of the public, our customers and partners.

The relationship of the vision, health outcomes, key health protection programmes, strategic aims and values is shown schematically on p11.

2 Operating review

Reducing key infections

BACKGROUND

Reducing key infections is one of the HPA's key strategic aims. The agency provides specialist and reference microbiological testing and associated technical and medical advice for the NHS, coordinates the provision of national clinical and epidemiological surveillance data, provides infection control advice to many different organisations, undertakes epidemiological analyses following outbreak investigations and disseminates risk assessment information to the public and healthcare professionals. HPA scientists undertake translational research and modelling studies to inform government policy on interventions and provide specific advice to the Department of Health on strategy and policy for the use of antivirals and vaccines.

These activities are underpinned by an expert workforce, specialist laboratories and unique facilities for handling dangerous pathogens, available at HPA centres at Colindale and Porton Down.

Work on specific infections throughout the HPA is coordinated into programmes of activity, as a means of ensuring that objectives at local, regional and national level can be met. Examples of infection programmes dealing with endemic infections include HIV and sexually transmitted infections (STIs), tuberculosis, gastrointestinal infections, healthcare-associated infections (HCAIs), vaccine-preventable diseases and hepatitis B and C. These have all been established with the main aim of reducing the incidence and consequences of these diseases and developing the scientific evidence needed to inform and determine priorities for prevention and research. Pandemic influenza is an example of a programme dealing with a newly emerging infection.

HIV AND SEXUALLY TRANSMITTED INFECTIONS

Aims and objectives

To support the government's national strategy for sexual health and HIV, and to reduce the spread of STIs.

Achievements

The HPA:

- Tested 50% of new HIV diagnoses for recent infection using the recent infection testing algorithm (RITA) test.
- Ensured 85% of health protection units followed agreed standards for improving local sexual health commissioning.
- Reported comprehensive chlamydia testing data for the National Chlamydia Screening Programme (NCSP) from multiple sources.
- Improved the quality and coverage of STI surveillance data by transforming data collection from sexual health clinics, to enable analysis by local primary care trust.
- Created an indicator tool on the website for preparing locally relevant sexual health profiles, to strengthen service commissioning.
- Recruited laboratories to enable 5,000 samples a year to be tested to monitor the human papillomavirus (HPV) immunisation programme.
- Improved the diagnosis and treatment of

> "Our activities are underpinned by an expert workforce, specialist laboratories and unique facilities"

> We aim to reduce the incidence and consequences of infectious diseases and develop the evidence for action

STIs through publication of gonorrhoea laboratory testing guidance and companion standard operating procedures.

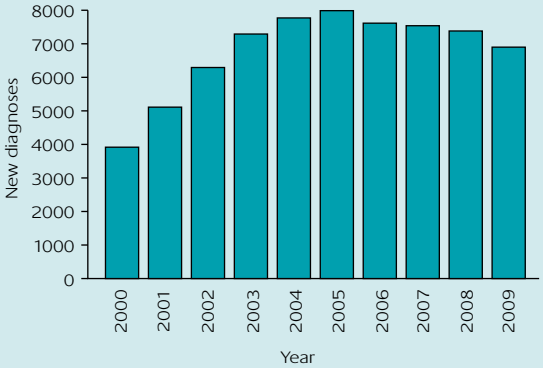
Future plans

The HPA will:

- Work with partners to implement the recommendations of the National Audit Office review of the NCSP.
- Obtain better risk factor information on recent HIV infections by prompt follow-up of those ascertained through RITA testing.
- Complete the formal process to mandate reporting of chlamydia and gonorrhoea test data from all NHS laboratories.
- Report for the HPA efficiency programme on the quality of serological testing for syphilis.
- Establish GUMnet, a network of 29 genitourinary medicine clinics and laboratories, to provide sample-based surveillance of HIV/STIs, as well as sexual behaviour information.
- Produce high-quality and timely outputs on HIV/STI information (quarterly), better tailored to the needs of sexual health commissioners.
- Complete studies on genital warts to inform the choice between bivalent and quadrivalent HPV vaccine.

HIV IN THE UK

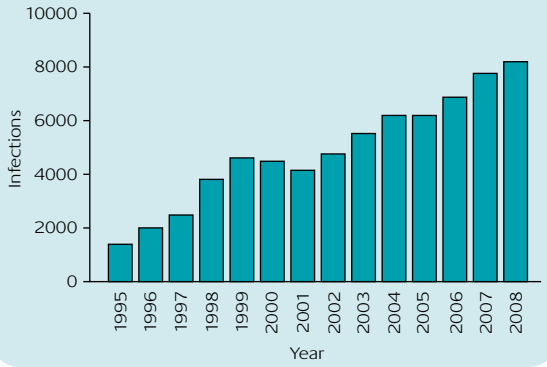
HPA figures show that an estimated total of 6,900 individuals were newly diagnosed with HIV in the UK in 2009, which is a fall of 6.5% on the 2008 figure of 7,382. Of the people newly diagnosed in 2009, an estimated 3,780 (55%) acquired their infection through heterosexual contact and 2,800 (41%) through sex between men.



TRACKING HEPATITIS

Hepatitis B and C are significant causes of long-term ill health. The number of laboratory confirmed cases of hepatitis C infection in England reported to the HPA in 2008 (the most recent year for which figures are available) was 8,196, continuing the steady rise witnessed over recent years.

HEPATITIS C INFECTIONS IN ENGLAND



HEPATITIS B AND C

Aims and objectives

To reduce the incidence and prevalence of hepatitis B and C, increase the proportion of people chronically infected with HCV and HBV whose infections are diagnosed, and improve the management (assessment, referral and treatment) of those with long-term hepatitis infection.

Achievements

The HPA:

- Produced an annual report for England on hepatitis C virus prevalence and needle sharing in injectors, which laid out several public health recommendations aimed at reducing incidence and prevalence, while improving diagnosis and treatment.
- Obtained data from at least 75% of PCTs on acute hepatitis B incidence, including annual coverage data on hepatitis B in babies.
- Obtained data from prisons, to monitor the uptake of hepatitis B vaccine in prisoners.
- Piloted a method for collecting data on the number of individuals receiving National Institute for Clinical Excellence recommended treatment for hepatitis C in England.
- Published quarterly data on trends in hepatitis C tests in high- and low-risk settings.

Future plans

The HPA will:

- Publish annual data on acute hepatitis B, including risk factors and the most likely route of transmission, to ensure good quality surveillance.
- Provide data on the vaccine coverage of babies born to hepatitis B-positive women and support the development of systems in maternity units and PCTs for following up on babies born to hepatitis B carrier mothers.
- Undertake an anonymous survey using dried blood spot testing, to support the measurement of incidence, prevalence and genotype of hepatitis C virus in intravenous drug users.
- Audit use of of new guidelines for the control of hepatitis A to improve implementation.
- Undertake regional audits of diagnostic hepatitis testing and referral of specimens by laboratories in all regions, to ensure that high-quality diagnostic services for hepatitis B and C are universally available.
- Roll out dried blood spot testing, to increase the number of laboratories offering the service.
- Monitor the impact of awareness campaigns, through HPA surveillance data, to increase hepatitis C testing at national, regional and local levels.
- Produce updated overall national prevalence and burden estimates for hepatitis C, and explore the use of serial prevalence data to estimate overall incidence in the general population.
- Provide regular reports to NHS Blood and Transplant and other stakeholders on the infection in blood donors and recipients, to inform blood donor selection and screening policy.

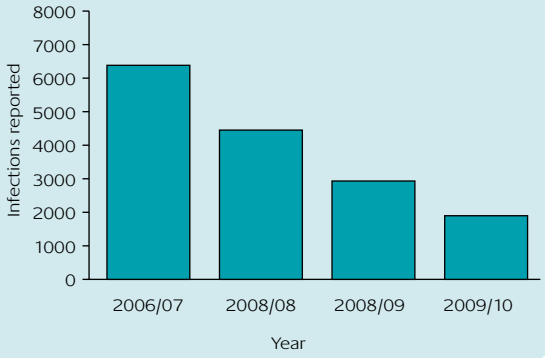
TACKLING MRSA AND CLOSTRIDIUM DIFFICILE

The HPA works to reduce episodes of healthcare-associated infections, such as meticillin-resistant *Staphylococcus* aureus (MRSA) and *Clostridium difficile* by giving proactive advice and support to the NHS in prevention, control and management.

HPA figures on MRSA bloodstream infections show there were 1,898 cases reported in England in 2009/10 (provisional data). This represents a 35% fall on the 2,935 total for 2008/09.

There were 25,604 *C. difficile* infections in patients aged two years and over reported in England in 2009/10 (provisional data), which represents a 29% fall from the 36,095 total for 2008/09

MRSA BLOODSTREAM INFECTIONS IN ENGLAND



HEALTHCARE-ASSOCIATED INFECTIONS

Aims and objectives

To support the NHS and other key stakeholders in the prevention and control of healthcare-associated infections (HCAIs).

Achievements

The HPA:

- Distributed an HPA DVD, *An introduction to infection control in care homes*, to 30,000 care homes in England.
- Strengthened capacity in epidemiology, to support the NHS in reducing the incidence of HCAIs and antimicrobial resistance by delivering the European Centre for Disease Prevention and Control's prevalence surveillance training programme in healthcare epidemiology.
- Improved antimicrobial resistance surveillance across the agency, to reduce inappropriate use of antimicrobials and reduce the impact of emerging resistance.
- Developed and launched an e-Bug website for schools in collaborating countries, to improve children's knowledge of when to use antibiotics appropriately.

Future plans

The HPA will:

- Develop core competencies in healthcare epidemiology and a career path for healthcare epidemiologists.
- Redevelop the data capture system for mandatory surveillance of HCAIs, in response to stakeholder needs.
- Develop standard operating procedures, guidance and supporting documents on the incident management tool HPZone for HCAI-related incidents and outbreaks.

TUBERCULOSIS

Aims and objectives

To support the NHS and the Department of Health in the treatment, prevention and control of tuberculosis, through rapid diagnostic services and strong local surveillance.

Achievements

The HPA:

- Carried out audit of tuberculosis reporting in March 2009.
- Made available susceptibility test results (for at least isoniazid and rifampicin) for 4,808 (98.7%) of the culture-confirmed cases in 2008.
- Confirmed 66% of pulmonary tuberculosis cases in 2008.
- Received information on the outcome of treatment at 12 months for 8,080 (96%) of the 8,411 tuberculosis cases reported in 2007.

Future plans

The HPA will:

- Improve response to tuberculosis transmission through the implementation of a strain typing service.
- Improve local response through targeted control, including analysis of previously unrecognised clusters. Targeted surveillance data are to be provided to areas of high incidence for local performance monitoring.
- Improve analysis of drug resistance in England. Implement rapid culture-based second-line/reserve drug analysis and roll out integrated web-based surveillance system for information delivery to HPUs.
- Identify new vaccine candidates for clinical trials.
- Improve methods for detection of mycobacterial infections, with 70% of respiratory infections due to *M. tuberculosis* confirmed by laboratory culture.

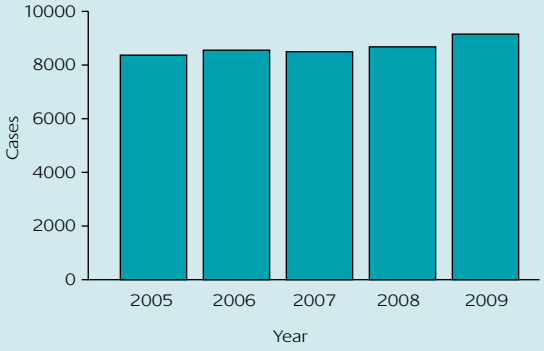
> “Tuberculosis is a growing and serious problem in the UK”

TUBERCULOSIS: A GROWING THREAT

Tuberculosis is one of the leading causes of death worldwide, and is a growing and serious problem in the UK. The number of new cases has risen steadily over the past two decades and in some areas, such as London, rates of infection are particularly high.

HPA figures show there were 9,153 cases of tuberculosis in the UK in 2009, a rise of 5.5% on the 2008 figure of 8,679. The main burden of this infection is in London with 3,476 cases reported in 2009, accounting for 38% of the UK total.

TUBERCULOSIS IN THE UK



GASTROINTESTINAL DISEASES

Aims and objectives

To work with the Food Standards Agency to reduce gastrointestinal infections including food and waterborne infections, and to develop the scientific evidence that is needed to inform and determine priorities for national disease prevention and research.

Achievements

The HPA:

- Introduced enhanced surveillance of Vero cytotoxin-producing *Escherichia coli* (VTEC) infection in England.
- Established web-based database for collection of epidemiological data on norovirus outbreaks in hospitals.
- Reconfigured the agency's food, water and environmental network.
- Published guidelines for assessing the microbiological safety of ready-to-eat foods.

Future plans

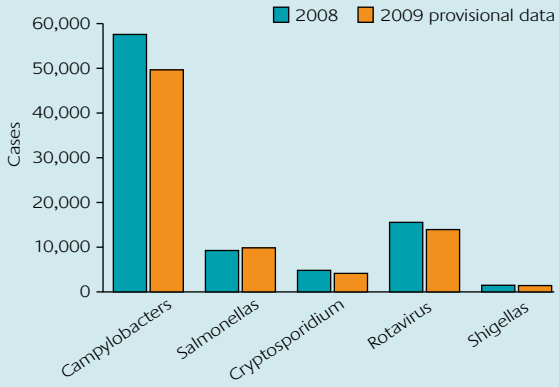
The HPA will:

- Develop the most appropriate rapid detection, identification and typing strategies for key organisms.
- Continue to prepare for the 2012 London Olympics.
- Provide timely detection and identification of campylobacter and listeria in food and water by introducing polymerase chain reaction (PCR) testing.
- Review and rewrite as necessary all procedures and associated standards for cases and outbreaks of gastrointestinal infections, and incorporate into HPZone.
- Review the provision of microbiology diagnostic services for gastrointestinal infections to deliver improved service delivery and public health responses.
- Ensure rapid detection, high-quality investigation, control and reporting of outbreaks and incidents across the HPA, using a standardised system to protect public health and to comply with the Zoonoses Directive 2003.

GASTROINTESTINAL DISEASE

Infectious intestinal disease affects as many as one in five of the population each year. The symptoms, which can include diarrhoea and vomiting, are caused by the organisms, the toxins they produce and the body's reaction to these.

COMMON GASTROINTESTINAL INFECTIONS



IMPROVING MMR UPTAKE

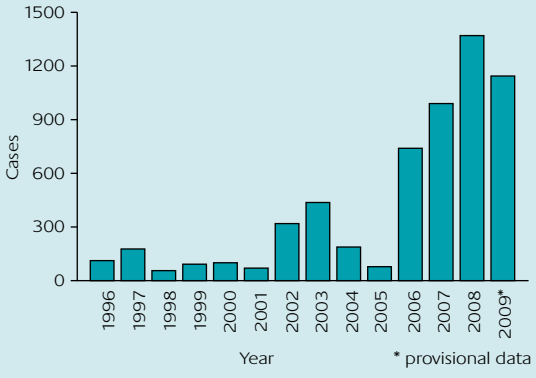
MMR coverage at 24 months in England reached 86% in April to June 2009, a level last recorded more than eight years ago in 2001, and the monthly sentinel reporting of MMR suggests that currently coverage is around 88%.

Coverage in England of one and two doses of MMR by five years of age is 90% and 81% respectively, the highest level recorded since the Coverage of Vaccination Evaluated Rapidly (COVER) programme started evaluating MMR in children aged five, over 10 years ago.

Improvements in MMR coverage are thought to reflect the impact of the ongoing MMR catch-up programme targeting all unvaccinated children up to 18 years of age in England and local NHS and health protection staff efforts to increase MMR coverage in all unvaccinated children followed the widely reported rise in measles incidence across England and Wales during 2008/09.

HPA surveillance of measles shows there were 1,144 cases of measles confirmed across England and Wales during 2009 (2008: 1,370) (2009 data provisional).

MEASLES IN ENGLAND AND WALES



VACCINE-PREVENTABLE DISEASES

Aims and objectives

Vaccination has dramatically reduced illness and death from infectious disease. The HPA works with stakeholders to contribute to the UK immunisation programme and aims to ensure that vaccine-related issues and activities are effectively managed.

Achievements

The HPA:

- Provided significant input into and support of the pandemic flu vaccination programme through surveillance, clinical vaccine trials, analysis of vaccine effectiveness, vaccine safety monitoring and provision of training and clinical advice for those delivering the vaccine.
- Supported the NHS in managing measles outbreaks and increased MMR uptake, as measles cases continued to rise through the first half of 2009.
- Produced the first annual HPV vaccine uptake report on behalf of the Department of Health. This showed that, during the first year in which immunisation against HPV was offered to young females, high coverage was achieved, with 80.1% of females aged 12-13 years in England reported to have completed the three-dose course.
- Completely analysed the effect of a 7-valent pneumococcal vaccine programme on serotype replacement.
- Produced a quarterly report on measles epidemiology and the impact of the recent MMR campaign.
- Produced an evaluation report on the impact of Menitorix (a *Haemophilus influenzae* type B and meningococcal group C conjugate vaccine) on the epidemiology of meningococcal C and Hib.
- Completed recruitment to a trial of the single dose meningococcal C vaccine.

- Initiated a trial of the new meningococcal B vaccine.
- Supported the NHS in the implementation of new vaccine programmes locally, and provided high-quality expert advice, best practice guidance and training support for healthcare professionals.
- Worked with the NHS and others to support improvements in the delivery of the routine immunisation programme, securing better access for hard-to-reach groups.

Future plans

The HPA will:

- Describe the measles susceptibility in the England population through seroprevalence studies.
- Provide data to inform decisions as to the optimal UK menC vaccine schedule, through clinical trials.
- Monitor the HPV immunisation programme, through post-immunisation surveys of HPV seroprevalence and vaccine uptake monitoring.
- Assess current levels of HiB protection in the population, to inform the vaccine programme by completing seroprevalence studies.
- Support the NHS in increasing uptake of vaccination through agreed action plans between HPUs and PCTs. Assist in implementing NICE guidance on reducing differences in the uptake of immunisations among children and young people and improving vaccine coverage in the traveller population.

PREVENTING CERVICAL CANCER

HPV has been shown to cause a high proportion of cervical cancers. The Department of Health started an immunisation programme for adolescent schoolgirls in 2008, for which the HPA established an uptake monitoring system. The agency has worked with the NHS at a local level to ensure the scheme is a success.

The report on uptake achieved during the first year in which immunisation was offered showed that high coverage was achieved during the first year of the programme (academic year 2008/09) with 80.1% of females aged 12-13 years reported to have completed the three-dose course in England.

The coverage achieved in the first year of the HPV immunisation programme, together with recent data from clinical trials, supports optimism for the programme achieving its aim of greatly reducing the incidence of cervical cancer.

> “Infectious intestinal disease affects as many as one in five of the population each year”

Minimising the health impact from environmental hazards

BACKGROUND

The population is exposed to natural and man-made radiation and chemicals through natural processes and through their use in industry, research, medicine and lifestyle choices. There is also a risk of exposure through malicious release.

The HPA conducts the long-term research to collect the evidence necessary for the development of policy, and provides standards and guidance to partners.

It provides a 24-hour, 365-day specialist advice service on the health implications of radiation and chemical incidents for the NHS and emergency services.

In 2009 one-third of the HPA's staff who work in the Centre for Radiation, Chemical and Environmental Hazards (CRCE) also worked to support the agency's response to the 2009 flu pandemic. In particular by assisting frontline staff working at local and regional level, and the main emergency operations centre that was established in London.

AIMS AND OBJECTIVES

The main priority of the HPA in 2009/10 was to deliver scientific research, expert advice and related services that help to reduce health risks. This includes coordinated planning and response in the public health management of acute incidents and long-term exposures.

An important aspect was the planning and groundwork for structural changes to be implemented in 2010/11, designed to improve capability and exploit synergies between the work on chemicals, poisons and radiation.

ACHIEVEMENTS

CHEMICALS AND POISONS

The HPA:

- Set up a National Nanotoxicology Research Centre and developed close links with leaders in this field, with whom future world-class research into the health effects of nanoparticles can be conducted.
- Expanded work on children's health indicators through an EC-funded research contract with six EU member states.
- Initiated participation in a pan–European project to develop a coherent approach to human biomonitoring, acting as UK lead.
- Responded to 913 chemical incidents in 2009 (2008: 939).
- Through contracts with the NHS across the UK, advised healthcare professionals about the diagnosis, treatment and care of poisoned patients via the National Poisons Information Service. The NPIS TOXBASE website received 1,013,600 visits in 2009/10, providing information on treating overdoses.

IONISING AND NON-IONISING RADIATION

The HPA:

- Consulted on new advice for protection of the public from radon, following the updated review of radon health risks published by its Advisory Group on Ionising Radiation.
- Made a major contribution to an International Commission on Radiological Protection report, providing revised recommendations on control of radon exposures.
- Provided significant input to the Department of Energy and Climate Change's public consultations on proposals for new nuclear power stations in England.
- Provided advice to the Environment Agency on doses and risks from intakes of and skin contact with radioactive particles found in the environment in the vicinity of the Sellafield nuclear plant.

- Provided a risk assessment for the new backscatter security scanners to be deployed at UK ports and airports.
- Held a national meeting for all radiotherapy departments, establishing an agreed national methodology for radiotherapy incident data collection and analysis.
- Published a major report on the health effects of ultrasound and infrasound by its Advisory Group on Non-Ionising Radiation.
- Completed the second year of a research project to quantify exposures to radio signals from WiFi in schools, in collaboration with partners.

Future plans

The HPA will:

- Enhance service delivery and efficiency by restructuring the chemicals and poisons services in mid-2010. This will involve a merger of divisions and improved cross-centre and cross-topic working. Some support functions have already been streamlined.
- By mid-July CRCE and Public Health Wales will provide a functionally integrated model for advice and support on environmental hazards. Providing a single portal for advice and guidance on chemical and radiation hazards, it will provide a focus for integrating local requirements with access to national and international expertise.
- Further develop an HPA-wide environmental public health strategy and a better integrated work programme to support frontline environmental health practice.
- Take forward recommendations from the WHO Fifth Ministerial Conference on Environment and Health, held in Parma in March 2010. These include the areas prioritised in the *Children's Environmental Health Action Plan for Europe*, health inequalities and public health consequences of climate change.
- Fulfil its role as a statutory consultee, under the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009, for 'proposed (planning) applications likely to involve chemicals, poisons or radiation which could potentially cause harm to people'. This will involve considerable effort to tight deadlines, so a small unit is being established to manage the work within existing resources, in liaison with the specialist scientists.
- Publish new radon advice in 2010.
- Compile an updated report analysing the effectiveness of different radon remediation measures.
- Collaborate in an updated analysis of mortality and morbidity from circulatory disease, in relation to radiation exposure among Russian nuclear facility workers.
- Develop a national role in safety and process analysis for radiotherapy by a schedule of visits to radiotherapy departments to assist in safety and efficiency analysis and system development.

COMBINING SPECIALIST SKILLS

The HPA is establishing an analytical chemistry laboratory to combine chemical and radiochemical analytical expertise. There is a commercial demand for combined analytical services from the decommissioning of nuclear, oil/gas and other industrial sites, as well as recent legislation to remediate contaminated land. The agency is proposing to expand the laboratory's capabilities to:

- Strengthen its commercial viability.
- Forge synergistic links with other HPA divisions with complementary biological analytical capabilities.
- Meet demands in the event of major incidents.

Reducing harm arising from incidents and emergencies

BACKGROUND

As part of its remit to protect the UK from threats to public health, the agency not only provides advice and information on current threats, but also has mechanisms in place to recognise the appearance or emergence of new and future threats.

The areas covered include zoonoses and other new and emerging infectious diseases, chemical hazards, radiation threats (both ionising and non-ionising), other environmental hazards (including flooding and climate change), the deliberate release of chemical, biological, radiological and nuclear (CRBN) agents, and new technologies.

AIMS AND OBJECTIVES

A main objective of the HPA's emergency planning and preparedness programmes in 2009/10 was to ensure that the agency provided an effective and resilient health protection service to support the Department of Health, government departments, health services, the public and others, including devolved administrations, in their preparedness and response to health emergencies, and to develop contingency arrangements.

Another objective was to prepare for and respond to emerging health threats and emergencies, including those caused by deliberate release.

ACHIEVEMENTS

The HPA:

- Was a frontline responder to the 2009 flu pandemic, which tested the agency's response plans at all levels. Staff worked at the national emergency control centre, in emergency operations centres and Flu Response Centres across England as required, with communications systems, alert cascades and alerting systems all used. Specialists in microbial risk assessment (MRA) attended meetings of the government's expert Scientific Advisory Group for Emergencies (SAGE) and the Modelling subgroup of the Scientific Pandemic Influenza Advisory Committee (SPI), providing and interpreting modelling assessments and mapping support during the initial phase. This work included visualising case locations, calculating age susceptibility from early travel-associated cases and later assessing likely mortality in less economically developed countries for the WHO and the UN System Influenza Coordinator.

- Delivered a programme of exercises to develop preparedness for a second wave of pandemic flu. This was commissioned in June 2009 by the NHS Flu Resilience Directorate of the Department of Health in response to the rising threat posed by the pandemic, to reaffirm the ability of the NHS to manage a potentially more virulent second wave. This project involved delivering ten large-scale exercises across all the English regions within one month. Over 1,300 NHS staff participated in Exercise Peak Practice (see p25).

- Delivered three additional regional exercises with scenarios of water contamination, a persistent plume of smoke from an industrial fire and a hospital fire. During the flu pandemic, the agency delivered a health exercise comprising field and command post elements alongside a police radiological exercise in Kent.

- Completed projects for other customers, including the European Commission and the WHO, including an evaluation of the response to the flu pandemic across Europe and a workshop for the Health Security Committee's communicators' network on communicating pandemic vaccine delivery. A command post exercise was delivered for the European Centre for Disease Prevention and Control (ECDC) with the scenario of a legionella outbreak at an international mass gathering.

- Continued planning for the 2012 Olympics with the production of risk assessments and corporate plans. The HPA carried out a strategic review of its emergency preparedness and response arrangements.

- Developed a range of courses to prepare agency staff for their incident response roles. The HPA continued to deliver training to the NHS and introduced two new courses: Clinical Leadership Training and Exercise Facilitator Training.

- Identified risk factors for hotspots of the Lyme tick vector in woodlands, allowing novel interventions through woodland management to reduce public exposure. Mosquito surveillance has started at seven UK sea ports and airports for invasive species, and allied work has led to the discovery of a new UK species.

- Worked with partners in Europe to explore the optimisation of mass casualty decontamination emergency response and risk communication for CBRN emergencies.

- Set up a programme board for new and emerging threats to public health.

- Agreed information-sharing arrangements with stakeholders, including other government departments and agencies, both in the UK and abroad.

FUTURE PLANS

In the coming years the HPA will:

- Continue to work on the health protection planning for the 2012 Olympics.

- Update the agency's handbook on dealing with CBRN threats.

- Produce action cards for communications specialists to develop public information messages, media statements and website content.

- Complete business impact analyses across the agency.

- Develop a standard approach to risk analysis and communicating risk in an emergency to partners and the public.

- Put in place clear and established mechanisms to assess threats and perform risk assessments, disseminating these to the appropriate areas of government.

- Produce quarterly reports of threats and risks assessed and recommendations for research and development.

EXERCISE PEAK PRACTICE

In an eight-week period from initial tasking to delivery, the HPA designed, developed and delivered a series of ten regional pandemic flu preparedness exercises for strategic health authorities across England during September 2009. The normal requirement from the Department of Health is for nine regional exercises in 12 months, so the project involved an exceptional degree of commitment and dedicated attention to detail.

The first exercise took place on 3 September and the final one was held on 30 September. A total of 1,308 NHS delegates attended, with 29 HPA staff in attendance and 21 Department of Health observers present. The exercises were extremely well received.

Assuring the safety and effectiveness of biological medicines

BACKGROUND

From 1 April 2009 the HPA has had responsibility for standardising and controlling biological medicines such as vaccines and blood products to ensure their safety and effectiveness. This work is carried out by one of the agency's centres, the National Institute for Biological Standards and Control (NIBSC).

NIBSC is the global leader in biological standardisation, responsible for developing and producing over 90% of the International Standards in use around the world to assure the quality of biological medicines.

The institute is the UK's Official Medicines Control Laboratory, responsible for testing of biological medicines within the framework of the European Union.

NIBSC scientists have an international reputation for excellence in research and are widely consulted on issues of biological medicine safety and efficacy.

The institute has a particularly close relationship with the World Health Organization and is the leading WHO International Laboratory for Standards.

AIMS AND OBJECTIVES

The key aims for the year were to assure the safety and efficacy of biological medicines by developing and supplying international standards to underpin accurate measurement and patient dosing, as well as carrying out independent regulatory testing of manufacturers' products.

The objectives included supporting the introduction of important new vaccines, preparing new standards for improved diagnosis of infectious disease, and further developing the UK Stem Cell Bank.

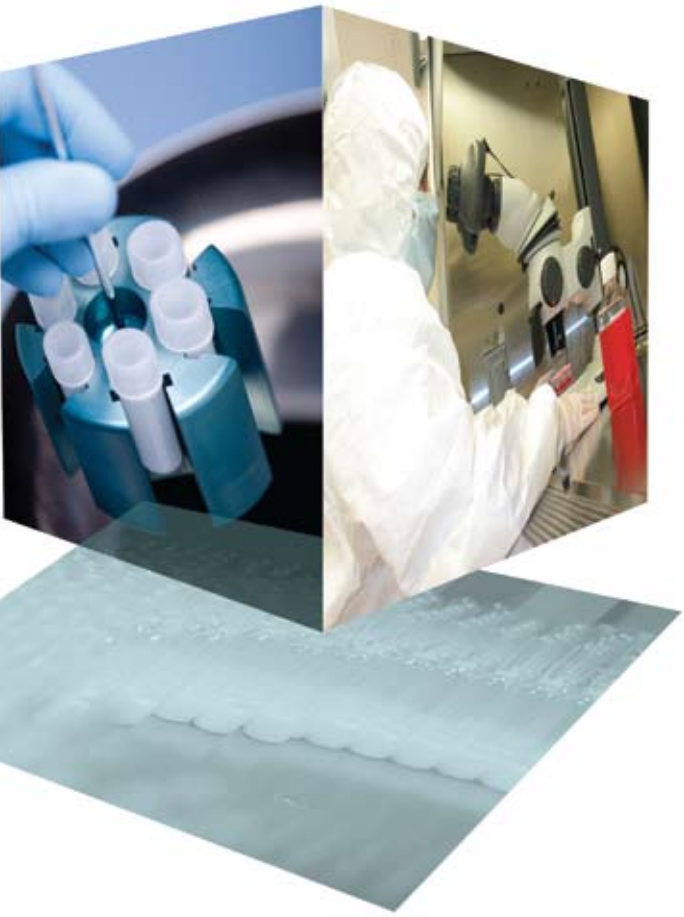
ACHIEVEMENTS

The HPA:

- Played a key role in the development and supply of vaccines for the flu pandemic, at the same time as supporting seasonal flu vaccine production. NIBSC was one of just three laboratories in the world that developed a candidate strain suitable for vaccine manufacture. Within a month of beginning work, the new strain was being shipped worldwide. Subsequently, crucial reference materials were prepared and supplied worldwide for manufacturers to measure the potency of their vaccines. NIBSC also rapidly developed an international reference standard to allow comparison of the effectiveness of different pandemic flu vaccines.
- Established several new standards for improved diagnosis of infectious diseases.
- Further developed the UK Stem Cell Bank and created 12 new stem cell banks to add to the range of materials available to stem cell researchers. The new UK Stem Cell Bank/Influenza Resource Centre building was also completed on time and on budget.
- Developed 18 new or replacement international standards and reference materials, which were established and endorsed by the WHO in October, comfortably exceeding the annual target.

HPA IN ACTION

The HPA's NIBSC facility was the only laboratory in the world able to supply one of the two key reagents needed to quantify vaccines for the flu pandemic. All the vaccine doses produced by manufacturers in the western world, including those supplying the US, were quality-assured using NIBSC-produced materials. See p31 for more information.



- Completed the development and implementation of several new tests for the safety of medicines (see box).
- Supplied over 150,000 standards to over 70 countries.
- Carried out independent regulatory testing of over 3,000 batches of biological medicines.

FUTURE PLANS

The HPA will:

- Further develop new and improved ways of measuring biological medicines, with particular emphasis on important new products, such as monoclonal antibodies and gene and cell-based medicines.
- Maintain the supply of international standards, to underpin the consistent measurement of biological medicines and accurate patient dosing.
- Continue to carry out independent regulatory testing of manufacturers' products, as the UK's Official Medicines Control Laboratory.
- Maintain a vigorous underpinning research programme.

TESTING TO ENSURE SAFETY

In 2009/10 the HPA implemented many new tests to help ensure the safety of biological medicines. This included:

- A new test to reduce the risk of haemolysis following treatment with immunoglobulins.
- An improved test for the absence of active pertussis (whooping cough) toxin in childhood vaccines.
- An improved test for the absence of endotoxins in a wide range of biological medicines.

EVALUATING BIOLOGICAL MEDICINES

Biological substances used in medicine are often very complex materials. They include bacterial and viral vaccines against diseases such as diphtheria, whooping-cough, meningitis, poliomyelitis, influenza, hepatitis, measles, mumps and rubella. They also comprise products derived from human blood such as clotting factors and immunoglobulins.

In addition to these more traditional products, an increasing number of new 'high-tech' biological medicines are being produced by the latest techniques of genetics and molecular biology.

In order to ensure that these products are both safe and effective it is necessary to thoroughly evaluate their quality and potency. For many biologicals there is a legal requirement that each batch is examined and approved before release onto the market. Such 'control' or 'batch release' testing involves the review of manufacturing documentation and laboratory tests on the product itself.

As the UK's Official Medicines Control Laboratory, the HPA's NIBSC centre has performed this function for many years and continues to do so.

Providing frontline services in the community

BACKGROUND

The HPA works at a local level alongside partners in the NHS and local authorities, providing specialist support to prevent and reduce the impact of infectious diseases, chemical and radiation hazards, and incidents and emergencies related to these.

The agency has nine regional offices that correspond to the government office regions, and 26 health protection units (HPUs), each covering a group of primary care trust and local authority areas.

Teams are involved in a range of activities, including local disease surveillance, alert systems, investigation and management of health protection incidents and outbreaks, and the delivery and monitoring of national action plans for infectious diseases at local levels.

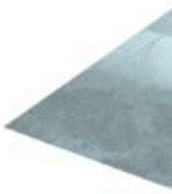
AIMS AND OBJECTIVES

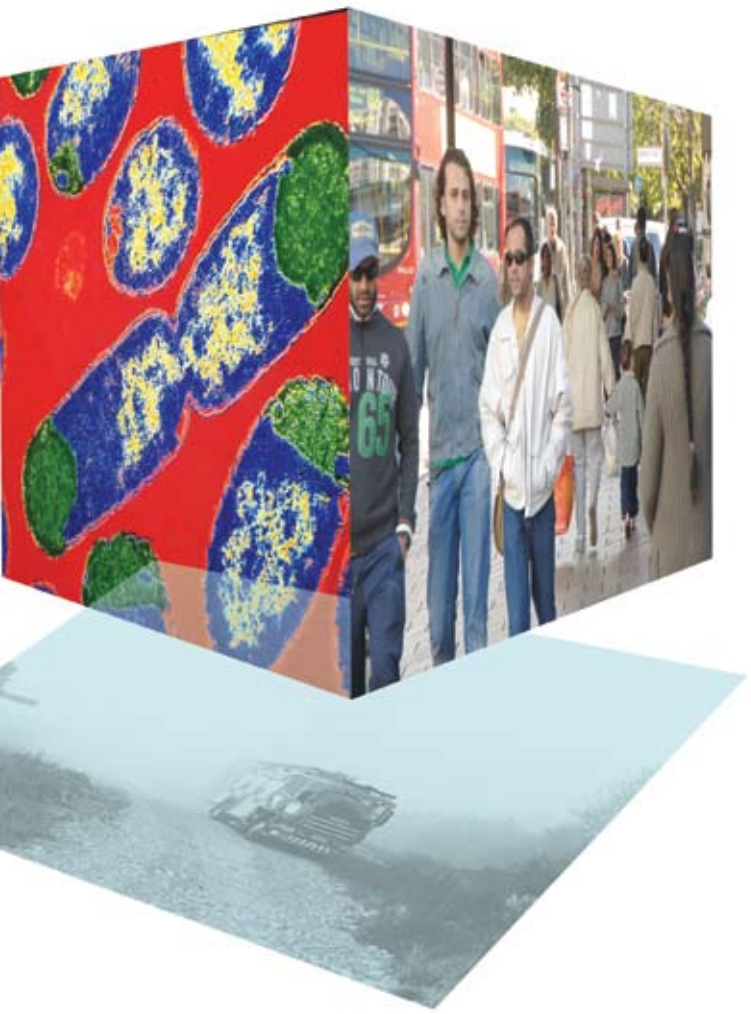
To strengthen health protection in the community, particularly by recognising emergencies early and managing them effectively.

ACHIEVEMENTS

The HPA:

- Responded to 4,750 incidents through its HPUs.
- Conducted an audit of incidents at level two and above to help the agency to develop and improve the handling of such incidents, which require management at a regional level or above (designated levels 2-5). The audit examined issues including early incident recognition, rapid alerting, investigation and appropriate control measures instituted with partners. The audit was undertaken by all HPUs and will form the baseline for future similar audits.
- Rolled out HPZone, an incident support tool developed in close liaison with frontline HPA staff to provide the functionality required in both regular day-to-day and emergency operations. It provides support in the day-to-day handling of acute cases including the handling of enquiries, through case management and contact tracing, up to the management of a large outbreak. It has been designed to run across multiple sites, maximising the benefits of high-quality data and knowledge-sharing between individuals, teams, units, regions and nationally.
- Delivered the frontline response to the flu pandemic until the start of the National Pandemic Flu Service. Flu Response Centres were established in each region – led and operated by HPA staff in close collaboration with NHS partners. A surveillance system was also created to study the epidemiology of the pandemic.
- Investigated one of the largest reported outbreaks of norovirus associated with a restaurant, at The Fat Duck restaurant in Bray, Berkshire. There were 529 reports of illness among diners who ate at the restaurant between 6 January and 22 February 2009, and at least six reported cases of apparent secondary spread to household members of primary cases from diners. National media interest was high.
- Set up, for the first time, a Science and Technical Advice Cell with an associated Air Quality Cell, supporting the police-led multiagency response to a large tyre fire in Shropshire, West Midlands. This integrated HPA response was supported by both real-time air quality monitoring and syndromic surveillance. The response was seen as exemplary nationally and the risk assessment is to be published, to inform future similar responses.
- Set up enhanced surveillance nationally in February 2009, in response to several invasive group A streptococcal disease (iGAS) incidents, which continued for one year.





RESPONDING TO AN ANTHRAX OUTBREAK

In 2009 the HPA established an incident management team following an outbreak of anthrax in intravenous drug users in Scotland, in the likely event of cases appearing in England.

Shortly after the agency declared this as a level three incident, cases of anthrax were confirmed in England.

Information about possible cases was obtained using a standard questionnaire and confirmatory testing arranged.

Both national and local advice was provided to clinicians and the public to ensure that appropriate action was taken and the public was reassured.

Advice was provided nationally to the NHS, particularly primary care.

- Carried out a quality assurance audit across all the agency's HPUs.
- Is playing a key role in the preparations for the London 2012 Olympic and Paralympic Games, and has been commissioned by the World Health Organization to support the development of a planning tool for mass gatherings.

FUTURE PLANS

The HPA will:

- Continue the High Quality Service Delivery Programme initiated in 2009/10, ensuring that agency-wide organisational systems are in place to support the HPA's frontline work. It consists of 11 projects to ensure the delivery of acute and proactive work during the agency's restructuring.
- Plan a robust future for staff in frontline roles via a Workforce Planning and Development Toolkit. This will address skill mix, career development, staff retention and succession planning, ensuring that people with the right skills, competences and abilities are in the right place at the right time.

> "We work at a local level, with partners in the NHS and local authorities, to prevent and reduce the impact of health threats"

Value for money and productivity – maximising services within resources

BACKGROUND

'Value for money' is the term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it acquires, and provides, within its available resources. Good value for money is a function not only of the cost of goods and services, but also of their quality, demand on resources, fitness for purpose, timeliness and convenience. Taken together these constitute good value.

The related concept of productivity means increasing the output of goods or services without a proportionate increase in resources consumed.

AIMS AND OBJECTIVES

To improve cost-effectiveness and compliance by developing the HPA's procurement function, in order to provide continuous best value in acquiring non-payroll resources. Also, to invest capital funding wisely and to maximise operational benefits.

ACHIEVEMENTS

The HPA:

- Identified opportunities to purchase modern existing sites vacated by pharmaceutical companies, in order to replace the ageing laboratory facilities at the Porton Down site.
- Increased the percentage of non-payroll expenditure covered by agency-wide procurement arrangements by 27.6% against a target of 10%.
- Spent capital funding from all sources of £48.9m on carefully managed and budgeted projects, based on appropriate business cases, to maintain and enhance the agency's capability.
- Initiated a performance improvement programme, which has seven work streams aimed at making efficiencies in maintaining services, in the face of decreasing public funding. The procurement workstream improved value for money by negotiating HPA-wide contracts, ensuring compliance and providing procurement expertise for large one-off purchases.
- Made available total savings this year of £1.9m and cumulative savings over four years of £5.7m.
- Rolled out the newly-negotiated central contract for travel and accommodation to all areas of the HPA. A number of other agency-wide contracts have also been introduced this year covering a wide range of commonly procured goods and services. Contracts introduced cover laboratory gases, pipette maintenance, multi-functional devices plus many other areas of agency expenditure.

> "We strive to be cost-effective through effective procurement so that we can deliver continuous best value"

FUTURE PLANS

The HPA will:

- Pursue ever greater efficiencies in the use of resources and apply capital spending to the best advantage of the agency.
- Start using the new travel and accommodation contract, which will secure the best value and service from a national travel agent.

Combating pandemic influenza

BACKGROUND

In recognition of the particular threat posed by pandemic flu, since its creation the HPA has had a dedicated work programme to combat pandemic flu, which meant the UK was well prepared when swine flu struck in early 2009.

AIMS AND OBJECTIVES

To improve UK preparedness and to support the government, the NHS and the public in responding to a flu pandemic in the most effective way.

ACHIEVEMENTS

The HPA provided strong health protection leadership in the 2009 pandemic, taking prompt action at local, national and international levels to track and control the spread of infection, and giving practical advice to government, the public and health professionals.

For example, the HPA:

- Led the operational response to the pandemic, guiding initial interventions such as the use of antiviral drugs, advising school closures and managing outbreaks, developing specific diagnostics and providing these for regional laboratories, thereby ensuring the UK had the capacity and capability for diagnosis in all regions.

- Determined the genetic fingerprint of the virus and rapidly developed vaccine candidate strains for supply to manufacturers. It then tested the two vaccines procured for the UK through head-to-head trials, providing crucial evidence for vaccine recommendations, and advised on the cost-effectiveness of the vaccine campaign. The agency also produced the vital international standards for measuring the strength of the vaccine, and through its Official Medicines Control function for the UK, carried out independent 'release' testing of vaccine batches from manufacturers to ensure they met the required quality standards.

- Developed and field tested the First Few 100 (FF100) surveillance system, which enabled the analysis of key characteristics of the virus in the early stages of the pandemic. The FF100 database was populated with 370 cases and 2,000 household and close contacts.

- Used its surveillance systems to gather and communicate epidemic intelligence. This fed directly into central government to inform and guide the nation's overall response.

- Delivered direct health protection services at a local level, providing advice and managing community outbreaks with antiviral prophylaxis and contact tracing

- Conducted virological surveillance to monitor virus variation and genetics, and the development of resistance to antiviral drugs.

- Carried out seroepidemiological testing to monitor the impact of the infection on the population.

- Provided policies, guidance and general advice for a variety of audiences via the HPA website, including advice for the public, and treatment information and algorithms for healthcare professionals. The average daily number of visits to the website from 29 April 2009 to 31 August 2009 was over 100,000 and peaked at over 225,000, compared to around 41,500 per day before the pandemic. The agency also provided daily media briefings, including case number information, and support for the chief medical officer's weekly briefings.

FUTURE PLANS

The HPA will:

- Work to implement lessons learned to help ensure effective preparedness for future pandemics.

- Further enhance influenza surveillance systems, based on developments made during the pandemic.

International and global health

BACKGROUND

Effective health protection requires close cooperation and the prompt exchange of information at all levels, including internationally.

As an independent organisation responsible for providing expert advice and services for health protection, the HPA is internationally recognised as a source of expertise and knowledge, including World Health Organization Collaborating Centres and internationally designated laboratories.

AIMS AND OBJECTIVES

To help improve global public health by sharing HPA expertise and experience internationally, and to use the contacts and information gained through international links to improve the agency's effectiveness and efficiency in handling UK health protection priorities.

The HPA's International Office supports the delivery of the agency's international strategy and coordinates corporate international collaborations. The agency is the formal UK focal point for implementing the International Health Regulations.

ACHIEVEMENTS

The HPA:

- Responded rapidly and effectively to the challenge of the 2009 flu pandemic with global partners, thanks to excellent two-way communication and information-sharing with colleagues in other countries.

- Awarded funding to six international projects, out of 20 proposals, via its Global Health Fund's Expert Panel. The projects included 'International health security: training, research and networks for improved public health emergency preparedness and response in India', and 'Meningococcal serology capacity-building in laboratories across the sub-Saharan meningitis belt'. Other successful projects ranged from chemical risk assessments to emergency preparedness, in regions ranging from Africa to South America, targeting the Department of Health's priority countries, while benefiting the UK population through increased health protection or reduced threat.

- Hosted several senior international delegations. Each high-profile visit highlighted the growing international reputation and acclaim the agency has gained for its scientific work.

- Was visited by 81 delegations from 66 countries, while 1,055 staff represented the agency at events in 63 different countries relating to the WHO, international conferences and commercial and project meetings (2008/09: 1,170 events attended in 72 countries).

FUTURE PLANS

The HPA will:

- Continue to identify sustainable major projects that will attract funding from the major foundations in the coming year. This may potentially be with partner organisations.

- Support strategic international secondments aimed at furthering the agency's knowledge and experience of implementing the WHO International Health Regulations locally and nationally. These will take place shortly, supported by the HPA Global Health Fund. So far, potential host organisations have been identified and an internal policy is being developed to support the secondment process.

- Expand international development activities, in line with the international strategy.

Providing microbiology services

BACKGROUND

The HPA operates a regional microbiology network consisting of eight regional microbiology laboratories and 32 collaborating laboratories. The HPA also operates food, water and environmental microbiology laboratories, which are either directly managed by the HPA or located in collaborating laboratories in NHS trusts.

AIMS AND OBJECTIVES

To provide frontline diagnostic and public health microbiology services to NHS trusts and the HPA's local health protection units.

ACHIEVEMENTS

The HPA:

- Reconfigured its national network for food, water and environmental microbiology service, initiated in England in October 2007. The number of laboratories providing this service has been reduced from 26 to ten, strengthening the overall network and providing an improved service to local authorities.

- Established a *Clostridium difficile* ribotyping network (CDRN) in eight regional laboratories in England (Leeds, Bristol, Birmingham, London, Manchester, Newcastle, Cambridge and Southampton). This service provides information for infection prevention and control teams in the management of *Clostridium difficile* at a local level.

- Rapidly implemented a novel pandemic flu H1N1-specific test quickly to provide rapid confirmation of test results, working seven days a week. The HPA implemented a planned protocol for testing and sample transfer to other laboratories in the network to maintain surge capacity and procured additional automated equipment to increase testing capacity. At the peak of the outbreak in June 2009 more than 1,000 tests were received in one day in one laboratory and these were tested in a timely manner using the extended network.

FUTURE PLANS

The HPA will:

- Continue to deliver its laboratory modernisation programme. Where appropriate, plans will be jointly developed with host trusts. Priorities will include improving its laboratory facilities, addressing automation, technological developments and process improvements.

- Develop a public health microbiology strategy for the agency. This will underpin many other initiatives such as the modernisation agenda and help in the delivery of the HPA strategic plan for 2010-2015. It will also take account of the HPA's response to the independent review of NHS pathology services in England (the Carter review), which focuses on improving quality, patient safety and efficiency, and identifying the mechanisms for delivering change.

- Lead an agency-wide team to address the challenges of the report *Dealing with the downturn*, which was produced by the NHS Confederation in 2009. This sets out the financial outlook facing the NHS for the next five years and, in particular, focuses on pathology as an area for cost improvements.

- Strengthen its microbiology services. A consultation was launched in December 2009 to modernise arrangements for the agency's microbiology services by addressing the investment in its collaborating laboratories. The consultation responses on the options appraisal will be reviewed, to deliver a robust and resilient regional laboratory service, in partnership with leading infectious diseases centres, and working with stakeholders.

> "We provide frontline diagnostic and public health microbiology services to the NHS"

Estates and facilities

BACKGROUND

HPA activities are conducted by staff in a number of centres (Colindale in north London, Chilton in Oxfordshire, Porton Down in Wiltshire and South Mimms in Hertfordshire) and throughout the country providing services at a local and regional level, and in a regional microbiology network.

There is also a small headquarters in London. A location map of HPA sites is shown on p51.

AIMS AND OBJECTIVES

The HPA's estates strategy is designed to support agency activity. Its priority aims in 2009/10 included providing state-of-the-art facilities, suitably located to deliver the agency's public health functions, while meeting government standards, which include sustainability and good use of space.

ACHIEVEMENTS

The HPA:

- Completed the local health protection unit based at the Chilton site and relocated from Oxford, which is now occupied and operational.

- Completed the building phase of the influenza resource centre at the South Mimms site, which also contains the permanent building of the UK Stem Cell Bank (funded by the Medical Research Council), on time and on budget.

- Completed the outline business case for replacing the outdated laboratory facilities at the Porton Down site and identified significant alternative opportunities in laboratory space vacated by the pharmaceutical industry, which required assessment.

- Prepared plans to address accommodation that exceeds Office of Government Commerce targets.

- Rationalised the number of sites to 69 (2008/09: 75).

FUTURE PLANS

The HPA will:

- Continue to rationalise locations in line with government targets.

- Indentify the most favourable option for the re-provision of the facilities at Porton Down.

Research and development

BACKGROUND

Research and development is a vital activity for the HPA and is essential for the agency's credibility, viability and vitality. Research is carried out throughout the organisations, in all centres and divisions.

The HPA strives to ensure that its research programmes are at the cutting edge of public health research, both nationally and internationally.

In 2006 the Department of Health commissioned an independent review of the HPA's research and development activities (the Dixon report). Since then the agency has implemented a number of measures in response, including establishing a protocol for the independent review of all research areas, consulting on improvements that staff would like made to professional development and training programmes in research, and setting up a subgroup to establish ways of taking research findings and translating them into healthcare processes or products.

AIMS AND OBJECTIVES

The priority aims for 2009/10 were that all research carried out by the HPA should comply with UK research governance guidelines and standards for best practice; that the recommendations of the Dixon report are implemented, where appropriate; and to increase funding for research from external funders.

ACHIEVEMENTS

The HPA:

- Founded the Medical Research Council/ HPA Centre for Environment and Health, including the Small Area Health Statistics Unit.
- Hosted an annual meeting on genomics and proteomics.
- Established a coordination group for high-containment laboratories.
- Awarded the first National Institute for Health Research (NIHR) academic clinical fellowships and lectureships.
- Rolled out the first full year of the UK Clinical Research Collaboration's Modernising Medical Microbiology programmes.
- Granted awarded £7.3m in new external grants (2008/09: £9m).
- Awarded eight PhD studentships to staff (2008/09: seven).
- Granted eight awards, valued at £123,971 (2008/09: 10 awards, value £104,000) via the agency's Pump Priming and Small Initiatives Fund.
- Supported nine new projects with a total value of £971,830 (2008/09: 13 projects, value £2.6m) via the HPA Strategic Research and Development Fund.

The awards given in 2009/10 will be spent in 2010/11.

FUTURE PLANS

The HPA will:

- Establish an NIHR Biomedical Research Centre to manage the internal funds of the HPA.
- Update the principles of good scientific practice.
- Enter a further round of NIHR clinical academic awards.
- Make new arrangements for monitoring clinical research projects.
- Review the activities of the HPA's library services.

Workforce development

BACKGROUND

The staff of the HPA are vital in ensuring the agency delivers better public health.

The agency strives to improve the expertise and engagement of staff at all levels and in every specialist area through robust workforce planning, supported by effective learning and development interventions, and by implementing best practice in all areas of people management.

AIMS AND OBJECTIVES

To improve staff through a range of programmes covering staff appraisals, (including the identification of developmental needs), sickness reduction, improved succession planning and the retention of existing essential skills.

ACHIEVEMENTS

The HPA:

- Used the appraisal process effectively. This remains a vitally important element in successfully delivering the objectives of the HPA, and in spite of the challenges presented by the response to the 2009 flu pandemic, 96.4% of staff had completed an annual appraisal and personal development plan by the end of the year.

- Used a 360-degree feedback process for executive directors for the first time, which was a significant enhancement to the process. However, due to the time commitment required to implement this, it has been decided not to roll out this approach at this stage to managers reporting to executive directors.

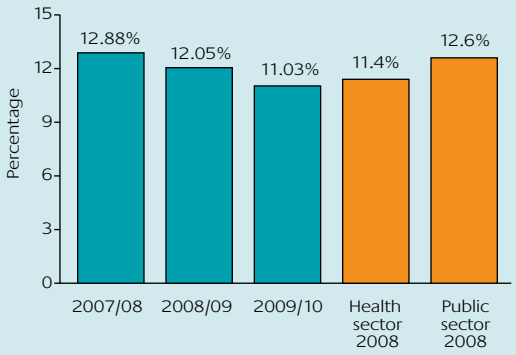
- Achieved a top 75 placing in the first Sunday Times 'Best Places to Work in the Public Sector' survey. This benchmark is confirmation that, while there is room for improvement, many HPA policies and practices are valued by employees. Overall, by survey factor, staff rated the agency positively on being part of a team (a key value of the agency) and for giving something back. Compared with other organisations in the top 75, the HPA was rated very highly by staff for receiving a fair deal. The HPA aspires to be an employer of choice and, in an increasingly competitive recruitment market where the agency seeks to attract and retain the best people, such external recognition is invaluable.

- Launched a new succession planning and talent management framework at the agency's annual conference as part of the implementation of the new workforce strategy agreed in May 2009. A new middle-manager programme has been designed and will start in spring 2010. The HPA has joined with a number of other Department of Health arms-length bodies to support a pilot talent management programme.

- Developed its corporate induction programme. This started in March 2009 and has been well received by new staff. However, due to the flu pandemic a number of events had to be postponed.

- Continued the downward trend that has been seen in the rolling annual turnover figure. At the end of 2009/10 this stood at 11.03% compared to 12.05% for 2008/09. This decrease is explained almost entirely by a decrease in the voluntary turnover rate, which stands at 5.70% compared to 7.6% for 2008/09. The Chartered Institute of Personnel Development (CIPD) reported in June 2009 that the overall employee turnover rate in 2008 for all industries was 15.7%. The overall health sector reported a rate of 11.4%, with the rate for the public sector as a whole reported as 12.6%. Considering voluntary resignations only, the CIPD survey reported rates of 7.6% for the public sector and 6.2% in the health sector.

REDUCING STAFF TURNOVER



- Introduced a staff recognition scheme, designed to recognise and reward staff for exceptional contributions to the work for the agency. The scheme, known as the 'Values in Practice' awards, has six categories that mirror the agreed values of the HPA. A total of 220 nominations were put forward by staff on behalf of their colleagues. The winners received their ViP awards from Sir Liam Donaldson, the chief medical officer for England.

- Carried out equality impact assessments on 26 key employment policies and practices, and published revised documentation and action plans.

- Delivered a wide range of equality and diversity training interventions, including tailored training for the Board, Executive Group and top 200 managers; two-hour equality and diversity workshops; equality and diversity training for human resources staff; training for division and centre equality champions; equality impact assessment training delivered to over 100 staff; and the development of an e-learning package, suitable for all staff. Staff support groups have been promoted and embryonic groups covering a number of special interest support groups have been formed, including a black and minority ethnic group and a lesbian, gay, bisexual and transgender group. A single equality scheme was also developed, consulted upon with staff and a range of external stakeholders, and is being presented to the agency board in May 2010.

- Experienced a noticeable upward trend in sickness absence rates, resulting in a rise in the annual rolling average figure from 9.2 days (3.78%) lost per employee per year to 9.76 days (4.0%) over the year. A CIPD survey in 2008 (published in July 2009) reported an all-industry average of 7.4 days (3.3%) per employee per year, and an average in the health sector of 11 days (4.8%). The figures reported for the public sector as a whole were 9.7 days (4.3%). Plans are in place to address this rising trend.

FUTURE PLANS

The HPA will:

- Ensure the effective and systematic implementation of the new corporate workforce plan (agreed in March 2010) across the agency, coordinated by the newly formed workforce planning and professional development group.

- Launch a learning and development academy, embracing both professional learning and management development. Initially this will cover leadership and management and the specialist professional area of toxicology. The core training modules continue to be implemented and updated to reflect operational needs.

- Implement the agreed positive action programme to address the under-representation of black and minority ethnic staff at senior level.

Financial review

INTRODUCTION

The financial statements on pages 65 to 69 cover the period 1 April 2009 to 31 March 2010 and have been prepared in accordance with Schedule 1 paragraph 22 of the Health Protection Agency Act 2004. A copy of the Act may be accessed online at www.opsi.gov.uk. The financial statements have been prepared in accordance with the *Government Financial Reporting Manual* 2009/10 (FREM), which for the first time apply International Financial Reporting Standards (IFRS). The effects of the transition to IFRS are given in note 25 to the financial statements.

The remit of the HPA continues to grow, exerting significant pressure on the available financial resources, while the agency progressively develops an internal organisation that can fulfil the remit. The agency is continuing to expand and on 1 April 2009 merged with the National Biological Standards Board to form a separate centre within the agency at South Mimms in Hertfordshire, called the National Institute for Biological Standards and Control (NIBSC). In accordance with financial reporting standards, the financial information for 2009/10 has been presented, and that for the prior periods restated, as if NIBSC had been part of the agency throughout the current and prior accounting periods. Detailed disclosure information on the merger with NIBSC is provided at note 24 to the financial statements.

FUNDING

Funding of the agency's day-to-day costs and capital investment is received as grant-in-aid, through the Parliamentary Supply process, and allocated within the main Department of Health (DH) Estimate. This funding takes account of income received from the devolved administrations, as well as receipts for the products, royalties and services which the agency provided to customers. The HPA obtains additional funding from various public and private sector contracts.

The funding received by the HPA in relation to the expenditure in 2009/10 increased to £392.1m (2008/09: £340.0m), which represents a 10.4% increase, after adjusting for the additional swine flu pandemic funding. Government grant-in-aid accounted for 62% (2008/09: 62%) of total funding, and this limits the agency's exposure to liquidity risk. Note 20 to the financial statements offers additional information on the financial risk management objectives and policies of the agency.

The HPA received £16.8m of additional funding from the Department of Health to cover the incremental costs arising from the flu pandemic during the year. In addition to this incremental expenditure, significant extra resources were utilised during the flu pandemic but these were covered within our existing funding,

Source of funding	2009/10 £'000	Restated 2008/09 £'000
Total funding	392,059	339,983
Less: Capital grant in aid from DH	50,000	41,400
Less: Other capital grants	8,494	461
Total revenue funding	333,565	298,122
Less: Products and royalties	39,238	29,844
Less: Contracts and services	96,761	92,778
Less: European Union grants	3,693	5,178
Less: Other operating income	741	683
Less: Interest receivable	18	291
Less: Revenue grant in aid from the devolved administrations	2,276	1,251
Less: DH pandemic flu incremental funding	16,804	-
Revenue grant in aid from DH	174,034	168,097

You can find further information about our 2009/10 funding within the notes to the financial statements, on pages 70 to 103; or by visiting our website at www.hpa.org.uk.

www.hpa.org.uk

The 2009/10 capital budget of £58m reflects the escalation of the capital expenditure: to support the re-provision of Porton Down; the completion of NIBSC's Influenza Resource Centre and the rationalisation of laboratory and regional accommodation.

The agency is pleased to report that customer sales income increased by 9.3% in 2009/10, from £128.5m to £140.4m, which provided a substantial contribution to fixed costs. Included within this total were royalties of £15.8m (2008/09: £13.6m), earned mostly on sales of Dysport, which were £4.1m ahead of budget for the year.

HOW RESOURCES WERE USED IN 2009/10

The agency's budget is divided into revenue expenditure, to cover day-to-day operating costs, and capital investment, to replace life-expired assets and to invest in new resources.

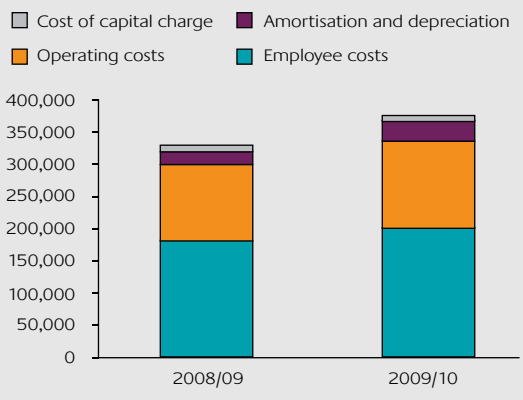
REVENUE EXPENDITURE

Gross operating costs increased from £318.8m in 2008/09 to £362.9m this year, which represents a 6.2% increase, after adjusting for the one-off items during the year. Internal efficiencies helped control operating charges this year and these savings offset the increased staff costs.

There were a number of one-off items during the year:

- Flu pandemic incremental expenditure £16.8m (note 16).
- Porton Down 2009/10 re-provision costs classified as revenue £10.0m (note 6).
- Porton Down 2008/09 re-provision costs impaired £0.9m (note 8).
- VAT refund of £3.7m (note 6).

OPERATING COSTS

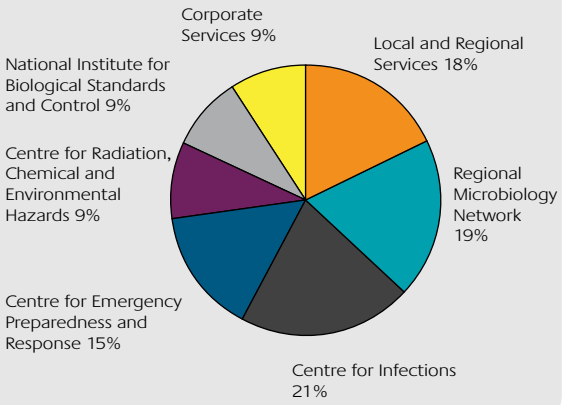


The major components of this year's revenue expenditure, including the one-off items, are shown above, along with comparative figures for the previous year.

The Local and Regional Services and Regional Microbiology Network actively support the agency's partners in the NHS and local government authorities. They provide the health protection, epidemiology, emergency planning, surveillance, and microbiology services that help safeguard the public.

These geographically dispersed laboratories and offices, along with the operational centres at the Centre for Emergency Preparedness and Response; the Centre for Infections; the Centre for Radiation, Chemical and Environmental Hazards; and the National Institute of Biological Standards and Control, account for 91% (2008/09: 91%) of the agency's total operating costs.

EXPENDITURE BY DIVISION



CAPITAL INVESTMENT

During 2009/10 £48.9m (2008/09: £40.4m) was invested in some 435 capital projects, with the 20 highest value schemes accounting for £30.1m of the total. The agency spent £9.4m on the Influenza Resource Centre and UK Stem Cell Bank, £3.3m on preparing a US Food and Drug Administration licence for the life-saving childhood leukaemia drug Erwinase and £3.1m on equipment to support the flu pandemic.

The Centre for Emergency Preparedness and Response (CEPR), based at Porton Down, plays an important role in preparing for and coordinating responses to potential healthcare emergencies, including possible acts of deliberate release. It also carries out basic and

applied research into understanding infectious diseases and manufactures a number of healthcare products, including vaccines and therapeutics.

The Department of Health has recognised CEPR's importance as a national resource and has funded the design work to build an outline business case for new, state-of-the-art facilities. The Porton Down re-provision costs relate to the expenditure incurred in developing the plans for re-providing the agency's specialist laboratory facilities at Porton Down, which are reaching the end of their useful life. This activity has yet to reach the stage at which final approval is required from the Department of Health. Due to the size of the likely investment required and the uncertainty surrounding the availability of public funding, it is considered appropriate to treat the expenditure as a charge to revenue rather than to carry it forward as an asset. Therefore, all Porton Down re-provision costs incurred during the year ended 31 March 2010, amounting to £10.0m, are being taken through the Operating Cost Statement as a revenue expense (in addition to the £0.9m of Porton Down re-provision assets under construction at 1 April 2009 which were impaired during 2009/10). This resulted in £9.6m (2008/09: £1.5m) of capital funding being carried forward.

2009/10 FINANCIAL RESULTS

Having absorbed the one-off items and increase in royalty income during the year, the agency met its principal financial target for 2009/10, which was to deliver a balanced budget, within 1% of the total revenue funding received.

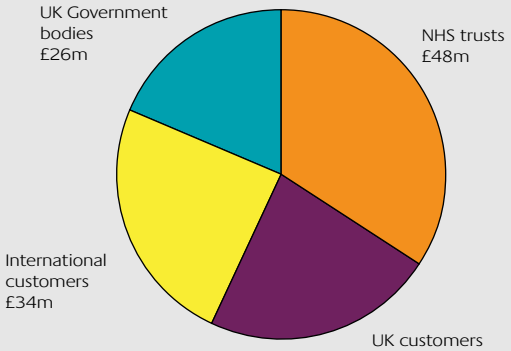
Increased staff and outsourcing costs, combined with higher than expected fuel prices, exerted significant cost pressures this year. However, internal cost savings and efficiencies, the one-off VAT and royalty gains and the increase in operational sales and services, helped the HPA deliver a small deficit of £0.6m in 2009/10, which represents -0.2% of our total revenue funding (2008/09: 0.1%).

RELATIONSHIPS WITH CUSTOMERS

The HPA is committed to delivering high-quality products and offering value for money to all customers. It aims to collect undisputed customer invoices in accordance with contractual terms and conditions.

During 2009/10, the agency continued to develop strong external customer relationships and grow operating income across many areas. The agency's trade receivables increased by 47%, from £9.6m to £14.1m. This reflects increased levels of sales activity, particularly during the last two months of the year. However, trade receivable days remained at 31 days at the year end (2008/09: 31 days).

SALES BY CUSTOMER TYPE



The agency made no claim for interest under the Late Payment of Commercial Debt (Interest) Act 1998 during the reporting period.

RELATIONSHIPS WITH SUPPLIERS

It is the agency's policy to pay suppliers in accordance with the Better Payments Practice Code and settle 90% of undisputed supplier invoices on time, while striving to pay small and medium-sized entities within 10 working days. For the year ended 31 March 2010, 96% (2009: 95 %) of invoices, which amounted to 95% (2009: 94%) of the total value of payments, were paid within 30 days of the invoice being registered. Further improvements to the agency's payment performance will be facilitated by enhancements to the agency's financial system.

FINANCIAL POSITION

During this year, the agency added property, plant and equipment and intangible assets to the value of £48.9m. With depreciation of £24.7m, impairment and disposals of £4.4m and a valuation increase of £6.6m, the total value of fixed assets was £278.1m on 31 March 2010 (2009: £251.7m)
Taxpayer funding is drawn only when it is required, and the HPA aims to keep minimal cash at bank. Its inventories, trade and other

receivables, and cash and cash equivalents remain relatively low yet sufficient to meet trade and other payables.

Only 8% of the agency's £65.8m of liabilities are of a long-term nature. These include provisions for the future costs of early retirement, potential compensation liabilities, as well as the cost of minor repairs when it returns leased buildings to their owners. The Revaluation Reserve increased by £5.5m, reflecting rising land and property values throughout the UK. The Capital Grant Reserve increased by £8.1m, as a result of third party funding for part of the NIBSC's Influenza Resource Centre.

NEXT STEPS

The agency has had another successful financial year, generating increased operating income and progressing the business case for the re-provision of the Porton Down facilities.

This, together with a newly focused strategic overview, means that the agency intends to progress a number of significant developments during 2010/11, including:

- The publication and communication of a new strategic plan.
- Reorganising the agency structure to mirror the key health protection programmes in the strategic plan.
- The development of new key performance indicators that measure how well the agency delivers its key health protection programmes promulgated in the strategic plan.
- A zero-based budgeting process that will measure our activities against the strategic plan and reprioritise resources to those with the highest priority. All areas of expenditure will be challenged to ensure the correct allocation of resources to meet our strategic priorities and the financial challenges ahead.
- Developing reports by topic and function, which will enable income and expenditure to be reported by purpose and activity as well as by management hierarchy. This format will mirror the key objectives in the strategic plan.

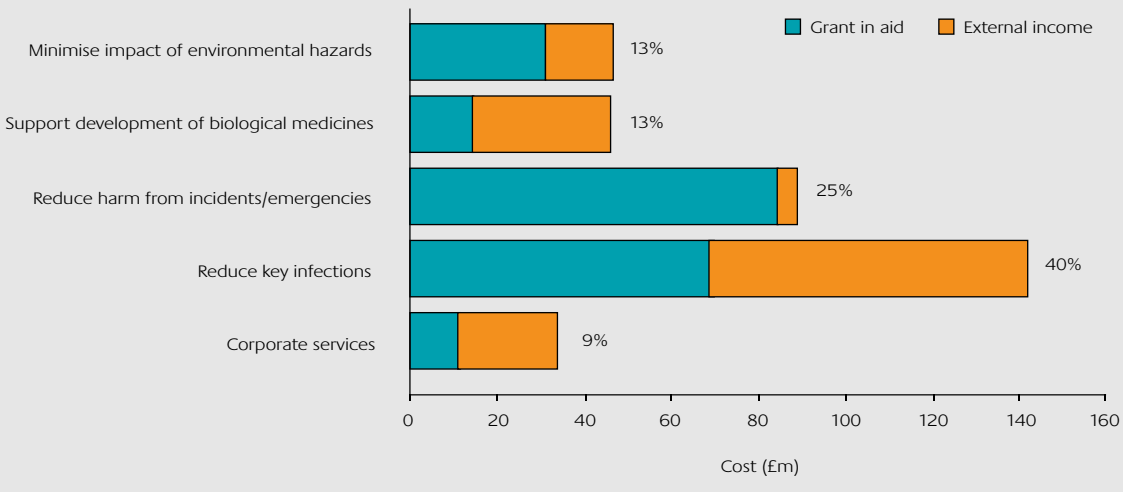
The chart below shows the agency's expenditure for the 2009/10 financial year by the four high level strategic plan health outcomes plus corporate services. The bars represent total expenditure; the orange sections represent the receipt of external income and the blue sections therefore represent the grant in aid allocated to the strategic plan health outcome.

GOVERNMENT AND THE HPA'S SPENDING PLANS

As a public sector organisation, the HPA is partly protected from developments in global financial markets, the tightening of credit conditions, and the slow-down in economic growth and demand. However, it remains vigilant to the risks posed to its stakeholders, and the potential impacts that they could have on the organisation's supply chain, demand for HPA services, and future cash flows.

On the other hand, the need to reduce high levels of public debt has already started to

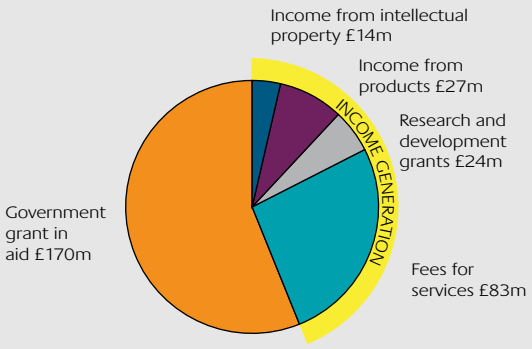
EXPENDITURE BY STRATEGIC OBJECTIVE



impact the agency's funding. The Department of Health has included efficiency savings of 5% within the funding for 2010/11, which has resulted in an overall reduction in cash government funding of 3.5%. The indications are that funding will come under increasing pressure in future years, requiring appropriate responses and prioritisation in the national interest.

The agency's business development strategies continue to provide extra funding for important health protection activities while reducing the overall burden on the taxpayer for the core public health services provided by the HPA. The 2010/11 budget figures show that the HPA generates almost half of its £318m revenue funding and this ensures that the agency continues to provide value for money.

VALUE FOR MONEY



PERFORMANCE IMPROVEMENT PROGRAMME

The HPA is dedicated to working as efficiently as possible to deliver the maximum possible health outcomes with the resources available. To continually increase efficiency and cope with reduced levels of funding, the agency has introduced a performance improvement programme that aims to generate efficiency savings of 5% of gross operating costs per annum during 2010-2015.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

During the audit of these financial statements my staff and I have cooperated fully with the Comptroller and Auditor General. I have taken all feasible steps to ensure that I am fully aware of all information pertinent to the audit and to ensure that this information is notified and made available to the agency's auditors. Consequently, as far as I am aware, there is no relevant audit information that has not been available to the auditors.

GOING CONCERN

The Board has considered the results for the year, the amounts owed by the agency, its financial position at 31 March 2010, the continuing support of Government and the Health Protection Agency Act 2004. Taking all of these factors into consideration, the Board believes it appropriate for the accounts to be prepared on a going concern basis.

DATE OF ISSUE

The Health Protection Agency's accounts were authorised for issue on 16 June 2010.

Justin McCracken
CHIEF EXECUTIVE
9 June 2010

INFLUENZA RESOURCE CENTRE AND UK STEM CELL BANK

The Influenza Resource Centre and UK Stem Cell Bank (UKSCB) building was completed on 11 December 2009. It provides state-of-the-art facilities so that the HPA can respond to future flu outbreaks with speed and efficiency, while the UKSCB provides biological materials and support services for the wider stem cell community.

3 Governance

Governance report

HISTORY OF THE HPA

The HPA was established as a Special Health Authority in April 2003 in advance of the 2004 Health Protection Agency Act.

This Act brought together the HPA Special Health Authority and the National Radiological Protection Board to become the Health Protection Agency – an executive non-departmental public body. On 1 April 2009 the National Institute for Biological Standards and Control became part of the HPA.

PUBLIC HEALTH ROLE

The HPA provides impartial advice and authoritative information on health protection issues to the public, to professionals and to government. It prepares for a wide range of threats to public health and helps to prevent them materialising, but when incidents arise it works with others to protect the public and reduce their impact.

The HPA develops standards for, and monitors, the safety and efficacy of biological medicines. It also plays a leading role in the development of novel ways to prevent harm from infectious and other diseases.

The agency provides an integrated approach to protecting UK public health through the provision of support and advice to the NHS, local authorities, emergency services, other arms-length bodies, the Department of Health and the devolved administrations.

STATUTORY POSITION

The HPA is an executive non-departmental public body sponsored by the Department of Health and is accountable to the Secretary of State for Health and the Minister of State for Public Health.

The functions, duties and powers of the HPA are set out in the Health Protection Agency Act 2004 and in the Health Protection Agency Regulations 2005. More specific aims are agreed with the Department of Health as part of the annual corporate and business planning process and the current HPA plans are available on the website www.hpa.org.uk.

The Department of Health determines the HPA's performance framework in the light of the department's wider strategic aims. The Secretary of State for Health is accountable to parliament for the activities and performance of the HPA. In consultation with the devolved administrations as appropriate, his/her responsibilities include approving the HPA's strategic objectives and the policy and performance framework within which the HPA will operate, and keeping parliament informed about the HPA's performance.

The Department of Health ensures that financial and management controls applied to the HPA are sufficient to safeguard public funds and that this is monitored. Note that 'public funds' include not only funds granted to the HPA by parliament but also other funds generated by approved activities or falling within the stewardship of the HPA.

The HPA Act sets out the 'membership of the agency' to be the chairman, the chief executive, non-executive members and executive members.

STRATEGIC PLANNING

The agency plans its work based on public health priorities in consultation with stakeholders. It aligns resources with the changing pattern of health protection risks – so shifting emphasis to new and emerging issues such as health impacts of climate change, and of environmental hazards and chemicals, while still remaining vigilant about existing threats.

The HPA focuses resources on areas where it has unique expertise and can deliver or stimulate better health protection whether in the UK or by enhancing the health protection capacity of developing nations. It chooses different combinations of responses for different threats according to what will have the greatest impact.

Planning and performance measurement

In writing its strategic plan the HPA has translated its four health outcomes and ten strategic aims for the organisation into separate topics that

link into detailed programmes. This will deliver a strategy that is aligned with public health priorities, and the agency's expertise and resources.

Objectives have been identified for each topic, along with the way in which the HPA will measure its success in achieving these objectives. Some objectives are to improve the way the agency addresses existing health issues, while others are to change or invest to meet emerging health threats. All are designed to bring greater health benefits to the population.

The agency's corporate business plan is developed to deliver the strategic aims for each year and to provide the framework for the challenging formal performance measurement required of an organisation in the public sector.

At a local level, the business plans further develop the corporate objectives. The local plans link directly to the financial budgets and resource plans for staff, capital expenditure and consumables required to deliver the objectives and provide a local performance measurement framework.

HPA LEADERSHIP

The HPA Board

The Board is committed to the highest standards of corporate governance and complies with the best practice provisions of the Code of Good Practice on Corporate Governance in Central Government Departments issued by HM Treasury.

The chairman and the non-executive members of the board are appointed by the secretary of state for health, except for one non-executive appointed by the National Assembly for Wales, one by the Scottish ministers and one by the Department of Health, Social Services and Public Safety in Northern Ireland. The executive members are appointed by the chairman and the non-executive members of the Board.

The non-executive members are drawn from diverse backgrounds, bringing a broad range of views and experiences to Board deliberations.

Biographical details of Board members are published on the HPA website at www.hpa.org.uk/board

www.hpa.org.uk

The Board met on eight occasions in 2009/10. Minutes and papers of public meetings are published on the HPA website at www.hpa.org.uk/board.

In addition, non-executive Board members meet formally without their executive colleagues twice a year.
During the financial year under review the Board consisted of the chairman and 12 other non-executive members (who are not officers of the HPA), two Board advisers; plus the chief executive and one executive member, the director of finance and resources (who are officers of the HPA).

The Executive Group

The HPA's Executive Group consists of executive directors and is chaired by the chief executive. It is responsible for the strategic and operational management of the organisation and for implementing the policies and strategies agreed by the Board. The chief executive is also the accounting officer for the agency, and has responsibility to government for the management of the organisation.

The Executive Group meets monthly and members also communicate through a weekly teleconference. The members who served on the Executive Group since 1 April 2009 are shown in the diagram on p47.

Role of the Board

The Board has corporate responsibility for ensuring that the HPA fulfils the aims and objectives set by the secretary of state for health and for promoting the efficient and effective use of staff and other resources.

The Board establishes the overall strategic direction of the HPA within the policy and resources framework determined by the secretary of state for health. Responsibility for delivering the agency's objectives and running the business on a day-to-day basis lies with the chief executive and the Executive Group.

The roles of the chairman, the chief executive and the Board members are separate and clearly defined within the division of responsibilities set out in the management statement, which is agreed with the Department of Health and published on the HPA website.

The Board meets to consider all matters relating to the overall control, business performance and strategy of the HPA.

The Board has delegated some of its governance activities to standing Board committees and sub-committees with clearly defined terms of reference set by the Board. The standing committees are: the Audit Committee, the Finance Committee, the Human Resources Committee and the Remuneration and Terms of Service Committee. The sub-committees oversee local and regional services; radiation, chemical and environmental hazards; and global health. Further details can be found on the HPA website at www.hpa.org.uk/board.

www.hpa.org.uk 

BOARD COMMITTEE STRUCTURE

The Board committee structure can be viewed on the HPA website at www.hpa.org.uk/board.

A regulatory oversight committee has been established by the Board at the direction of the Secretary of State for Health, with delegated authority and an independently appointed chairman. The committee provides assurance that any potential conflict of interest between the regulatory control function discharged by NIBSC and other HPA activities is monitored and managed effectively. The committee reports directly to the Secretary of State.

BOARD MEMBERS' INDUCTION AND DEVELOPMENT

On appointment, members are provided with written terms of appointment including details of how their performance will be appraised.

Members also receive a full induction programme comprising briefings by senior management, a briefing from the Board secretary on the Board's responsibilities and procedures and visits to HPA centres and divisions.

The Board regularly reviews the information it needs to fulfil its responsibilities, and Board members update their knowledge and develop their understanding of the agency through site visits, in-depth presentations on topical issues and meetings with key stakeholders.

Visits and presentations also give non-executive members the chance to meet a wide range of staff of the agency and partner organisations.

The Board may, if it wishes, take independent professional advice and all non-executives Board members have access to the advice and services of the Board secretary.

Board appointments

Non-executive Board members are appointed through a rigorous process of open competition against an agreed specification of the roles and capabilities required. Non-executive Board members are eligible to be considered for reappointment at the end of their term of office, normally every four years.

Board members are required to notify and register with the Board secretary any issues on which they might have a conflict of interest. Declarations of interest are invited at every Board meeting and the Board as a whole considers how it should discuss the matter(s) on which the member may have a conflict. The register of Board member's interests is maintained by the Board secretary at the HPA central office and may be viewed by appointment during office hours. Please call 020 7759 2710 to make an appointment.

Changes to the Board membership that have occurred since 1 April 2009 are shown in the diagram on p47.

Responsibilities and accountability for risk management

The HPA Board is responsible for the overall risk strategy and for monitoring and reviewing the level of risk borne by the HPA. The chief executive is responsible for ensuring that the strategy is implemented, and is accountable to the Board.

The Executive Group is responsible for monitoring and reviewing risk management in the organisation. The Board controls and monitors risk management by reviewing the principal strategic risks facing the agency. It also considers issues referred by the chief executive, the Executive Group and the Audit Committee.

Centre and divisional directors are responsible for risk management within their areas of responsibility. This includes promoting risk awareness and supporting staff in managing risk. Unit heads are responsible for ensuring that overall risks are managed in their units, through the assessment of risks relating to the achievement of their objectives and by mitigating these risks. The assessment is carried out in conjunction with the development of the business plan, and is reviewed regularly.

The head of internal audit provides an annual assurance statement to the chief executive, the Audit Committee and the Board on the effectiveness of the organisation's risk management arrangements. This is based on work undertaken throughout the year to assess the robustness of the system, to provide information on its strengths and weaknesses, and advise on where improvements are necessary and desirable for good governance. The risk management arrangements are not designed to reduce risks to zero but to reduce risks to an acceptable level, which is the point at which the cost of reducing the risk further outweighs the benefit.

ADDITIONAL CORPORATE INFORMATION

Human resources policies and process development

The HPA develops a wide range of employment policies that ensure compliance with current legislation and best practice. Policies

CHANGES TO THE BOARD BETWEEN 1 APRIL 2009 AND 31 MARCH 2010:

Sir William Stewart retired on 5 April 2009.

Professor Charles Easmon was appointed acting chairman of the Board from 6 April 2009, until the appointment of Dr David Heymann on 1 May 2009.

Michael Carroll, Helen Froud, Martin Hindle and Deborah Oakley were appointed to the Board from 1 April 2009.

Dr David Heymann was appointed as chairman of the Board from 1 May 2009.

Dr Rosemary Leonard resigned on 18 March 2010.

CHANGES TO THE EXECUTIVE GROUP BETWEEN 1 APRIL 2009 AND 31 MARCH 2010:

Dr Stephen Inglis joined the Executive Group with the merger of the National Institute for Biological Standards and Control on 1 April 2009.

Michael Harker stood down as director of corporate affairs and secretary to the Board on 5 April 2009.

Dr Ruth Gelletlie was appointed director of Local and Regional Services on 6 April 2009.

Dr Roger Cox retired on 3 June 2009.

Dr John Cooper was appointed director of the Centre for Radiation, Chemical and Environmental Hazards on 4 June 2009.

Dr Stephen Chatfield resigned on 27 November 2009.

Dr Miles Carroll was appointed interim director of the Centre for Emergency Preparedness and Response on 28 November 2009.

Tony Vickers changed his name to Tony Vickers-Byrne on 16 January 2010.

Dr Christine McCartney moved to the role of organisational change programme leader on 9 March 2010.

Professor Eric Bolton was appointed interim director of the Regional Microbiology Network on 10 March 2010.

Composition of the Board and Executive Group on 31 March 2010

Dr David Heymann CBE (chairman)
Professor Charles Easmon CBE (deputy chairman)
Dr Barbara Bannister
Michael Beaumont CBE
James Brown CBE
Michael Carroll
Helen Froud
Martin Hindle
Dr Vanessa Mayatt
John Wyn Owen CB
Deborah Oakley
Professor Debby Reynolds
Professor William Gelletly OBE (adviser)
Professor Alan Maryon Davis (adviser)

Executive directors who are also HPA Board members
Justin McCracken (chief executive)
Dr Tony Sannia (director of finance and resources)

Lis Birrane
Professor Eric Bolton (acting)
Dr Miles Carroll (acting)
Dr John Cooper
Dr Ruth Gelletlie
Dr Stephen Inglis
Professor Anthony Kessel
Dr Christine McCartney OBE
Professor Stephen Palmer
Dr John Stephenson
Tony Vickers-Byrne
Professor Maria Zambon

CHANGES TO THE BOARD SINCE 31 MARCH 2010:

Dr Vanessa Mayatt stood down as a non-executive Board member on 31 March 2010.

Professor Charles Easmon was reappointed as a non-executive Board member until 31 March 2013.

Professor William Gelletly and Dr Tim Wyatt were appointed to the Board from 1 April 2010.

Professor Alan Maryon Davis' appointment as a Board adviser ended on 31 May 2010.

are designed to ensure that they are 'fit for purpose' and reflect HPA values and behaviours, and are reviewed regularly. The policy development process involves extensive consultation with staff side and line managers.

All employment policies are subject to equality impact assessment (EIA), thus ensuring that HPA policies do not adversely affect or discriminate against any protected group. The EIA process helps the HPA to consider any potential adverse impacts on different groups of staff and where possible modify the policy or process. This also offers an opportunity to consider how the policy may help to further promote equality and diversity.

Policies are developed that actively promote good practice and consistency across the HPA. Workshops and briefings are undertaken by senior human resources staff, covering the needs of both managers and staff, to ensure understanding of the policies and to ensure they are applied consistently across the HPA.

Employee relations

The HPA promotes positive and progressive employee relations and partnership working with staff and their representatives, and a formal recognition agreement is in place with recognised trade unions.

The corporate focus for regular and constructive consultation on a wide range of workforce issues is the National Joint Staff Committee (NJSC), which is jointly chaired by the chief executive and the chair of the staff side. The NJSC meets on a quarterly basis and additional meetings are arranged if necessary. A local negotiating committee involving representatives of the British Medical Association also meets regularly with management representatives to address issues specific to medical staff.

Local consultative committees have been established for all the main operating divisions and centres of the agency, which meet regularly to address local workforce issues.

Staff communications and engagement

Like much of the work of the HPA during 2009, plans for staff engagement initiatives were rapidly adapted to make them appropriate to the enormous response the agency mounted to the flu pandemic.

The 'storytelling' programme, begun earlier in the year, was used to capture the experiences of staff from across the organisation of the agency's response. A wide cross-section of staff attended a pandemic flu reflections day to share what had worked well and to identify what could be improved upon. These reflections and comments were recorded and made available to be used as part of the feedback and learning lessons process.

A national staff telephone survey was also conducted to gather information about employee communications in a pandemic situation. The survey, which targeted a spread of roles across the HPA, was conducted rapidly following the first wave of the pandemic, so the agency could improve its internal communications in preparation for an anticipated second wave of the pandemic.

The year also saw the launch of the Values in Practice (ViP) awards across the agency. During September and October 220 nominations were put forward by staff on behalf of their colleagues. In November chief medical officer Professor Sir Liam Donaldson presented the winners and runners-up of the six awards with prizes and certificates (see p37).

In 2010 the HPA will be implementing a major programme of organisational change. A comprehensive programme of staff engagement and internal communication is being planned to support this.

Equality and diversity

The HPA undertakes to promote equality and diversity and not to discriminate between employees or job applicants in respect of age, sex, sexual orientation, race, colour, ethic or national origin, disability, religion, gender reassignment, HIV status or trade union membership.

During 2009/10, the HPA refocused its equality and diversity strategic objectives arising out of its various equality schemes. This resulted in three core activities:

- An HPA-wide equality impact assessment programme for 2009/10.
- A mandatory equality and diversity training programme.
- The development of an HPA Single Equality Scheme for 2010-2013.

The HPA established a corporate equality impact assessment programme covering the core activities of the organisation. The HPA suffered a significant delay on completing this programme due to its response to the flu pandemic. However, the agency has made significant progress and completed more than 30 assessments by the end of March 2010.

There have also been a wide range of equality and diversity training interventions, including:

- Tailored training for the HPA Board, Executive Group and senior managers.
- Two-hour equality and diversity workshops delivered to over 100 staff.
- Equality and diversity training for human resources staff to further develop expertise on equality and diversity matters.
- Training for division and centre equality champions.
- Equality impact assessment training delivered to over 100 staff.
- An e-learning package suitable for all staff.

The HPA has been developing its first Single Equality Scheme, with the aim of the plan to be in place for 2010. The Scheme has been developed through the HPA Single Equality Scheme Working Party and has engaged at an early stage with the HPA Board and Executive Group.

The scheme will also be consulted upon internally with staff and staff side representatives as well as the public, private and third sector organisations. All divisions will have an equality and diversity action plan, based upon the HPA Single Equality Scheme.

The HPA also undertook a range of initiatives to achieve 'cultural change' on its equality and diversity agenda, including:

- An equality and diversity communications plan, which started in February 2010 with the introduction of an HPA intranet page for staff and access to consult on the new HPA Single Equality Scheme and HPA equality impact.
- The development of staff support groups.
- The development of a positive action programme to address under-representation issues.

Pensions

The majority of HPA employees are covered by two pension schemes: the NHS Pension Scheme and the Combined Pension Scheme. A few employees have retained their individual membership of the Principal Civil Service Pension Scheme, or have exercised other options available as a result of the Social Security Act 1986.

All three schemes are defined benefits schemes, and each prepares separate scheme statements which are readily available to the public. Further details are included in note 5 to the financial statements.

Health and safety

The HPA revised its health and safety policy in July 2009. Consistent with the vision to protect the health of everyone in the UK, the HPA will protect the health, safety and well-being at work of its employees and others who may be affected by its activities. The agency will underpin its strategic aims by adopting excellent standards of health and safety performance.

The HPA Board sets the direction and reviewed its approach to health and safety in November 2009.

The Executive Group leads on improving health and safety performance and monitors progress regularly. The HPA engages and consults with staff through a network of safety representatives and continues to hold regular health and safety meetings with these representatives.

Responsibility for local implementation of policies and improvement in health and safety performance remains with the directors of each centre or division. This is managed through a corporate health and safety plan and centre/divisional plans.

The number of incidents reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) has continued to decrease, with 16 in 2009/10 compared to 19 in 2008/09 and 23 in 2007/08.

Environmental management and sustainability

The HPA remains fully committed to sustainable development. The agency's sustainable development action plan sets out the organisation's plans for future sustainable development strategies and includes clear actions in areas such as energy management, carbon footprint calculation and reduction, sustainable procurement and implementation

of the organisation's waste strategy. This is integrated with the HPA's strategy to deliver on the commitments within its Environmental Policy Statement. The HPA Sustainability Strategy Group coordinates these activities on behalf of the Executive Group and the Board. Good progress has been made in a number of areas, including:

- Completing a scoping study and implementation of a carbon management programme.
- Working with the Carbon Trust to reduce the use of energy.
- Implementing an agency-wide waste policy and guidance document.
- Implementing an energy policy outlining a framework for achieving better use of natural resources across the organisation in 2009/10.
- Developing sustainable travel guidelines that will be implemented in 2010/11.

Underlining its commitment to carbon reduction, the HPA has also joined with the Carbon Trust in the Central Government Estate Carbon Management (CGCM) Service programme for 2010/11.

Statutory information access requests

During 2009/10 the HPA received 331 (2008/09: 257) information access requests, including requests transferred to the agency from other public authorities.

Most requests cited the Freedom of Information Act but the figure also includes requests handled in part or exclusively under other information access legislation.

Specifically, nine (2008/09: three) requests were handled under the Environmental Information Regulations and 54 (2008/09: ten) were subject access requests for personal information (made by the data subject or agent acting on their behalf) and were handled under the Data Protection Act.

Enquiries via website

During 2009/10 the HPA received 8,150 online enquiries from members of the public, healthcare professionals, patients and service users. This is an average of 31 enquiries each day.

Parliamentary questions

A total of 196 parliamentary questions were referred to the HPA during 2009/10 (2008/09: 190).

Complaints

A total of 28 complaints (2008/09: 22) were received from members of the public, patients and service users during the year and were handled in accordance with the HPA's complaints procedure, which is available from www.hpa.org.uk.

Public and stakeholder involvement

The HPA began collecting evidence to establish a benchmark for measuring its reputation in 2007. This formed part of a public involvement programme that was designed to consult and involve the public and stakeholders in three phases: a public opinion survey, stakeholder interviews and focus groups.

Building on the work of the programme the agency has continued to follow a planned strategic approach for engagement and consultation as laid out in its communications strategy. A model for public involvement has been developed, tested and approved by focus groups.

In the last year the HPA has built on this model by expanding the membership of its committees. In particular the Health Protection Society Advisory Group has been reconstituted with new members drawn from the agency's people's panel who were recruited during the first public opinion survey.

The HPA needs to demonstrate what it has done to involve the public in its work and how consultation informed its big decisions. As a result a second public opinion survey was conducted in 2009 to continue the process of measuring and benchmarking public perceptions of the organisation as well as tracking awareness of health protection issues.

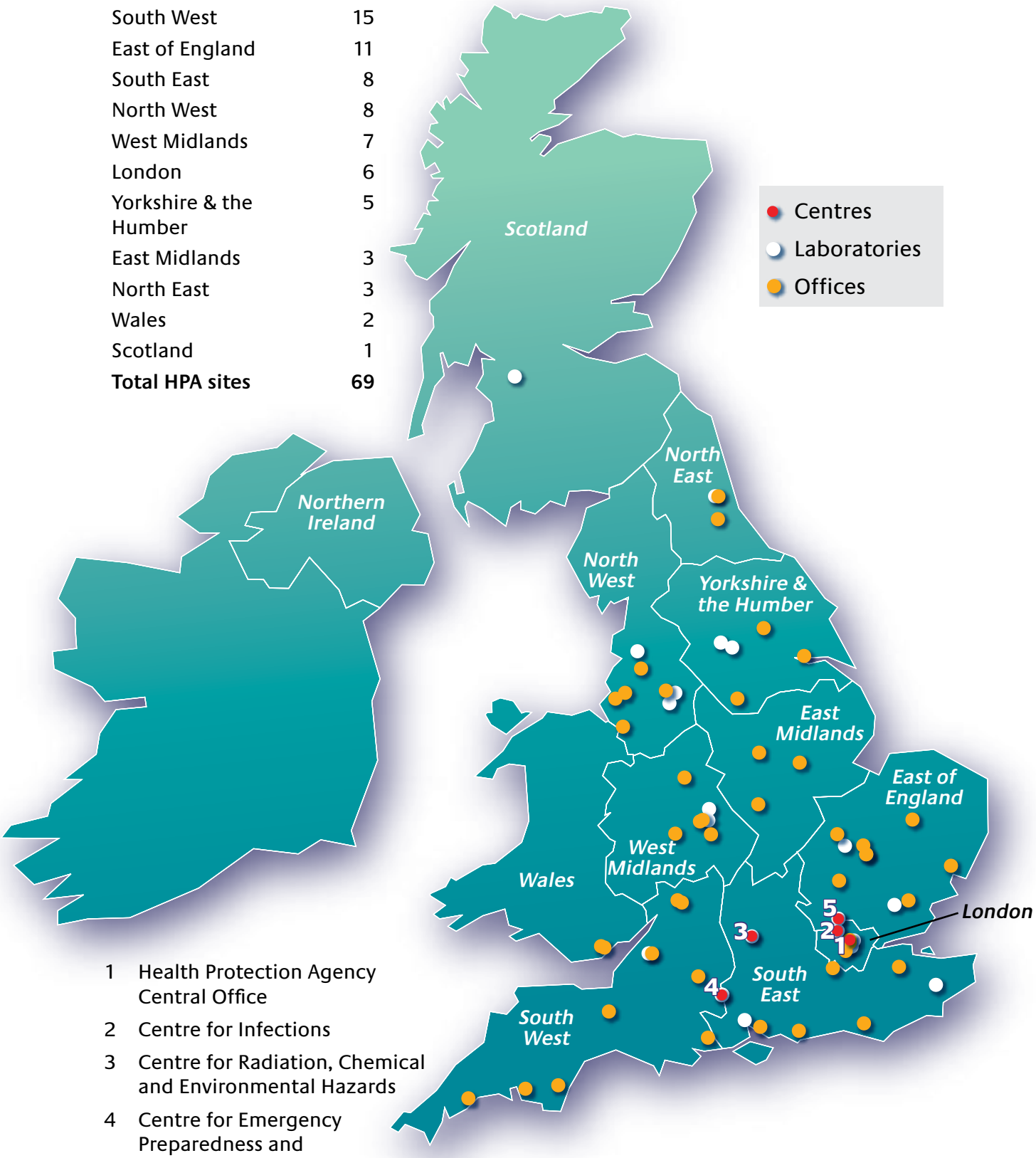
In addition a selection of representatives from regional stakeholder organisations took part in in-depth interviews to probe their impressions of and relationship with the agency.

Reporting of personal data related incidents

The HPA records incidents involving personal data through local reporting mechanisms into a central system. There are no incidents in the report period that fall under the criteria for reporting to the Information Commissioner's office. In addition, there were no information losses whose release could have put individuals at risk of harm or distress.

HEALTH PROTECTION AGENCY SITES

Region	HPA sites
South West	15
East of England	11
South East	8
North West	8
West Midlands	7
London	6
Yorkshire & the Humber	5
East Midlands	3
North East	3
Wales	2
Scotland	1
Total HPA sites	**69**



1 Health Protection Agency Central Office

2 Centre for Infections

3 Centre for Radiation, Chemical and Environmental Hazards

4 Centre for Emergency Preparedness and Response

5 National Institute for Biological Standards and Control

For more information see www.hpa.org.uk

www.hpa.org.uk

Statement on internal control

SCOPE OF RESPONSIBILITY

As accounting officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the HPA's policies, aims and objectives, while safeguarding the public funds and agency's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The relationship between the HPA and its sponsoring department, the Department of Health and the devolved administrations, is specified in the management statement. The agency's business plan, objectives and associated risks are discussed at the annual accountability meeting, and at the quarterly review meetings with the Department of Health and the devolved administrations.

Accountability within the HPA is exercised through:

- The Board and the Audit Committee. The agency's Board has established an Audit Committee, under the chairmanship of a non-executive Board member, to support its corporate governance role and me in my responsibility for risk, controls and associated assurance.
- An Executive Group comprising all centre and divisional directors and with myself as the accounting officer. Executive directors are personally accountable to me for the management of the risks within their centres and divisions.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the HPA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the HPA for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

CAPACITY TO HANDLE RISK

The agency's risk management policy and procedure set out responsibilities at all levels including senior-level leadership for the risk management process. In addition, risk management is included as part of the performance criteria of all centre directors, divisional directors and senior staff. Responsibility for risk management is included in job descriptions and person specifications where appropriate, and is part of the staff appraisal process.

The agency aims to minimise adverse outcomes such as harm, loss or damage to the organisation, its people or property, or those who receive its services, through adequate supervision and training, appropriate delegation, continuous review of processes and the environment, and the sharing of lessons learned and best practice. This is achieved, primarily, through setting standards for professional practice and service delivery. The Integrated Governance Information system is used to manage adverse incidents, with lessons learned being promulgated through the HPA's intranet.

Executive directors and management staff receive ongoing training in risk management and workshops are facilitated to assist them in identifying and assessing risks. A programme of mandatory risk management training is in place for all levels of staff, and guidance is provided through the intranet.

THE RISK AND CONTROL FRAMEWORK

The strategic risk register has been revised to include consideration of the HPA's health outcomes. The agency's centres and divisions each have a risk register that is updated quarterly and risks are fed into the strategic risk register where appropriate.

Risk registers are also maintained at one level below the centre or division and for

key projects. Risk registers for the agency's programmes have been developed. Where a risk cannot be managed at a particular level within the organisation it is escalated to the next level up.

A bottom-up approach is also in place where risks are reported via risk registers, verbally during staff and management meetings, or through written reports. These mechanisms help to ensure that the appropriate filtering and delegation of risk management are in place and that the system is embedded throughout the agency.

Assessment of the adequacy of controls is a vital part of our systematic approach that attempts to limit risk to an acceptable residual level, rather than obviate the risk altogether. Staff are encouraged to balance the cost of control with the risk to be mitigated and to help ensure that value for money is achieved.

The HPA's adverse incident management policy and procedure provides a formal mechanism for reporting and learning from incidents across the agency. A real-time electronic incident management and investigation system enables management to report and track key issues. The agency also publishes reports on major events and these are used to promulgate lessons learned for both the agency and its partners. The agency has a formal complaints procedure for patients and service users, which is published on the HPA website.

The risk management team develops the HPA's approach to risk management, and identifies cross-cutting operational risks. The Clinical and Health Protection Governance Group helps to ensure that robust clinical and health protection governance systems operate throughout the agency, and that the clinical and health protection governance strategy is fit for purpose.

The HPA's arrangements to mitigate health and safety risk include the work of the Health and Safety Steering Group (HSSG). This group reviews the agency's health and safety strategy and arrangements to ensure that they are appropriate for the future requirements of the HPA; and that they continue to meet changing statutory requirements. The HSSG has developed, and through the Executive Group has promulgated, health and safety policies and guidance at a national level. The HSSG has also ensured that HPA health and safety reporting processes have been further developed and that the resulting performance data has been reviewed and presented to the Executive Group and the Board on a regular basis.

The agency will register with the Care Quality Commission as required by the Health and Social Care Act 2008 (regulated activities) legislation in October 2010. To ensure compliance with the regulation requirements of the Act, executive directors are responsible for producing self-assessments for their centre/division that are reviewed by the HPA Integrated Governance Group. Based on work carried out by this group and agreed by the executive directors, registration is approved by the Board. An assurance register is also available on the HPA intranet.

In relation to information risk, the agency uses the standards and codes for information governance set out in the NHS Information Governance Toolkit, BS ISO 27002 (code of practice for information security) and codes of practice from the Information Commissioner's Office such as the framework code of practice for sharing personal information to benchmark and raise performance in information management.

The Information Governance Statement of Compliance is the process by which the HPA enters into an agreement with NHS Connecting for Health for access to the NHS National Network (N3). The agency has provided an acceptable Statement of Compliance (SoC) and is required to maintain this status as a user of NHS services, with annual compliance reporting achieved through the NHS Information Governance Toolkit. The HPA SoC provides assurance that the agency meets key requirements and has robust improvement plans to address any shortfalls.

The flow of information between the agency and its partners is essential to the provision of our services. To ensure that patient-identifiable data is adequately safeguarded, we have a network of individuals with specific roles and responsibilities, namely Caldicott guardians, associate Caldicott guardians and security of information officers. The HPA also seeks approval from the National Information Governance Board for permission to continue

to handle patient identifiable information, on an annual basis. An information governance policy and strategy is in place to ensure that information risk is assessed and managed in a way that values, protects and uses information for the public good.

The HPA's work involves a large number of stakeholders, and work is carried out through partnerships and contractual agreements. A stakeholder toolkit was produced and reviewed by all centres and divisions through the Operational Support and Development Group. As a result of feedback received, it was agreed a stakeholder management policy was required, accompanied by an amended toolkit. This was in place by the end of March 2010.

The need to respond to the 2009 flu pandemic had a significant impact on the ability to deliver the full programme as originally envisaged. However, contacts have been made with a number of NHS non-executives and other stakeholders through a programme of invitations combined with regional visits by the Local and Regional Services board sub-committee. A parliamentary briefing was arranged in February 2010, which focused on the HPA's work in flu, and a regionally-led programme of talks, training, workshops and stakeholder communications is ongoing.

The HPA's Emergency Response Development Group ensures that the agency's Incident and Emergency Response Plan is robust, resilient and fit for purpose. A sub-group is in place to ensure that business continuity management is consistent and robust across the agency. Accountability for emergency response lies with centre and divisional directors and through regional directors to local teams.

The HPA has been involved in, and has undertaken, a number of exercises to improve our preparedness and there is a rolling programme of exercises. Work with partners and other stakeholders to meet the requirements of the Civil Contingencies Act 2004 has been carried out at regional and local levels by emergency planners and resilience groups. The agency was heavily involved in dealing with the pandemic flu outbreak and lessons learned will be promulgated in due course.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

REVIEW OF EFFECTIVENESS

As accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of my review of the effectiveness of the internal control system by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The agency's Board receives regular reports from the chairman of the Audit Committee concerning risk, control and governance, and associated assurance. The Audit Committee is fully committed to ensuring that corrective action is taken in a timely manner where necessary.

The Integrated Governance Group (IGG) reviews governance activities within the agency and identifies the actions necessary for improvement. The appropriateness, effectiveness and progress of the risk management strategy, policy and approach are monitored by the IGG. The IGG reports and makes recommendations to the Audit Committee. Cross-attendance between the IGG, the Audit Committee and the Health and Safety Strategy Group helps to ensure that a consistent approach is taken. An electronic system for gathering and monitoring assurances is under development and in future this will be used to inform the agency's response to the Care Quality Commission.

Internal audit provides an independent, objective assurance and consulting service

designed to add value and improve the agency's operations. Its work is based on an agreed audit plan, which is carried out in accordance with government internal audit standards. This helps ensure that the work undertaken by internal audit provides a reasonable indication of the controls in operation across the whole of the HPA.

Findings from work carried out during the year were presented to the Audit Committee. In addition, the head of internal audit has provided me with an annual written statement setting out a formal opinion on the adequacy, reliability and effectiveness of the systems and controls in place across the agency.

In addition to the independent assurance received from internal audit, periodic management assurance is obtained in the form of an annual assurance statement made by each executive director in respect of the effectiveness of controls in areas of key management responsibility. Ongoing management assurance is also available from inspection and compliance teams, which provide ongoing review of specific and defined areas including health and safety, clinical governance and quality assurance. Assurances are also received from external accreditation and regulatory bodies, mainly in the field of laboratory practice.

CONTROL ISSUES DURING THE YEAR

In October 2009 the Health and Safety Executive decided to prosecute the HPA for an incident that occurred on 9 October 2007, involving the spillage of hazardous waste from a containment level three laboratory. HPA has since implemented corrective actions to prevent reoccurrence of such an incident.

Arising from completion of the Information Governance Toolkit, of the 25 key standards (increased from 20 in 2008/09) there are eight standards for which the agency has not achieved level two compliance. Each standard has four levels of attainment, from level zero to level three. The HPA makes an assessment of the level of compliance by reviewing the assurances in place in each of the agency's centres and divisions against a series of questions for each level. An action plan is in place to address the issues identified.

The HPA has undertaken an assessment against the security requirements contained in the security policy framework (SPF) issued by the Cabinet Office. There are no significant security control weaknesses arising from the agency's assessment of its current position in relation to the SPF requirements, although work is underway to further strengthen the security practices across the organisation. There have been no significant security incidents during the year ended 31 March 2010.

In August and September 2009 there was a large outbreak of *Escherichia coli* O157, associated with Godstone Farm in south-east England. Outbreaks of this gastrointestinal disease are known to be associated with petting farms, but this outbreak was the largest of its kind in Europe. A total of 93 children were affected, with significant morbidity but no deaths. An independent external inquiry was launched to examine the roles of different agencies in the management of the outbreak, led by Professor George Griffin.

In parallel, the chief executive of the HPA initiated a full internal inquiry, examining the role of the HPA (including individual staff members) in the management of the outbreak. The internal inquiry panel was chaired by the agency's deputy chairman Professor Charles Easmon, and included on its panel senior HPA members, staff-side representation, and an external director of public health. The panel operated as an adverse incident inquiry under the HPA's adverse incident procedure. The panel interviewed staff members formally, reviewed evidence, and completed its report for the chief executive in April 2010. The chief executive has now started the process of acting on the 27 recommendations of the report.

Justin McCracken
CHIEF EXECUTIVE
9 June 2010

Remuneration report

This report details the policy on the appointment, appraisal and remuneration of members of the Board and the Executive Group of the HPA, for the year ended 31 March 2010.

The report has been prepared in consultation with the HPA's Remuneration and Terms of Service Committee, and is based upon the provisions contained within the government's *Financial Reporting Manual 2009/10*.

COMMITTEE MEMBERSHIP

The Remuneration and Terms of Service Committee consists of four non-executive Board members. The members for 2009/10 were:

Members
Dr David Heymann
Professor Charles Easmon
Michael Beaumont
Martin Hindle

All four members served on the committee throughout the year.

Meetings are attended by Justin McCracken, HPA chief executive and Tony Vickers-Byrne, the director of human resources, other than when their own remuneration is being discussed.

APPOINTMENT AND APPRAISAL OF MEMBERS OF THE BOARD AND THE EXECUTIVE GROUP

Non-executive and advisory Board members

All non-executive Board members are appointed by the Secretary of State for Health as advised by the Appointments Commission, or by the ministers of the devolved administrations, for a defined term. Advisory Board member appointments are made by the chairman of the Board and are endorsed by the Board.

You can find further information about the Appointments Commission by visiting their website at www.appointments.org.uk.

The HPA applies the same appraisal arrangements to non-executive and advisory Board members. Performance is assessed by the chairman of the Board through an annual appraisal process. The appraisal process for the chairman is conducted by the HPA's Appointments Commission observer and the Department of Health senior sponsor.

Members of the Executive Group

The Remuneration and Terms of Service Committee determines the policy for the

ACCOUNTABILITY

As a committee of the HPA Board, the Remuneration and Terms of Service Committee is accountable to the Board.

ROLE

The current terms of reference require the committee to consider and make recommendations to the Board on the following issues:

- The overall framework for determining the remuneration and terms of service arrangements for all staff employed by the HPA.
- The remuneration and terms of service of senior executives, including the chief executive and other members of the Executive Group.
- The contractual arrangements for senior executives, including the calculation and scrutiny of termination payments, ensuring that such payments are appropriate and take account of national guidance.
- The mechanism for monitoring the performance of the senior executives and their individual objectives for the forthcoming year.
- The approval of all severance packages with a total cost of £100,000 or more.
- The approval of any premature retirement applications on the grounds of 'in the interests of the efficiency of the service'.

appointment of the members of the Executive Group that report directly to the chief executive. The members of the Executive Group hold employment contracts that are open-ended until they reach the normal retirement age of 65 with notice periods of three months, with the exception of the chief executive which is six months. Early termination by the HPA, other than for misconduct, would result in the individual receiving compensation in accordance with NHS terms and conditions or, in the case of Dr Cox and Dr Cooper, in accordance with the terms of the UK Atomic Energy Authority Combined Pension Scheme. Any payments for compensation for loss of office would be agreed by the Remuneration and Terms of Service Committee with reference to the Department of Health and HM Treasury guidelines.

The committee also reviews and assesses the annual appraisal process for members of the Executive Group, whose appraisal is undertaken by the chief executive. The chief executive undertakes an appraisal interview with each member of the Executive Group. Performance is assessed against a range of objectives and a set of core management skills and leadership qualities. The appraisal process for 2009/10 for the first time included an element of 360 degree appraisal designed to specifically assess the behaviour of Executive Group member's against the agreed values and behaviours framework of the agency. The outcome of the appraisal interview is reviewed by the chairman of the Board.

REMUNERATION POLICY

Non-executive and advisory Board members

Non-executive Board members' remuneration is not performance related, and is determined by the Secretary of State for Health and the ministers of the devolved administrations. The remuneration package is subject to an annual review by the relevant authority. The HPA applies the same remuneration arrangements to advisory Board members.

Members of the Executive Group

The Remuneration and Terms of Service Committee determines the policy for the remuneration of the members of the Executive Group.

There are no performance-related bonuses payable to members of the Executive Group. Their remuneration package consists of a salary and pension contributions. In determining the package, the Remuneration and Terms of Service Committee has regard to pay and employment policies elsewhere within the HPA as well as the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

The salaries of the members of the Executive Group are reviewed annually, having regard to the remuneration policy which takes into account the NHS Very Senior Managers Pay Framework. For the 2009/10 financial year, members of the Executive Group received cost of living increases amounting to an annualised 1.50% (2008/09: 2.75%). The cost of living increases for other employees within the HPA was an annualised 1.50% for medical consultants and 2.40% for all other staff (2008/09: 2.20% and 2.75% respectively).

Details of amounts payable to third parties for services of a member of the Executive Group

Professor Stephen Palmer was a member of the Executive Group for the whole year ended 31 March 2010. He is an employee of Cardiff University. The amount paid by the HPA to the university to cover his salary and employer on-costs for the year totalled £141,000 (2008/09: £190,000). This total included a clinical excellence award that is funded by the Department of Health.

Salary, fees and allowances

Salary, fees and allowances covers both pensionable and non-pensionable amounts, and includes any allowances or other payments to the extent they are subject to UK taxation. It does not include amounts that are simply a reimbursement of expenses directly incurred in the performance of the individual's duties. However, expenses paid to Board members and Executive Group members have been published on the HPA website.

www.hpa.org.uk

Benefits in kind

During the year ended 31 March 2010 no benefits in kind were made available to any non-executive member of the Board or any member of the Executive Group.

REMUNERATION OF NON-EXECUTIVE BOARD MEMBERS AND EXECUTIVE GROUP MEMBERS

The table below lists all persons who served on the Board or Executive Group during the year ended 31 March 2010. A summary of their employment contract is accompanied by the total remuneration due to each individual during their tenure in post in 2009/10.

REMUNERATION OF NON-EXECUTIVE BOARD MEMBERS AND EXECUTIVE GROUP MEMBERS					
				Total salary, fees and allowances	
	Date commenced, reappointed or extended	Expiry date of appointment or current contract	Notice period	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Non-executive Board members					
Sir William Stewart	1 April 2007	30 April 2009	†	0-5*	60-65
Dr David Heymann	1 May 2009	30 April 2013	†	55-60*	-
Dr Barbara Bannister[1]	1 April 2008	31 March 2011	†	5-10	5-10
Michael Beaumont	1 April 2008	31 March 2011	†	10-15	10-15
James Brown	1 October 2008	30 September 2011	†	5-10	5-10
Michael Carroll	1 April 2009	31 March 2012	†	5-10	-
Professor Charles Easmon	1 April 2008	31 March 2013	†	10-15	5-10
Helen Froud	1 April 2009	31 March 2012	†	5-10	-
Martin Hindle	1 April 2009	31 March 2012	†	5-10	-
Dr Rosemary Leonard	1 April 2008	18 March 2010	†	5-10	5-10
Dr Vanessa Mayatt[1]	1 April 2007	31 March 2010	†	5-10	10-15
Deborah Oakley	1 April 2009	31 March 2012	†	5-10	-
Professor Debby Reynolds	1 April 2008	31 March 2011	†	5-10	5-10
John Wyn Owen	1 February 2006	31 March 2011	†	5-10	5-10
Advisory Board members					
Professor Alan Maryon Davis	1 June 2007	31 May 2010	1 month	5-10	5-10
Professor William Gelletly	1 April 2005	31 March 2010	1 month	5-10	5-10
Chief executive					
Justin McCracken[2]	7 April 2008	Open	6 months	210-215	205-210*
Members of the Executive Group					
Lis Birrane	6 October 2003	Open	3 months	100-105	95-100
Professor Eric Bolton	10 March 2010	Open	3 months	10-15*	-
Dr Miles Carroll	28 November 2009	Open	3 months	45-50*	-
Dr Stephen Chatfield	1 September 2007	27 November 2009	3 months	95-100*	140-145
Dr Roger Cox[2]	1 April 2005	3 June 2009	3 months	20-25*	130-135
Dr John Cooper	4 June 2009	Open	3 months	95-100*	-
Dr Ruth Gelletlie[3]	6 April 2009	Open	3 months	175-180	-
Michael Harker	1 April 2003	5 April 2009	3 months	0-5*	120-125
Dr Stephen Inglis	1 April 2009	Open	13 weeks	165-170	-
Professor Anthony Kessel[3]	16 March 2009	Open	3 months	170-175	5-10*
Dr Christine McCartney	1 September 2006	Open	3 months	125-130	125-130
Professor Stephen Palmer[4]	25 August 2006	30 June 2010	6 months	-	-
Dr Tony Sannia[2]	1 April 2003	Open	3 months	140-145	140-145
Dr John Stephenson	1 October 2007	Open	3 months	110-115	110-115
Tony Vickers-Byrne	1 April 2008	Open	3 months	100-105	100-105
Professor Maria Zambon[3]	1 March 2009	Open	3 months	180-185	15-20*

[1] Organisations related to Dr Bannister and Dr Mayatt received payments from the HPA in respect of services provided by them as set out in note 17 'Related party disclosures' in the notes to the financial statements.

[2] Denotes members of the Executive Group who were members of the Board during the year ended 31 March 2010.

[3] The remuneration of these members of the Executive Group includes a clinical excellence award that is funded by the Department of Health.

[4] Professor Palmer provided services to the HPA on secondment as an employee of Cardiff University as detailed on p57.

* Denotes payment for a part year.

† Notice period not applicable as these are public appointments.

Compensation for loss of office

During the year ended 31 March 2010 no compensation payments were made to any past or present member of the Board or the Executive Group.

PENSION ENTITLEMENTS

Non-executive and advisory Board member remuneration is not pensionable.

The members of the Executive Group (with the exception of Dr Cox and Dr Cooper) are members of the NHS Pension Scheme. Dr Cox and Dr Cooper transferred to the HPA from the National Radiological Protection Board on 1 April 2005 and retained their membership of the UK Atomic Energy Authority Combined Pension Scheme, which offers very similar benefits to the NHS Scheme. Details of both pension schemes, including benefits payable, are included in the notes to the financial statements.

The pension entitlements of the members of the Executive Group are shown in the table below.

Cash equivalent transfer values

The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a scheme member at a particular point in time. The benefits valued are the member's 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 benefits accrued in their 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme (or in the case of Dr Cox and Dr Cooper, to the UK Atomic Energy Authority Combined Pension Scheme). They also include

PENSION ENTITLEMENTS OF EXECUTIVE GROUP MEMBERS

	Real annual increase in accrued pension Bands of £2,500	Real annual increase in lump sum Bands of £2,500	Pension value as at 31 March 2010 Bands of £5,000	Lump sum value as at 31 March 2010 Bands of £5,000	Cash equivalent transfer value as at 31 March 2009 To nearest £1,000	Cash equivalent transfer value as at 31 March 2010 To nearest £1,000	Real annual increase in cash equivalent transfer value To nearest £1,000
Chief executive							
Justin McCracken[1]	10.0-12.5	35.0-37.5	10.0-15.0	40.0-45.0	48	327	277
Executive directors							
Lis Birrane	0.0-2.5	2.5-5.0	5.0-10.0	20.0-25.0	132	170	31
Professor Eric Bolton[2,3]	0.0-2.5	0.0-2.5	60.0-65.0	185.0-190.0	-	-	-
Dr Miles Carroll[3,4]	0.0-2.5	-	0.0-5.0	-	-	34	34
Dr Stephen Chatfield[5]	0.0-2.5	2.5-5.0	0.0-5.0	10.0-15.0	53	98	42
Dr John Cooper[3]	2.5-5.0	10.0-12.5	45.0-50.0	140.0-145.0	995	1,149	104
Dr Roger Cox[5]	0.0-2.5	0.0-2.5	55.0-60.0	165.0-170.0	-	-	-
Dr Ruth Gelletlie[3]	2.5-5.0	7.5-10.0	35.0-40.0	115.0-120.0	809	977	127
Michael Harker[2,5]	0.0-2.5	0.0-2.5	60.0-65.0	190.0-195.0	-	-	-
Dr Stephen Inglis[3]	0.0-2.5	5.0-7.5	30.0-35.0	90.0-95.0	614	730	85
Professor Anthony Kessel	0.0-2.5	0.0-2.5	25.0-30.0	75.0-80.0	369	418	31
Dr Christine McCartney[2]	0.0-2.5	2.5-5.0	60.0-65.0	190.0-195.0	-	-	-
Dr Tony Sannia	0.0-2.5	5.0-7.5	20.0-25.0	70.0-75.0	446	574	106
Dr John Stephenson[2]	0.0-2.5	2.5-5.0	30.0-35.0	100.0-105.0	-	-	-
Tony Vickers-Byrne	0.0-2.5	0.0-2.5	30.0-35.0	95.0-100.0	551	632	54
Professor Maria Zambon	2.5-5.0	12.5-15.0	40.0-45.0	120.0-125.0	669	826	123

[1] CETV value as at 31 March 2010 includes a transfer in from the member's previous pension scheme.

[2] There is no cash equivalent transfer value for those members who were over the age of 60.

[3] Member whose appointment commenced during the year.

[4] Members of the 2008 NHS Pension Scheme are not automatically entitled to a lump sum payment on retirement.

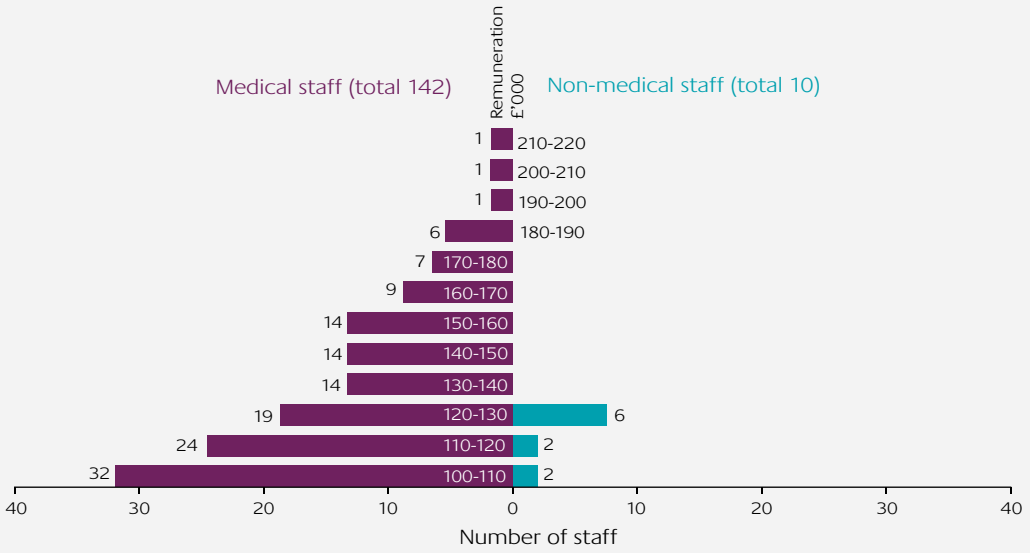
[5] Member whose appointment ceased during the year.

NUMBER OF EMPLOYEES WITH REMUNERATION OF £100,000 OR MORE

The diagram below shows the number of employees, excluding the Executive Group, that had gross taxable remuneration of £100,000 or more during 2009/10.

The earnings of both medical and non-medical staff are determined by the application of nationally agreed NHS terms and conditions of employment.

Number of employees with remuneration of £100,000 or more



any additional pension benefit accrued to the member as a result of their purchasing additional years of pensionable service in the scheme at their own cost. The CETV is calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Changes in the factors used to calculate the CETV, which came into force on 1 October 2008 as a result of the Occupational Pension Scheme (Transfer Value Amendment) regulations, affected CETV real annual increase values. Further regulations from the Department for Work and Pensions to determine CETV from public sector pension schemes came into force on 13 October 2008.

AUDITABLE AND NON-AUDITABLE ELEMENTS OF THIS REPORT

The tables in this remuneration report, as well as the details of amounts payable to third parties for the services of senior managers, have been subject to audit and are referred to in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. The auditor's opinion is included within the Auditor's Report on p63.

Justin McCracken
CHIEF EXECUTIVE
9 June 2010

4 Accounts

Statement of Accounting Officer's responsibilities

Under The Health Protection Agency Act 2004, the Secretary of State (with the consent of HM Treasury) has directed that the Health Protection Agency 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 the Health Protection Agency and of its net operating cost, changes in taxpayers' equity and cash flows 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 and approved by HM Treasury, including the relevant accounting and disclosure requirements;
- Apply suitable accounting policies on a consistent basis;
- Make judgements 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 Accounting Officer for the Department of Health has appointed the chief executive as the Accounting Officer for the Health Protection Agency. 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 Health Protection Agency's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Health Protection Agency for the year ended 31 March 2010 under the Health Protection Agency Act 2004. These comprise the operating cost statement, the statement of financial position, the cash flow statement, the statement of changes in taxpayers' equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OPINION ON REGULARITY

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

OPINION ON THE FINANCIAL STATEMENTS

In my opinion:

- The financial statements give a true and fair view, of the state of the Health Protection Agency's affairs as at 31 March 2010 and of its net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and

- The financial statements have been properly prepared in accordance with the Health Protection Agency Act 2004 and directions issued thereunder by the Secretary of State.

OPINION ON OTHER MATTERS

In my opinion:

- The part of the remuneration report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Health Protection Agency Act 2004; and

- The information given in the 'Financial Review' and 'Governance' sections included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

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

- Adequate accounting records have not been kept; or

- The financial statements are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit; or

- The statement on internal control does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road, Victoria, London
SW1W 9SP
16 June 2010

Operating cost statement

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £'000	Restated 2009 £'000
Gross operating costs			
Employee costs	4	199,080	180,438
Other operating charges	6	134,974	117,119
Amortisation and depreciation	7	28,888	21,280
Total gross operating costs		362,942	318,837
Operating income	3	(140,433)	(128,483)
Net operating costs before interest and cost of capital charge		222,509	190,354
Interest receivable		(18)	(291)
Cost of capital charge	1.4	8,770	8,009
Net operating cost for the financial year	16	231,261	198,072

The notes on pages 70 to 103 form part of these accounts. All operations are continuing.

The net operating cost reported above represents the net cost of the public health work funded by government grant in aid from the Department of Health and the devolved administrations.

In addition to the government grant in aid financing, the agency generates significant operating income from government and commercial customers and grant funding bodies. This income enables the government grant in aid to be kept below the full cost of the agency's public health work and enables a wider public health function than would otherwise be possible with government grant in aid financing alone.

Statement of financial position

AS AT 31 MARCH 2010

	Note	2010 £'000	Restated 2009 £'000	Restated 1 April 2008 £'000
Non-current assets				
Property, plant and equipment	8	274,247	249,468	230,909
Intangible assets	9	3,870	2,247	2,590
Financial assets	10	286	287	519
Total non-current assets		278,403	252,002	234,018
Current assets				
Inventories	11	13,417	10,594	10,507
Trade and other receivables	12	46,292	35,527	33,493
Cash and cash equivalents	13	28,093	29,756	37,957
Total current assets		87,802	75,877	81,957
Total assets		366,205	327,879	315,975
Current liabilities				
Trade and other payables	14	(58,113)	(56,754)	(62,127)
Provisions	15	(2,092)	(2,656)	(5,788)
Total current liabilities		(60,205)	(59,410)	(67,915)
Non-current assets plus net current assets		306,000	268,469	248,060
Non-current liabilities				
Provisions	15	(5,553)	(3,462)	(2,879)
Assets less liabilities		300,447	265,007	245,181
Taxpayers' equity				
Capital grant reserve		12,283	4,176	4,161
Revaluation reserve		56,445	50,950	53,678
General reserve		231,719	209,881	187,342
Total taxpayers' equity		300,447	265,007	245,181

The notes on pages 70 to 103 form part of these accounts. All operations are continuing.
The financial statements on pages 65 to 69 were approved and signed on behalf of the Board by:

Justin McCracken
CHIEF EXECUTIVE
9 June 2010

Statement of changes in taxpayers' equity

FOR THE YEAR ENDED 31 MARCH 2010

	General reserve	Revaluation reserve	Capital grant reserve	Total
	£'000	£'000	£'000	£'000
Restated balance at 1 April 2009	209,881	50,950	4,176	265,007
Net gain on revaluation of property, plant and equipment	-	6,621	-	6,621
Realised loss on inventories - biological standards (note 11)	-	(196)	-	(196)
Realised gain on inventories laboratory consumables (note 11)	-	285	-	285
Non-cash charges (cost of capital)	8,770	-	-	8,770
Transfers between reserves (realisation of revaluation reserve)	1,215	(1,215)	-	-
Capital grants received (note 16)	-	-	8,494	8,494
Release of capital grant to offset depreciation	-	-	(387)	(387)
Net operating costs for year after cost of capital charge and interest	(231,261)	-	-	(231,261)
Total recognised income and expenses for year	(221,276)	5,495	8,107	(207,674)
Grants from Department of Health:				
Revenue grant in aid (note 16)	193,114	-	-	193,114
Capital grant in aid (note 16)	50,000	-	-	50,000
Total grants from Department of Health	243,114	-	-	243,114
Balance at 31 March 2010	**231,719**	**56,445**	**12,283**	**300,447**

The notes on pages 70 to 103 form part of these accounts. All operations are continuing.

Statement of changes in taxpayers' equity Continued

FOR THE YEAR ENDED 31 MARCH 2009

	General reserve	Revaluation reserve	Capital grant reserve	Total
	£'000	£'000	£'000	£'000
Restated balance at 1 April 2008	187,342	53,678	4,161	245,181
Net (loss) on revaluation of property, plant and equipment	-	(650)	(10)	(660)
Realised (loss) on inventories released to operating cost statement	-	(224)	-	(224)
Non-cash charges (cost of capital)	8,009	-	-	8,009
Transfers between reserves (realisation of revaluation reserve)	1,854	(1,854)	-	-
Capital grants received (note 16)	-	-	461	461
Release of capital grant to offset depreciation	-	-	(436)	(436)
Net operating costs for year after cost of capital charge and interest	(198,072)	-	-	(198,072)
Total recognised income and expenses for year	(188,209)	(2,728)	15	(190,922)
Grants from Department of Health:				
Revenue grant in aid (note 16)	169,348	-	-	169,348
Capital grant in aid (note 16)	41,400	-	-	41,400
	210,748	-	-	210,748
Restated balance at 31 March 2009	**209,881**	**50,950**	**4,176**	**265,007**

The notes on pages 70 to 103 form part of these accounts. All operations are continuing.

Cash flow statement

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £'000	Restated 2009 £'000
Cash flows from operating activities			
Net operating costs before interest and cost of capital charge		(222,509)	(190,354)
Adjustments for non-cash transactions:			
Amortisation and depreciation	7	28,888	21,280
Loss on de-recognition of property, plant and equipment	6	231	178
Realised loss on revaluation of inventories - biological standards	11	(196)	(224)
Realised gain on revaluation of inventories - laboratory consumables	11	285	-
Impairment in value of computers and software written off to operating cost statement		-	21
Release from capital grant reserve to offset depreciation		(387)	(436)
(Increase) in trade and other receivables		(10,765)	(2,034)
(Increase) in inventories (adjusted for amounts transferred from assets - note 8)		(2,793)	(87)
Increase/(decrease) in trade and other payables		1,359	(5,373)
Decrease in capital payables		592	2,714
Expenditure charged to provisions	15	(448)	(1,630)
Increase/(decrease) in provisions	15	1,975	(919)
Net cash (outflow) from operating activities		(203,768)	(176,864)
Cash flows from investing activities			
Purchase of intangible non-current assets	9	(2,956)	(875)
Purchase of property, plant and equipment	8	(45,974)	(39,521)
Decrease in capital payables		(592)	(2,714)
Receipts from de-recognition of property, plant and equipment		-	8
Interest received		18	291
Decrease in non-current financial assets		1	232
Net cash (outflows) from investing activities		(49,503)	(42,579)
Cash flows from financing activities			
Government revenue grant in aid received	16	193,114	169,348
Government capital grant in aid received	16	50,000	41,400
Other capital grants received	16	8,494	494
Net cash inflows from financing activities		251,608	211,242
Net (decrease) in cash and cash equivalents in the period		(1,663)	(8,201)
Cash and cash equivalents at the beginning of the period (restated)	13	29,756	37,957
Cash and cash equivalents at the end of the period	13	28,093	29,756

The notes on pages 70 to 103 form part of these accounts. All operations are continuing.

Notes to the financial statements

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Context

The Health Protection Agency is required by the Health Protection Agency Act 2004 (Schedule 1) to prepare annual financial statements.

These financial statements have been prepared in accordance with the *Government Financial Reporting Manual 2009/10* (FReM) issued by HM Treasury, as applicable to non-departmental public bodies. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted and interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Health Protection Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Health Protection Agency are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention except where otherwise stated in these accounting policies.

1.3 First-time adoption of International Financial Reporting Standards (IFRS)

As these financial statements represent the agency's first-time adoption of IFRS, an explanation of the effect of transition on the reported taxpayer's equity as at 31 March 2009 and on the net expenditure for the year to 31 March 2009 is given in Note 25 to these financial statements.

In accordance with IFRS 1, the agency has prepared an opening IFRS statement of financial position, as at 1 April 2008. This is based on the same accounting policies as those used in the financial statements for the year to 31 March 2010.

1.4 Cost of capital charge

A charge, reflecting the cost of capital utilised by the Health Protection Agency, is included in the operating cost statement. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amounts of all assets less liabilities, except for:

a) Property plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
- Additions at cost
- Disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure on disposal)
- Impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
- Depreciation of property, plant and equipment and amortisation of intangible assets

b) Cash balances with the Government Banking Service, where the charge is nil.

No cash outflow results from this charge.

1.5 Operating income

Operating income comprises amounts receivable, excluding Value Added Tax, for goods and services supplied. Income on long term contracts is recognised as the work progresses, in accordance with the contractual arrangements and the stage completion of the work.

1.6 Government grants

Grants in aid received for revenue and capital purposes from the Department of Health and the devolved administrations are treated as contributions from controlling parties rather than as operating income and are therefore credited directly to the general reserve as received. Other government grants received are treated in the same manner unless they are revenue grants provided in return for specific goods or services, which are credited to operating income, or capital grants to finance specific assets, which are credited to the capital grants reserve.

1.7 Non-current assets: property, plant and equipment

Individual items of property, plant and equipment with a value below £5,000 are not capitalised. Individual items below this threshold are capitalised if they are part of a group of similar assets acquired around the same time and with a similar estimated useful life. In this case, the group is treated as a single asset for capitalisation and depreciation purposes.

Expenditure on property, plant and equipment is carried at historic cost in the statement of financial position, and classified under assets under construction, until the point at which an asset is brought into use. The asset is then reclassified as property, plant and equipment, under the appropriate assets category, and is carried in the statement of financial position at fair value less accumulated depreciation and impairment losses.

The fair value of freehold land and buildings is determined by an independent valuation carried out every five years in accordance with guidance issued by the Royal Institute of Chartered Surveyors. Valuation is on an open market (existing use) basis except for buildings of a specialised nature, where a market value is not readily obtainable, which are valued on a depreciated replacement cost basis. In the years when no valuation occurs, land and buildings are revalued using appropriate indices. A valuation took place as at 31 March 2010.

Other leasehold property, plant and equipment is valued at depreciated replacement cost which is used as a proxy for fair value. The depreciated replacement cost is calculated by applying, annually, appropriate indices.

The difference between the carrying value, net of accumulated depreciation, of property, plant and equipment at the date of the statement of financial position and the net book value at historic cost is credited (in the case of a surplus) or debited (in the case of a deficit) to the revaluation reserve.

Capital grants receivable from both government and non-government bodies for the purchase of specific capital assets (see note 1.6) are credited to a capital grants reserve and released to operating income to match the depreciation charged over the life of the capital assets concerned.

Impairment losses, where identified, are charged against the revaluation reserve balance attributable to the asset concerned. If the loss exceeds this balance, the excess is taken to the operating cost statement.

1.8 Non-current assets: intangible assets

Intangible non-current assets comprise software licences, purchased from third parties with a life of more than one year and a cost in excess of £5,000, and other costs relating to applications software including employee and other costs incurred in order to bring such software into a working condition.

Intangible non-current assets are carried on the statement of financial position at cost, net of amortisation and impairment, or depreciated replacement cost where materially different. Amortisation is calculated on a straight-line basis over the useful life of the asset.

1.9 Financial instruments

Investments, comprising unlisted investments, are carried at historic cost in the statement of financial position as a readily ascertainable market value cannot be obtained.

Trade and other receivables are measured at amortised cost. This is assumed to equal the invoiced amount, as the impact of discounting is not material. Accrued amounts not invoiced are measured at the estimated fair value of the goods or services rendered. Trade and other receivables are tested annually for impairment and the difference between the carrying amount and the impaired value is written off to operating costs. The carrying value of loans and receivables on the statement of financial position is net of a provision for impairment.

Cash and cash equivalents are shown at fair value which is either the sterling balance or the sterling equivalent of foreign currency balances as at the Statement of Financial Position date.

Trade and other payables are measured at the invoiced amount which is equivalent to fair value. Goods or services received but not yet invoiced are accrued at estimated fair value.

Contractual provisions are measured in accordance with note 1.18.

1.10 Depreciation: property, plant and equipment

Depreciation is provided on all property, plant and equipment assets from the month of purchase, but not in the month of disposal, at rates calculated to write off the fair value of each asset evenly over its expected useful life, as follows:

Asset category	Expected useful life
Freehold buildings	Up to 80 years
Leasehold land and buildings	Land: over the lease term. Buildings: over the shorter of the estimated useful life or the lease term
Fixtures and fittings	Up to 20 years
Plant and equipment	5 to 20 years
Vehicles	7 years
Information technology equipment	3 to 5 years

Freehold land and assets under construction are not depreciated.

1.11 Inventories

Inventories are valued at the lower of cost, or net current replacement cost if materially different, and net realisable value. For inventories held for resale, net realisable value is based on estimated selling price less further costs expected to be incurred to completion. Work in progress is valued at cost, less the cost of work invoiced on incomplete contracts and less foreseeable losses. Cost means direct cost plus production overheads. Where necessary, provision is made for obsolete, slow moving and defective inventories.

1.12 Research and development

Research expenditure is charged to operating costs as incurred. Development expenditure is capitalised to the extent that it results in the creation of an asset and meets the criteria for capitalisation of internally-generated assets set out in International Accounting Standard 38.

1.13 Income and Corporation Tax

The agency, as a body corporate, is subject to the provisions of the Income and Corporation Tax Act 1988. As the majority of operations are funded by government grant in aid, no provision is required in these accounts for any Corporation Tax liability.

1.14 Value Added Tax

The Health Protection Agency is registered for Value Added Tax (VAT). VAT is charged on invoices for business contracts relating to products, services and research activities. The Health Protection Agency recovers part of its input VAT proportionate to its business activities in relation to total income. Expenditure is shown net of recoverable VAT. Non-recoverable VAT is charged to the most appropriate expenditure or capitalised if it relates to a non-current asset.

1.15 Operating Leases

Operating lease costs are charged to operating costs on a straight line basis over the lease term. Lease premiums paid for leasehold property are shown as financial assets (leasehold premium prepayments) in the statement of financial position. The prepayments are released annually to operating costs over the life of the relevant leases.

1.16 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction takes place or at the contracted rate if the transaction is covered by a forward exchange contract. Balances denominated in foreign currencies are translated into sterling at the exchange rate ruling as at the statement of financial position date. Exchange gains and losses are recognised in the operating cost statement in the period in which they arise.

1.17 Pensions

The Health Protection Agency provides pension schemes for the benefit of the majority of its employees, and participates in three defined benefit schemes:

1. The National Health Service Pension Scheme (NHSPS);

2. The United Kingdom Atomic Energy Agency (UKAEA) Combined Pension Scheme CPS; and

3. The Principal Civil Service Pension Scheme (PCSPS).

Although each is an unfunded scheme, they each receive contributions, partly from participating employees and partly from the agency. Details of each scheme are included in the notes to the financial statements (note 5). Each scheme is multi-employer, and the scheme administrators prepare separate accounts which are subject to audit and regular actuarial review. Because of this, the *Government Financial Reporting Manual* requires the pension schemes to be treated as defined contribution schemes within these financial statements. The amount charged to operating costs is the employer's contributions payable for the year.

In certain circumstances, employees taking early retirement are entitled to an enhanced lump sum and ongoing pension. The Health Protection Agency is responsible for meeting the additional cost of the lump sum, the full cost of the pension until normal retirement age and the enhanced element of the pension thereafter. Payment is made in full for all early retirees from the NHS pension scheme in the year of retirement; for all other pension schemes, provision is made for the estimated future cost of early retirements at the time when the employee retires. Further details are provided within note 15.

1.18 Provisions

The Health Protection Agency maintains a number of provisions. These are reviewed annually as at the statement of financial position date and are adjusted to reflect the latest best estimate of the present obligation concerned. These adjustments are reflected in

the operating cost statement for the year. Where the time value of money is material, the future estimated cashflows are discounted to present values using the appropriate discount rate set by HM Treasury. Details of provisions are contained in note 15.

1.19 Merger with the National Biological Standards Board

On 1 April 2009 the National Biological Standards Board (NBSB), a non-departmental public body, merged with the Health Protection Agency to form a separate centre within the agency known as the National Institute for Biological Standards and Controls (NIBSC).

Prior to the merger, both entities had a financial reporting year which began on 1 April each year. No consideration has been given for the combination of the two organisations. This business combination has been accounted for in accordance with the *Government Financial Reporting Manual* which specifically excludes the combination of one or more public bodies into one new body from the scope of IFRS 3 (Business Combinations) but instead requires the application of the merger accounting principles set out in the UK GAAP Financial Reporting Standard 6 (Acquisitions and Mergers). Accordingly, the financial information for the current period has been presented, and that of the prior period restated, as if NBSB had been part of the Health Protection Agency throughout the current and prior accounting periods.

Detailed disclosure information is provided at note 24.

2 ANALYSIS OF NET OPERATING COST BY SEGMENT

The agency operates as a single reportable operating segment as defined within the scope of IFRS 8 (Segmental Reporting) under paragraph 12 (aggregation criteria). The agency's activities are inter-related and contiguous, and have the single objective to further the health protection functions stated in the Health Protection Act 2004. All parts of the agency provide products and services related to public health and are supported by government grant in aid. All decisions about resources are made with consideration to the agency as a single operating segment.

3 OPERATING INCOME

	2010 £'000	Restated 2009 £'000
Products and royalties	39,238	29,844
Contracts and services	96,761	92,778
European Union grants	3,693	5,178
Other operating income	741	683
Total operating income	140,433	128,483

4 EMPLOYEES

	2010 £'000	Restated 2009 £'000
Employee costs		
Salaries and wages	153,535	138,575
Social security costs	13,092	11,190
Other pension costs (note 5)	19,603	18,449
Total costs of staff employed	186,230	168,214
Agency and seconded staff	13,404	11,728
Redundancy and early retirement costs	288	346
Discounting of provisions (note 25)	-	(17)
Total costs of employed and other staff	199,922	180,271
Manufacturing staff costs transferred (to)/from finished goods	(842)	167
Total staff costs	199,080	180,438

The total staff costs include pandemic flu incremental costs of £8,345,000 funded by the Department of Health (note 6,16).

Employee numbers

The average number of full-time equivalent staff employed during the year was as follows:

	2010	Restated 2009
Medical	245	255
Nursing	201	194
Professional, administrative and operational support	1,235	1,201
Scientific and technical	2,110	1,947
Total employee numbers	3,791	3,597

The above figures relate to staff with a United Kingdom employment contract, and include those staff on maternity, sick, special or paternity leave and those on career breaks, but only where they are being paid by the agency.

In addition, during the year ended 31 March 2010, the agency engaged staff on various employment agency, secondment and similar arrangements for variable time periods. Due to the nature of these engagements it is not possible to quantify the precise number of full-time equivalent persons engaged. It is estimated that the average number of persons engaged on these arrangements amounted to approximately 317 (2009: 260) whole time equivalents. This includes the extra temporary staff required to work on the HPA's response to the flu pandemic.

5 PENSION SCHEMES

a) Pension scheme participation

The majority of the agency's employees are covered by two pension schemes; the National Health Service Pension Scheme (NHSPS) and the United Kingdom Atomic Energy Agency (UKAEA) Combined Pension Scheme (CPS). A few employees have retained their individual membership of the Principal Civil Service Pension Scheme (PCSPS), or have exercised other options available as a result of The Social Security Act 1986. The pension schemes available to Health Protection Agency employees are defined benefit schemes, all of which prepare separate scheme statements, which are readily available to the public. Details of the major pension schemes are provided below.

b) The NHS Pension Scheme

The NHSPS is an unfunded multi-employer defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulations (SI 1995 No. 300). The scheme is notionally funded: payment liabilities are underwritten by the Exchequer. The agency is unable to identify its share of the underlying assets and liabilities. Scheme accounts are prepared annually by the NHS Business Services Authority and are examined by the Comptroller and Auditor General. The Government Actuary's Department (GAD) values the NHSPS every four years, and those quadrennial reports are published. The scheme has a money purchase Additional Voluntary Contribution (AVC) arrangement which is available to employees to enhance their pension benefits.

Between valuations the GAD provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the scheme is contained in the Report of the Actuary, which forms part of the NHS Pension Scheme & Compensation for Premature Retirement Scheme Resource Accounts, published annually. These accounts can be viewed on the NHS Pensions website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

Under NHSPS regulations, the agency and participating employees are required to pay contributions, as specified by the Secretary of State for Health. These contributions are used to defray the costs of providing the NHSPS benefits. Employer contributions are charged to operating costs as they become due. Employer contributions are 14% of pensionable pay in all cases (2009: 14%)

Employee contribution rates in 2010 are based on pensionable pay scaled to the full year, full time equivalent for part-time employees, as follows:

	2009/10 Annual pensionable pay banding	2009/10 Employee Contribution
Tier 1	Up to £20,709	5.0%
Tier 2	£20,710 - £68,392	6.5%
Tier 3	£68,393 - £107,846	7.5%
Tier 4	More than £107,846	8.5%

Contributions for new members of the NHS Pension Scheme are based on their pensionable pay at the time of joining the Scheme.

The *Government Financial Reporting Manual 2009/10* requires the scheme to be accounted for as defined contribution in nature.

c) The UKAEA Combined Pension Scheme

The UKAEA CPS was set up as a statutory body with effect from 1 July 1997 as a result of merging the previous UKAEA Principal Non-Industrial Superannuation Scheme (PNISS) and the UKAEA Industrial Superannuation Scheme (ISS). The scheme is managed by the UKAEA. It is a multi-employer scheme which provides defined benefits to its members. The agency is unable to identify its share of the underlying assets and liabilities.

For the year ended 31 March 2010, employees were required to pay contributions of 5% (2009: 5%) of pensionable pay. The employer's contribution amounted to 17-30% (2009: 17.3%) of pensionable pay in all cases. Employer contributions are charged to operating costs as they become due.

In common with other public sector schemes the UKAEA CPS does not have many of the attributes of normal pension schemes. All contributions are paid to and benefits paid by HM Government via the Consolidated Fund. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via the annual Parliamentary vote. Government does not maintain a separate fund and the scheme valuations are based on a theoretical calculation as to how a typical UK pension scheme would have invested the historical surplus of contributions over payments. There is no actual fund.

The *Government Financial Reporting Manual 2009/10* requires the scheme to be accounted for as defined contribution in nature.

d) Employer contributions

The agency has accounted for its employer contributions to these schemes as if they were defined contribution schemes. The agency's employer contributions were as follows:

	2010 £'000	Restated 2009 £'000
The National Health Service Pension Scheme (NHSPS)	**17,898**	16,567
The UKAEA Combined Pension Scheme (CPS)	**1,575**	1,755
Other pension schemes	**130**	127
Total contributions by the Health Protection Agency	**19,603**	18,449

The contributions in respect of the March 2010 contribution for the Combined Pension Scheme and other pension schemes were outstanding as at the Statement of Financial Position date; there were no prepaid contributions as at the Statement of Financial Position date.

e) Retirements due to ill health

During 2009/10 there were no (2009: three) early retirements from the agency on the grounds of ill health. The NHS Pension Agency estimated the additional pension liabilities of these ill-health retirements to be £nil (2009: £281,453). These retirements represented nil per 1,000 active scheme members (2009: 0.91).

6 OTHER OPERATING CHARGES

	2010 £'000	Restated 2009 £'000
Laboratory consumables and services	44,084	41,282
Supplies and services	48,741	42,972
Accommodation	27,115	27,948
Travel and subsistence	6,399	6,303
Foreign exchange losses/(gains)	395	(928)
Auditor's remuneration	148	207
Charge/(release) of bad and doubtful debt provision	15	(210)
Net charge/(release) of other provisions	1,527	(2,548)
Losses on disposal of property, plant and equipment	231	178
Impairment of non-current assets	-	21
Porton Down re-provision costs	10,027	1,894
Valued Added Tax refund	(3,708)	-
Total other operating charges	134,974	117,119

The total other operating charges include pandemic flu incremental non-staff costs of £8,459,000 funded by the Department of Health (note 4,16).

Porton Down re-provision costs

The Porton Down re-provision costs relate to the expenditure incurred in developing the plans for re-providing the agency's specialist laboratory facilities at Porton Down which are reaching the end of their useful life. This activity has yet to reach the stage at which final approval is required from the Department of Health. Due to the size of the likely investment required and the uncertainty surrounding the availability of public funding, it is considered appropriate to treat the expenditure as a charge to revenue rather than to carry it forward as an asset.

Value Added Tax refund

HM Revenue and Customs has agreed a VAT refund in respect of the partial exemption rules relating to the National Biological Standards Board for the period between 1992 and 1997.

7 AMORTISATION AND DEPRECIATION

The charge to operating costs for amortisation and depreciation for the year is as follows:

	2010 £'000	Restated 2009 £'000
Charge in respect of assets funded by capital grant in aid from the Department of Health:		
Non-current assets - property, plant and equipment (note 8)	22,447	19,668
Impairment (note 8)	4,247	-
Non-current assets - intangible assets (note 9)	1,807	1,176
	28,501	20,844
Charge in respect of other non-current assets - property, plant and equipment (note 8)	387	436
Total charge to operating costs	28,888	21,280

8 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Land and buildings	Fixtures and fittings	Plant, equipment and vehicles	Information technology equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Restated at 1 April 2009	217,586	19,826	52,049	13,076	36,474	339,011
Reclassification of assets to intangible non-current assets and inventories	-	-	(100)	(1,237)	-	(1,337)
Reclassification of assets	14,664	(14,642)	(22)	-	-	-
Impairment	(3,396)	-	-	-	(851)	(4,247)
Additions	-	-	110	-	45,864	45,974
Transfer of assets under construction	26,662	2,671	22,298	2,079	(53,710)	-
Elimination of accumulated depreciation	(64,237)	-	-	-	-	(64,237)
Revaluations	6,801	(112)	(677)	-	-	6,012
De-recognition	-	(3)	(1,103)	(134)	-	(1,240)
At 31 March 2010	**198,080**	**7,740**	**72,555**	**13,784**	**27,777**	**319,936**
Depreciation						
Restated at 1 April 2009	50,086	3,659	27,452	8,346	-	89,543
Reclassification of assets to intangible non-current assets and inventories	-	-	(29)	(804)	-	(833)
Reclassification of assets	1,940	(1,937)	(3)	-	-	-
Charge for year	12,211	1,050	7,224	2,349	-	22,834
Elimination of accumulated depreciation	(64,237)	-	-	-	-	(64,237)
Revaluations	-	(37)	(572)	-	-	(609)
De-recognition	-	(1)	(877)	(131)	-	(1,009)
At 31 March 2010	**-**	**2,734**	**33,195**	**9,760**	**-**	**45,689**
Net Book Value						
At 31 March 2010	**198,080**	**5,006**	**39,360**	**4,024**	**27,777**	**274,247**
Restated at 31 March 2009	167,500	16,167	24,597	4,730	36,474	249,468

Additions

Additions to property, plant and equipment are processed through assets under construction in the first instance and transferred into the appropriate asset category when the item is brought into service.

Reclassification to non-current assets: intangible assets and inventories

Laboratory and finance software and systems with a net book value of £474,000 and previously classified as property, plant and equipment were reclassified to intangible non-current assets during the year. Assets with a net book value of £30,000 and previously classified as plant and equipment were transferred to inventories during the year.

Reclassification of assets

Assets previously incorrectly classified as plant and equipment, fixtures and fittings were reclassified to land and buildings during the year.

Land and buildings

A professional valuation of land and buildings was carried out on 31 March 2010. In line with International Accounting Standard 16, accumulated depreciation has been eliminated against the carrying amount of the asset with the net amount restated to equal the revalued amount.

Freehold land has a net book value of £28,225,000 (2009: £16,202,000). Freehold buildings have a net book value of £165,805,000 (2009: £150,834,000). Leasehold land has a net book value of £4,050,000 (2009: £464,000).

Impairment

The impairment of £4,247,000 has been charged to the operating cost statement (note 7). It comprises £3,396,000 in respect of the construction of the Influenza Resource Centre and UK Stem Cell Bank at South Mimms and £851,000 in respect of Porton Down re-provision capital expenditure carried forward from 2008/09.

Third party owned assets

In addition to the above assets, the agency held non-current assets – property, plant and equipment, at no cost to the agency, with a total cost of £4,141,000 (2009: £4,074,000) which were funded by and remain in the ownership of third parties. These assets, required to meet customer contracts, consisted of modular buildings £2,149,000 (2009: £2,242,000) and plant and equipment £1,992,000 (2009: £1,832,000).

FOR THE YEAR ENDED 31 MARCH 2009

	Land and buildings	Fixtures and fittings	Plant, equipment and vehicles	Information Technology equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Restated at 1 April 2008	222,189	8,963	44,589	11,224	20,132	307,097
Adjustment to cost/ valuation	(4,900)	-	(1,100)	(46)	-	(6,046)
Reclassification of assets	(3,359)	3,334	(318)	343	-	-
Additions	-	-	145	-	39,376	39,521
Transfer of assets under construction	5,521	7,183	8,553	1,777	(23,034)	-
Revaluations	(1,865)	346	1,306	-	-	(213)
De-recognition	-	-	(1,126)	(222)	-	(1,348)
Restated at 31 March 2009	**217,586**	**19,826**	**52,049**	**13,076**	**36,474**	**339,011**
Depreciation						
Restated at 1 April 2008	45,172	1,404	23,931	5,681	-	76,188
Adjustment to depreciation	(4,898)	-	(1,103)	(46)	-	(6,047)
Reclassification of assets	(39)	38	(387)	388	-	-
Charge for year	10,158	2,171	5,256	2,519	-	20,104
Revaluations	(307)	46	749	-	-	488
De-recognition	-	-	(994)	(196)	-	(1,190)
Restated at 31 March 2009	**50,086**	**3,659**	**27,452**	**8,346**	**-**	**89,543**
Net Book Value						
Restated at 31 March 2009	**167,500**	**16,167**	**24,597**	**4,730**	**36,474**	**249,468**
Restated at 31 March 2008	177,017	7,559	20,658	5,543	20,132	230,909

Adjustment to cost/valuation and depreciation

These adjustments relate to the cost/valuation and accumulated depreciation of certain assets which were overstated. The net book value of these assets remains unchanged.

Reclassification of assets

Assets previously incorrectly classified as land and buildings and information technology were reclassified to fixtures and fittings and plant and equipment during the year.

Land and buildings

Freehold land has a net book value of £16,202,000 (2008: £31,266,000). Freehold buildings have a net book value of £150,834,000 (2008: £143,111,000). Leasehold land has a net book value of £464,000 (2008: £2,640,000).

Third party owned assets

In addition to the above assets, the agency held non-current assets – property, plant and equipment, at no cost to the agency, with a total cost of £4,074,000 (2008: £3,968,000) which were funded by and remain in the ownership of third parties. These assets, required to meet customer contracts, consisted of modular buildings £2,242,000 (2008: £2,393,000) and plant and equipment £1,832,000 (2008: £1,575,000).

9 NON-CURRENT ASSETS – INTANGIBLE ASSETS

FOR THE YEAR ENDED 31 MARCH 2010

	Software £'000
Cost or valuation	
Restated at 1 April 2009	4,843
Reclassification of assets	1,307
Additions	2,956
De-recognition	(20)
At 31 March 2010	**9,086**
Amortisation	
Restated at 1 April 2009	2,596
Reclassification of assets	833
Charge for Year	1,807
De-recognition	(20)
At 31 March 2010	**5,216**
Net book value	
At 31 March 2010	**3,870**
Restated at 31 March 2009	2,247

FOR THE YEAR ENDED 31 MARCH 2009

	Software £'000
Cost or valuation	
Restated at 1 April 2008	4,055
Adjustment to cost/valuation	36
Additions	875
De-recognition	(123)
Restated at 31 March 2009	4,843
Amortisation	
Restated at 1 April 2008	1,465
Adjustment to amortisation	36
Charge for Year	1,176
De-recognition	(81)
Restated at 31 March 2009	2,596
Net book value	
Restated at 31 March 2009	**2,247**
Restated at 31 March 2008	2,590

Adjustment to cost/valuation and amortisation

These adjustments relate to the cost/valuation and accumulated amortisation of certain assets which were overstated. The net book value of these assets remains unchanged.

10 NON-CURRENT ASSETS: FINANCIAL ASSETS

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Advances to UKAEA Combined Pensions Scheme	261	261	493
Leasehold premium prepayment	22	23	23
Investments	3	3	3
Total non-current financial assets	**286**	287	519

Advances to UKAEA Combined Pensions Scheme

The advances to the UKAEA Combined Pension Scheme relate to lump sums paid to premature retirees from the scheme. These amounts will be repaid by the scheme administrators to the agency on the retiree's normal retirement age, or death, whichever is the earliest.

Leasehold premium prepayment

The leasehold premium prepayment comprises the non-current element in respect of a lease premium which is being written down over the term of the lease.

Investments

The investments comprise the unlisted securities of Syntaxin Limited (Syntaxin) and Proacta Incorporated (Proacta).

The agency holds a 9.3% interest in Syntaxin (2009: 9.3%; 2008: 9.3%). The holding was acquired for a cash consideration of £2,565 (2009 and 2008: £2,565), and is made up of 100 preference shares of £1 each (2009 and 2008: 100 preference shares of £1 each) and 2,465,000 ordinary shares of 0.1p each (2009 and 2008: 2,465,000).

The agency also holds 25,052 shares (2009 and 2008: 25,052) of the US$ 0.001 common stock of Proacta, for which there was no cash consideration.

The agency has no significant influence over the operating and financial policies of Syntaxin or Proacta. There is no easily ascertainable market value for either investment, so the Board discloses both on a historic cost basis as permitted under International Accounting Standard 39.

11 CURRENT ASSETS: INVENTORIES

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Raw materials	**303**	365	343
Finished goods	**3,701**	1,705	2,071
Biological standards	**6,268**	6,660	6,325
Laboratory consumables and other stores	**3,145**	1,864	1,768
Total inventories	**13,417**	10,594	10,507

The agency holds inventories of biological reference materials ('biological standards') which are used in regulatory control, diagnosis and research. The agency estimates their economic value at 31 March 2010 to be £6,268,000 (2009: £6,660,000, 2008: £6,325,000) at the lower of cost or net realisable value.

When first recorded in the statement of financial position at 31 March 2001 an unrealised gain of £7,320,000 was credited to the revaluation reserve. In subsequent years the portion of the reserve relating to these inventories held at 31 March 2001 and distributed during the year is credited as a realised gain to operating costs. The amount thus realised in 2010 was £196,000 (2009: £224,000).

During the year laboratory consumables with a value of £285,000 were acquired at no cost to the agency. The value of these has been credited to the revaluation reserve.

12 CURRENT ASSETS: TRADE AND OTHER RECEIVABLES

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Trade receivables	**14,148**	9,586	12,699
Accrued income	**15,318**	13,193	12,296
Prepayments	**4,722**	3,602	2,857
Other receivables	**12,104**	9,146	5,641
Total trade and other receivables	**46,292**	35,527	33,493

Intra-government balances

Intra-government balances within the totals for trade and other receivables are as follows:

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Balances with the Department of Health	**4,166**	454	857
Balances with NHS trusts	**8,553**	9,716	7,322
Balances with other central government bodies	**877**	2,984	2,693
Balances with local authorities	**1,429**	2,599	1,168
Total intra-government balances	**15,025**	15,753	12,040

13 CURRENT ASSETS: CASH AND CASH EQUIVALENTS

Analysis of changes in net funds 2010

	31 March 2010 £'000	Restated 31 March 2009 £'000	Change in year £'000
Cash at bank and in hand	28,093	29,756	(1,663)
Overdraft (note 14)	(406)	(598)	192
Net funds	27,687	29,158	(1,471)

Analysis of changes in net funds 2009

	Restated 31 March 2009 £'000	Restated 31 March 2008 £'000	Change in year £'000
Cash at bank and in hand	29,756	37,957	(8,201)
Overdraft (note 14)	(598)	(2,121)	1,523
Net funds	29,158	35,836	(6,678)

The overdraft is a technical book overdraft relating to the value of un-presented payments as at the statement of financial position date. No actual bank overdraft existed at any time during the year.

Analysis of net funds

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Government Banking Service	26,789	26,638	33,831
Commercial bank accounts	898	2,520	2,005
Net funds	27,687	29,158	35,836

14 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Trade payables	9,022	14,279	16,503
Overdraft	406	598	2,121
Deferred income	15,325	14,731	12,641
PAYE and social security	-	-	3,943
Accruals	29,691	23,210	22,338
Other payables	3,669	3,936	4,581
Total trade and other payables	58,113	56,754	62,127

The overdraft is a technical book overdraft relating to the value of unpresented payments as at the Statement of Financial Position date. The cash to meet these payments was held in the agency's account with the Government Banking Service. No actual bank overdraft existed at any time during the year.

Intra-government balances

Intra-government balances within the totals for trade and other payables are as follows:

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Balances with the Department of Health	6,726	4,866	6,110
Balances with NHS trusts	5,552	5,002	5,835
Balances with other central government bodies	1,746	2,029	8,750
Balances with local authorities	777	504	219
Total intra-government balances	14,801	12,401	20,914

15 PROVISIONS FOR LIABILITIES AND CHARGES

Movement in provisions 2010

	Legal claims	Future costs of early retirement	Agenda for Change	Other provisions	Total provision
	£'000	£'000	£'000	£'000	£'000
Restated provision at 1 April 2009	2,082	1,906	344	1,786	6,118
Other expenditure during the year	(110)	(188)	(136)	(14)	(448)
Reversal of unused provisions	(4)	(204)	-	(51)	(259)
Additional provisions	2,134	-	-	100	2,234
Provision at 31 March 2010	4,102	**1,514**	**208**	**1,821**	**7,645**

Movement in provisions 2009

	Legal claims	Future costs of early retirement	Agenda for Change	Other provisions	Total provision
	£'000	£'000	£'000	£'000	£'000
Restated provision at 1 April 2008	2,642	2,134	2,926	965	8,667
Expenditure charged to provisions in year	(128)	(233)	(1,087)	(182)	(1,630)
Reversal of unused provisions	(499)	-	(1,495)	(18)	(2,012)
Additional provisions	67	5	-	1,021	1,093
Restated provision at 31 March 2009	**2,082**	**1,906**	**344**	**1,786**	**6,118**

The above provisions are classified on the Statement of Financial Position, as follows:

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Current liabilities			
Legal claims	1,190	2,082	2,642
Future costs of early retirement	233	175	213
Agenda for Change	208	344	2,926
Other provisions	461	55	7
Total provisions classed as current liabilities	2,092	2,656	5,788
Non-current liabilities			
Legal claims	2,912	-	-
Future costs of early retirement	1,281	1,731	1,921
Agenda for Change	-	-	-
Other provisions	1,360	1,731	958
Total provisions classed as non-current liabilities	5,553	3,462	2,879
Total provisions	7,645	6,118	8,667

Legal claims

The provision for legal claims comprises several items, the most significant of which relates to a clinical negligence claim the agency inherited from the Public Health Laboratory Service. The claim has now been re-assessed with the agency being liable for 50% of the settlement. A draft order has now been made which is subject to final judicial approval.

Future costs of early retirement

The provision for the future costs of early retirement consists of the element of the cost in respect of employees that took early retirement before 31 March 2010 which, in accordance with the terms of the agency's pension schemes (note 5) fall to the agency. The provision relates entirely to members of the UKAEA CPS.

Agenda for Change

The Agenda for Change provision relates to the estimated increase in the non-medical staff costs from 1 April 2009 for former staff of the National Biological Standards Board. Actual increases in pay will be based on formal job evaluations which are expected to be completed during the financial year ending 31 March 2011.

Other provisions

A provision of £1,275,000 (2009: £1,235,000, 2008: £594,000) for the estimated costs of making good dilapidations on various properties leased by the agency, when these properties are returned to the lessors on the termination of the leases. The sum represents the expected costs of making good on dilapidations.

A provision of £482,000 (2009: £482,000, 2008: £263,000) for the estimated costs of the agency's liabilities for the disposal of radioactive sources falling within the scope of the High Activity Sealed Radioactive Sources and Orphan Sources Regulations 2005. The sum represents the expected costs of disposal.

A provision of £64,000 (2009: £69,000, 2008: £107,000) for the estimated costs of the agency's liabilities in respect of the future costs of life assurance premiums for 8 staff up to their retirement dates to equalise the benefits provided to them under a former pension scheme.

16 GOVERNMENT FINANCING

The following grant in aid has been received during the year:

	2010 £'000	Restated 2009 £'000
Department of Health	222,190	206,877
Department of Health pandemic flu incremental funding	16,804	-
Scottish Government	722	763
National Assembly for Wales	1,174	1,097
Northern Ireland Assembly	380	380
Consultants' Clinical Excellence Award	1,844	1,631
Total government grant in aid received	243,114	210,748
Less: Government grant in aid in respect of general capital expenditure	(50,000)	(41,400)
Total revenue government grant in aid received	193,114	169,348

The Health Protection Agency has UK-wide responsibilities. In addition to the formal grant in aid reported above, the agency received income from the Northern Ireland Assembly of £451,000 (2009: £783,000) to fund specific work which is included within operating income (note 3). The agency also received other income from UK government departments for contract and grant work which is also included within note 3.

Comparison of government grant in aid with results for the year

The net operating cost for the financial year shown in the operating cost statement and the related total revenue government grant in aid for the financial year may be compared as follows:

	2010 £'000	Restated 2009 £'000
Total revenue government grant in aid received	193,114	169,348
Depreciation on assets funded by capital grant in aid from the Department of Health (note 7)	24,254	20,844
Loss on disposal of assets funded by capital grant in aid from the Department of Health (note 6)	231	178
Impairment of assets (note 7)	4,247	-
Reversal of cost of capital charge	8,770	8,009
Total revenue government grant in aid relating to net operating cost for the financial year	230,616	198,379
Less: net operating cost for the financial year	(231,261)	(198,072)
Government grant in aid less net operating cost for the year	(645)	307

Capital expenditure for the year

The capital expenditure for the financial year may be compared with the capital financing for the financial year as follows:

	2010 £'000	Restated 2009 £'000
Total capital government grant in aid relating to the capital expenditure for the financial year	50,000	41,400
Capital grants received for specific projects	8,494	461
Total capital financing for the financial year	58,494	41,861
Less: capital expenditure for the financial year	(48,930)	(40,397)
Capital financing less capital expenditure for the year	9,564	1,464

The underspend in capital relates to the Porton Down re-provision costs as referred to in note 6; this will be carried forward into the 2010/11 financial year.

17 RELATED PARTY DISCLOSURES

The Health Protection Agency is sponsored by the Department of Health, which is regarded as a related party. During the year the agency has had various material transactions with the Department of Health itself and with other entities for which the Department of Health is regarded as the parent entity. These include many NHS and primary care trusts, the NHS Litigation Authority and many others.

In addition, the Health Protection Agency had transactions with other government departments and central government bodies. These included the Home Office, the Ministry of Defence, the Food Standards Agency, the Department for Environment, Food and Rural Affairs, the Department for International Development, the Department of Health, Social Services and Public Safety (NI), the National Blood Service, and the Medical Research Council.

During the year ended 31 March 2010, no Board members, members of the senior management or other related parties have undertaken any material transactions with the Health Protection Agency except for:

- Professor Stephen Palmer is a full time employee of the University of Cardiff and acted as a member of the Executive Group for the whole of the year ended 31 March 2010. During the year ended 31 March 2010, the agency purchased £224,000 (2009: £486,000), for the supply of goods and services from the University of Cardiff.

- Dr Miles Carroll is a member of the agency's Executive Group and is an advisor to Emergent Biosoutions UK, to which the agency provided £360,000 (2009: £744,000) of goods and services during the year ended 31 March 2010.

- Dr John Stephenson is a member of the agency's Executive Group, and holds an honorary academic position at the London School of Hygiene and Tropical Medicine, from which the agency purchased £633,000 (2009: £569,000) and provided £85,000 (2009: £56,000) of goods and services during the year ended 31 March 2010.

- Professor Alan Maryon Davis is an advisor to the HPA Board and is a governor of the London School of Hygiene and Tropical Medicine, from which the agency purchased £633,000 (2009: £569,000) and provided £85,000 (2009: £56,000) of goods and services during the year ended 31 March 2010.

- Professor Anthony Kessel is an executive Board member and is a coordinator of the London School of Hygiene and Tropical Medicine, from which the agency purchased £633,000 (2009: £569,000) and provided £85,000 (2009: £56,000) of goods and services during the year ended 31 March 2010.

- Dr Barbara Bannister is an employee of the Royal Free Hospital, and a non-executive member of the HPA Board. During the year ended 31 March 2010, the agency paid a total of £115,000 (2009: £77,000) to the Royal Free Hospital, of which £10,000 (2009: £10,000) related to the salary costs of Dr Bannister recharged to the agency.

- Deborah Oakley is a member of the governing body representing Camden PCT, which controls the Royal Free Hospital, and is also a non-executive member of the HPA Board.

During the year ended 31 March 2010, the agency paid a total of £115,000 (2009: £77,000) to the Royal Free Hospital.

- Dr Vanessa Mayatt is a director of Mayatt Risk Consulting Limited, as well as non-executive member of the agency's Board. During the year ended 31 March 2010, the agency paid £27,000 (2009: £28,000) to the Mayatt Risk Consulting Limited for additional services provided by Dr Mayatt to the agency.

- The agency has a minor shareholding in Syntaxin Limited (see note 10). During the year ended 31 March 2010, Syntaxin Limited was charged £36,000 (2009: £174,000) for goods and services received from the agency.

- Martin Hindle is a non-executive member of the agency's Board and chairman of the University Hospitals of Leicester NHS Trust. During the year to 31 March 2010, the agency provided £192,000 (2009: £136,000) of goods and services to and purchased £578,000 (2009 £181,000) of goods and services from the University Hospitals of Leicester NHS Trust.

18 CAPITAL COMMITMENTS

The contracted capital commitments at 31 March 2010 not provided for in the accounts amounted to £8,806,000 (2009: £23,056,000). There were no other financial commitments at 31 March 2010 (2009: nil) that require disclosure.

19 COMMITMENTS UNDER OPERATING LEASES

The HPA's minimum total future obligations under non-cancellable operating leases in existence as at 31 March 2010 are given in the table below analysed according to the period in which the lease expires. The obligations are as at the date of the financial position statement.

Obligations under operating leases comprise:	2010 £'000	Restated 2009 £'000
Land and buildings:		
Expiring within one year	4,353	3,856
Expiring between two and five years	1,239	1,134
Expiring after five years	104	14
Other leases:		
Expiring within one year	1,575	1,624
Expiring between two and five years	314	579
Expiring after five years	4	-
Total obligations under operating leases at 31 March	7,589	7,207

The total operating lease payments recognised as an expense in the period were £7,843,000 (2009: £6,320,000).

20 FINANCIAL INSTRUMENTS

Due to the largely non-trading nature of its activities, and the way in which it is financed, the Health Protection Agency is not exposed to the degree of financial risk faced by most other business entities. The agency has no authority to borrow or to invest without the prior approval of the Department of Health and the HM Treasury. Financial instruments held by the agency comprise mainly assets and liabilities generated by day-to-day operational activities and are not held to change the risks facing the agency in undertaking its activities.

The Health Protection Agency operates foreign currency bank accounts to handle transactions denominated in Euro (€) and US Dollars ($). This helps to manage potential exposure to exchange rate fluctuations. The fair value of cash is the same as the book value as at the Statement of Financial Position date.

During the year to 31 March 2010, the agency received Euro income equivalent to £7,349,000 (2009: £8,641,000) and US Dollar income equivalent to £8,313,000 (2009: £7,852,000) upon which there was some currency risk.

The only other currency risk is that of a Euro currency bank balances, valued at £257,000 (2009: £224,000), and a US Dollar bank balance valued at £309,000 (2009: £253,000). The agency operates Euro and US Dollar bank accounts to handle transactions denominated in those currencies. This helps to manage potential exposure to exchange rate fluctuations.

21 CONTINGENT LIABILITIES

As at 31 March 2010, there were a small number of outstanding legal claims made against the Health Protection Agency by patients and others. Standard accounting practice requires that provision only be made in the accounts if it is probable that a claim will be successful, and that a reliable estimate of the claim can be made. The Health Protection Agency's provision for legal claims is disclosed at Note 15.

There were no other contingent liabilities as at 31 March 2010.

22 LOSSES AND SPECIAL PAYMENTS

Losses and special payments requiring disclosure during the year ended 31 March 2010 totalled £190,000 (2008: £303,665).

23 EVENTS AFTER THE REPORTING PERIOD

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

There are no post statement of financial position events that would require reporting under International Accounting Standard 10.

24 MERGER WITH THE NATIONAL BIOLOGICAL STANDARDS BOARD

a) Background information

On 1 April 2009 the National Biological Standards Board (NBSB), a non-departmental public body, merged with the Health Protection Agency to form a separate centre within the agency known as the National Institute for Biological Standards and Controls (NIBSC). The mission of the institute is to assure the quality of biological medicines and at the heart of this work are the preparation, storage and worldwide distribution of World Health Organization standards and reference materials to provide benchmarks for product quality. In addition, the institute provides testing services as the UK's Official Medicines Control Laboratory to ensure compliance with product specifications, undertakes research into aspects of biological medicines and delivers advice and training. Most of the operations of the institute are carried out at its headquarters at South Mimms, Hertfordshire.

The merger with the Health Protection Agency arose out of a review of arms-length bodies conducted by the Department of Health and was originally announced in July 2004. The lengthy lead-in period enabled accounting policies and systems to be aligned prior to the merger taking place. During this period, the Health Protection Agency provided a number of financial and other services to NBSB under a service level agreement.

The accounting principles underlying the merger are detailed in note 1.19.

b) Merger adjustments

Merger adjustments relate to the following:

i) Elimination of debtor and creditor balances between the two entities within the statements of financial position as at 1 April 2008 and 31 March 2009 and elimination of transactions between the two entities for the year ending 31 March 2009. These adjustments do not affect taxpayers' equity as at 31 March 2008 and 31 March 2009 or the total net operating costs for the year to 31 March 2009.

ii) An increase in HPA net operating costs for the year to 31 March 2009 of £4,964,000 in respect of the reversal of the cost of capital charge. This reversal has been credited directly to the general reserve to be consistent with the required treatment in *Government Financial Reporting Manual* and the accounts of NBSB. This adjustment does not affect taxpayers' equity.

iii) A reclassification of the donated asset reserve to a capital grant reserve.

iv) A decrease in the NBSB net operating costs of £112,000 in respect of a release from the capital grants reserve to offset depreciation on assets funded by capital grants. The previous practice was to credit this directly to the general reserve but to be consistent with *Government Financial Reporting Manual* and the treatment of similar transactions in the accounts of HPA it has now been credited to the operating cost statement. This adjustment does not affect taxpayers' equity.

The following notes show the effect of the merger adjustments on the prior period Statement of Financial Position and operating cost statements of the two entities. The adjustments required as a result of the transition to the International Financial Reporting Standards are also shown and these are further explained in note 25.

Effect of merger adjustments on combined Statement of Financial Position as at 31 March 2009

	HPA pre-merger £'000	HPA merger adjustments £'000	NBSB pre-merger £'000	NBSB merger adjustments £'000	Combined post-merger £'000
Non-current assets					
Property, plant and equipment	169,014	-	80,471	-	249,485
Intangible assets	2,058	-	189	-	2,247
Financial assets	264	-	-	-	264
Total non-current assets	171,336	-	80,660	-	251,996
Current assets					
Inventories	3,362	-	7,232		10,594
Trade receivables and other current assets	31,178	20	4,450	(121)	35,527
Cash and cash equivalents	22,405	(104)	7,351	104	29,756
Total current assets	56,945	(84)	19,033	(17)	75,877
Total assets	228,281	(84)	99,693	(17)	327,873
Current liabilities					
Trade and other payables	(51,017)	121	(3,266)	(20)	(54,182)
Provisions	(2,656)	-	-	-	(2,656)
Total current liabilities	(53,673)	121	(3,266)	(20)	(56,838)
Non-current assets plus net current assets	174,608	37	96,427	(37)	271,035
Non-current liabilities					
Provisions	(3,393)		(87)		(3,480)
Assets less liabilities	**171,215**	**37**	**96,340**	**(37)**	**267,555**
Taxpayers' equity					
Capital grant reserve	3,045		-	1,131	4,176
Donated assets reserve	-		1,131	(1,131)	-
Revaluation reserve	6,293		44,640	-	50,933
General reserve	161,877	37	50,569	(37)	212,446
Total capital and reserves	**171,215**	**37**	**96,340**	**(37)**	**267,555**

Effect of merger adjustments on combined Statement of Financial Position as at 31 March 2009

	Combined post-merger £'000	IFRS adjustments (see note 25) £'000	Combined post-merger with IFRS adjustments £'000
Non-current assets			
Property, plant and equipment	249,485	(17)	249,468
Intangible assets	2,247	-	2,247
Financial assets	264	23	287
Total non-current assets	251,996	6	252,002
Current assets			
Inventories	10,594	-	10,594
Trade receivables and other current assets	35,527		35,527
Cash and cash equivalents	29,756	-	29,756
Total current assets	75,877	-	75,877
Total assets	327,873	6	327,879
Current liabilities			
Trade and other payables	(54,182)	(2,572)	(56,754)
Provisions	(2,656)	-	(2,656)
Total current liabilities	(56,838)	(2,572)	(59,410)
Non-current assets plus net current assets	271,035	(2,566)	268,469
Non-current liabilities			
Provisions	(3,480)	18	(3,462)
Assets less liabilities	**267,555**	**(2,548)**	**265,007**
Taxpayers' equity			
Capital grant reserve	4,176	-	4,176
Donated assets reserve	-	-	-
Revaluation reserve	50,933	17	50,950
General reserve	212,446	(2,565)	209,881
Total capital and reserves	**267,555**	**(2,548)**	**265,007**

Effect of merger adjustments on combined operating cost statement for year ended 31 March 2009

	HPA pre-merger	HPA merger adjustments	NBSB pre-merger	NBSB merger adjustments	Combined post-merger
	£'000	£'000	£'000	£'000	£'000
Gross operating costs					
Staff costs	166,221	(46)	13,873	-	180,048
Other operating charges	107,024	(260)	10,621	(266)	117,119
Amortisation and depreciation	16,935	-	4,345	-	21,280
Notional cost of capital charge	4,964		3,045	-	8,009
Gross operating costs before deduction of cost of capital charge	295,144	(306)	31,884	(266)	326,456
Reversal of notional cost of capital charge	(4,964)	4,964	-	-	-
Total gross operating costs	290,180	4,658	31,884	(266)	326,456
Operating income	(117,748)	267	(11,195)	193	(128,483)
Net operating costs before interest	172,432	4,925	20,689	(73)	197,973
Interest receivable	(285)	-	(6)	-	(291)
Net operating costs for the financial year	**172,147**	**4,925**	**20,683**	**(73)**	**197,682**

Effect of merger adjustments on combined operating cost statement for year ended 31 March 2009

	Combined post-merger	IFRS adjustments (see note 25)	Combined post-merger with IFRS adjustments
	£'000	£'000	£'000
Gross operating costs			
Staff costs	180,048	390	180,438
Other operating charges	117,119	-	117,119
Amortisation and depreciation	21,280	-	21,280
Notional cost of capital charge	8,009	-	8,009
Gross operating costs before deduction of cost of capital charge	326,456	390	326,846
Reversal of notional cost of capital charge	-	-	-
Total gross operating costs	326,456	390	326,846
Operating income	(128,483)	-	(128,483)
Net operating costs before interest	197,973	390	198,363
Interest receivable	(291)	-	(291)
Net operating costs for the financial year	**197,682**	**390**	**198,072**

25 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The background to the adoption of IFRS is given in note 1.3. This note, which is a requirement of IFRS 1, shows the effects of the transition to IFRS on the results for 2008/09, the last reporting period in which the financial statements were prepared under UK Generally Accepted Accounting Principles (UK GAAP).

Analysis of effect of taxpayers' equity as at 31 March 2009

	Capital grant reserve £'000	Revaluation reserve £'000	General reserve £'000	Total taxpayers' equity £'000
Taxpayers' equity as at 31 March 2009 under UK GAAP:				
As reported in the financial statements for the Health Protection Agency	3,045	6,293	161,877	171,215
As reported in financial statements for the National Biological Standards Board	1,131	44,640	50,569	96,340
Total taxpayers' equity for merged accounts under UK GAAP	4,176	50,933	212,446	267,555
Adjustments resulting from adoption of IFRS:				
International Accounting Standard 19: recognition of accrued holiday benefits	-	-	(2,572)	(2,572)
International Accounting Standard 17: reclassification of lease premium	-	17	(11)	6
International Accounting Standard 37: discounting of provisions	-	-	18	18
Total taxpayers' equity at 1 April 2009 for merged accounts under IFRS	**4,176**	**50,950**	**209,881**	**265,007**

Analysis of effect on net operating costs for the year to 31 March 2009

	£'000
Net operating costs for the year under UK GAAP:	
As reported in financial statements for the Health Protection Agency	172,147
As reported in financial statements for the National Biological Standards Board	20,683
Total net operating costs for merged accounts under UK GAAP	192,830
Adjustments not resulting from transition to IFRS (see note 24):	
Reversal of cost of capital charge: Health Protection Agency (now credited to General Reserve instead of operating cost statement)	4,964
Capital grants reserve release: National Biological Standards Board (now credited to operating cost statement instead of General Reserve)	(112)
	197,682
Adjustments resulting from adoption of IFRS:	
International Accounting Standard 19: net increase in accrued holiday benefits for the year	408
International Accounting Standard 37: discounting of provisions	(18)
Total net operating costs for merged accounts under IFRS	**198,072**

Five year financial summary

OPERATING COST STATEMENT	2005/06[1] £'000	2006/07 £'000	2007/08 £'000	2008/09[2] £'000	2009/10 £'000
Gross operating costs					
Employee costs	136,930	145,672	153,983	180,438	199,080
Other operating costs	90,366	91,543	100,845	117,119	134,974
Amortisation and depreciation	9,780	10,747	14,777	21,280	28,888
Total operating costs	237,076	247,962	269,605	318,837	362,942
Operating income	(87,483)	(93,887)	(109,188)	(128,483)	(140,433)
Interest receivable	(241)	(228)	(400)	(291)	(18)
Cost of capital charge	-	-	-	8,009	8,770
Net operating cost for the financial year	**149,352**	**153,847**	**160,017**	**198,072**	**231,261**

GOVERNMENT FUNDING	2005/06[1] £'000	2006/07 £'000	2007/08 £'000	2008/09[2] £'000	2009/10 £'000
Total revenue government grant in aid relating to net operating cost for the financial year	146,893	156,135	160,299	198,379	230,616
Net operating costs	(149,352)	(153,847)	(160,017)	(198,072)	(231,261)
Gross (deficit) or surplus	**(2,459)**	**2,288**	**282**	**307**	**(645)**

STATEMENT OF FINANCIAL POSITION	2005/06[1] £'000	2006/07 £'000	2007/08 £'000	2008/09[2] £'000	2009/10 £'000
Non-current assets					
Property, plant and equipment	139,305	153,958	167,177	249,468	274,247
Intangible assets	931	700	594	2,247	3,870
Financial assets	230	265	496	287	286
Total non-current assets	140,466	154,923	168,267	252,002	278,403
Current assets					
Inventories	4,322	4,261	3,419	10,594	13,417
Trade and other receivables	35,514	34,979	30,058	35,527	46,292
Cash and cash equivalents	8,840	22,914	30,415	29,756	28,093
Total current assets	48,676	62,154	63,892	75,877	87,802
Total assets	189,142	217,077	232,159	327,879	366,205
Current liabilities					
Trade and other payables	(44,642)	(58,538)	(56,359)	(56,754)	(58,113)
Provisions	(5,418)	(3,084)	(2,192)	(2,656)	(2,092)
Total current liabilities	(50,060)	(61,622)	(58,551)	(59,410)	(60,205)
Non-current assets plus net current assets	139,082	155,455	173,608	268,469	306,000
Non-current liabilities					
Provisions	(9,962)	(4,329)	(6,367)	(3,462)	(5,553)
Assets less liabilities	**129,120**	**151,126**	**167,241**	**265,007**	**300,447**
Taxpayers' equity					
Capital grant reserve	-	1,154	3,013	4,176	12,283
Revaluation reserve	3,060	11,614	18,179	50,950	56,445
General reserve	126,060	138,358	146,049	209,881	231,719
Total taxpayers' equity	**129,120**	**151,126**	**167,241**	**265,007**	**300,447**

Years prior to 2008/09 were reported under UK Generally Accepted Accounting Principles (UK GAAP); these have not been restated for the requirements of International Financial Reporting Standards (IFRS) as adjustments are immaterial in value but where terminology has changed under IFRS, this is reflected in the narrative content under the most appropriate category.

[1] Under the *Government Financial Reporting Manual* (FReM) for the 2006/07 financial year, non-departmental public bodies should regard government grants and grant in aid received for revenue purposes as a financing flow and no longer as income. Therefore, the HPA's accounts include an operating cost statement in place of the Income and Expenditure Account. The prior year comparisons have been restated to reflect the change in accounting and presentation.

[2] The agency merged with the National Biological Standards Board (NBSB) on 1 April 2009. In accordance with Financial Reporting Standard number 6, the financial information presented for 2008/09 has been restated, as if the NBSB had been part of the agency throughout that accounting period.

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