

Presented pursuant to c.4, s.4(4) of the Biological Standards Act 1975

National Biological Standards Board Account 2003-2004

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 28 FEBRUARY 2005

The National Audit Office
scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General,
Sir John Bourn, is an Officer of the
House of Commons. He is the head of the
National Audit Office, which employs some
800 staff. He, and the National Audit Office,
are totally independent of Government.

He certifies the accounts of all Government
departments and a wide range of other public
sector bodies; and he has statutory authority
to report to Parliament on the
economy, efficiency and effectiveness
with which departments and other bodies
have used their resources.

Our work saves the taxpayer millions of
pounds every year. At least £8 for every
£1 spent running the Office.

This account can be found on the National Audit Office web site at
www.nao.org.uk

Contents

	Page
Foreword	2
Statement of the Board's and Director's responsibilities	5
Statement on Internal Control	6
The Certificate and Report of the Comptroller and Auditor General	8
Income and Expenditure Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Financial Statements	13
Accounts Determination	25
Schedules	26

Foreword

Background information

The Board's responsibilities are set out in the National Biological Standards Board (Functions) Order 1976. The Board took over the management of the National Institute for Biological Standards and Control (NIBSC) from the Medical Research Council on 1 July 1976. The Institute moved into its new laboratories at South Mimms in July 1987.

Activities

The Board's prime function is to assure the potency, purity and related efficacy and safety of biological substances used in human medicine. These substances include bacterial and viral vaccines such as those used for immunisation against diphtheria, poliomyelitis, measles and influenza, blood products such as Factor VIII and immunoglobulins and therapeutics such as cytokines and growth factors.

Standard preparations, against which the potency of biological substances is measured, are prepared, held and distributed to other national control laboratories and to manufacturers and researchers throughout the world. Control testing of batches of biological medicinal products supplied by holders of licences under the Medicines Act 1968 and/or EC Directive 2001/83 (as amended) is carried out to ensure that requirements relating to potency, purity and associated efficacy and safety have been met.

The Board collaborates with the World Health Organization, the European Pharmacopoeia Commission and other international organisations and bodies in relation to the establishment of standards for, the provision of standard preparations of, and the testing of biological substances.

Research and development

Standardisation and control work is supported by research and development work directed towards designing and improving assay, test and standardisation methods, including in vitro studies, not only for existing biological medicinal products but also for new products arising from scientific developments including those in the field of biotechnology.

Form of account

The account has been prepared in a form directed by the Secretary of State with the approval of the Treasury in pursuance of Section 4 (3) of the Biological Standards Act 1975.

Results for the year

The surplus for the year amounted to £3,593,000 which when added to the opening balance on the Income and Expenditure Account gave an accumulated surplus of £6,876,000. This includes an exceptional item of £2,073,000 of income anticipated from VAT recoveries for previous financial years. Other movements in reserves are shown in Note 12 to the accounts. Cash and investment balances increased by £727,000 to £2,785,000 of which £2,542,000 (31 March 2003: £1,488,000) were Government funds.

Fixed assets

The significant additions to fixed assets during the year were

- a UK Stem Cell Bank laboratories;
- b Liquid nitrogen store and archive;
- c Laboratory refurbishments;
- d Robotic workstations and real-time PCR; and
- e Computer servers.

Review of activities and future developments

Purpose-built laboratories for the UK Stem Cell Bank were installed, commissioned and validation has begun. The UKSCB will store and distribute quality-assured stem cell lines for research and, eventually, therapeutic use.

The Board has used advanced genetic techniques to develop vaccine strains of the avian influenza which caused the recent outbreak in South-East Asia. These vaccine viruses will be used to combat a potential outbreak of pandemic human influenza if the avian strains acquire the ability to infect the human population.

The new Centre for Biological Reference Materials was opened in October 2003 by Melanie Johnson, Parliamentary Under Secretary for Public Health. The Centre now holds and distributes biological standards and its production will be brought on stream once all items of equipment have been validated. The new facility will increase the capacity and quality of standards production including both infectious and aseptic materials.

Rapid progress in medical science and the application of new biotechnology is leading to an increased rate of development of new biological medicinal products for use in the prevention, therapy and diagnosis of human disease. Among such substances are new and improved vaccines, cytokines and growth factors, cell lines and new types of treatment for blood coagulation disorders. A consequence of the expansion in the range and number of biological medicines is the need for corresponding development of control testing procedures by the NBSB to ensure the safety and efficacy of the new products and reference standards. Safety considerations, particularly microbiological (e.g. of blood and blood products), also require the development and application of increasingly complex tests for infectious agents. The Institute also needs to keep pace with the rapid technological developments in analytical equipment to ensure that its scientists maintain their leading position in biological standardisation and control worldwide. The Institute holds independent accreditation for its control testing work (ISO 17025) and for the production of standards (ISO 9001).

Disabled persons

All those responsible for recruitment to the Board's staff whenever practicable give full and fair consideration of candidates who are disabled. Within the limitations imposed by the nature of the work undertaken by the Board, disabled staff are provided with the same opportunities for training, re-training and promotion as other employees. Whenever possible, staff who become disabled whilst in the Board's employment are re-trained. Currently the Board employs no staff who are registered as disabled.

Employee involvement

It is the Board's policy to be open and fair in its dealings with Staff and recognised unions.

The Board endorses the principle of collective consultation on all matters that concern their staff, and negotiation on matters concerned with the terms and conditions of service of staff. A Joint Negotiating and Consultative Committee has been established, consisting of a 'Staff Side', representing the trade unions that have been formally recognised by the Board, and an 'Official Side', to provide the machinery for consultation and negotiation.

When no consultation or negotiation is actively in progress there is still a steady effort to provide staff with information through staff briefings, seminars and newsletters.

Supervision of the Board's finances is delegated to the Finance and General Purposes Committee. The Board's two staff members (other than the Director) are also members of this Committee.

The annual accounts are made available to staff through the Annual Report.

Invoice payment policy

In accordance with the CBI's 'Better payment practice code', the Board aims to pay suppliers' invoices within thirty days of receiving an invoice in accordance with its standard terms and conditions. Any departure from these terms is agreed with individual suppliers. In 2003-2004, the Board paid 53% (2002-2003: 46%) of invoices within 30 days, representing 52% (62%) of the total value of invoices paid. It is the Board's policy to comply with these terms of payment as far as is practical within the constraints of the organisation.

Board members

Board membership during the financial year was

Professor GW Duff PhD FRCP FMedSci (Chairman)

Professor DH Calam OBE MA DPhil CChem FRSC FRSA Hon MRPharmS Hon MBIRA DSc

Professor JD Cash CBE MB ChB FRCP(Edin) FRC(Path) (Appointed 1 April 1996, term of appointment ended 31 March 2004)

Professor JH Darbyshire OBE FRCP FFPHM

Professor DS Davis BSc PhD MRCPATH (Appointed 1 April 1996, term of appointment ended 31 March 2004)

Mr A Heath MA MSc CStat

Professor JP Hughes FRS

Dr SC Inglis PhD (Director)

Professor DS Latchman PhD MRCPATH FRCPath

Mr JH Metcalf MA FCMA (Appointed 1 April 1996, term of appointment ended 31 March 2004)

Ms GM Noble CB MA (Hons) MSc

Dr JC Petricianni MD

Mr AJ Robertson CA

Professor JGP Sissons MB BS MD FRCP MRCPATH

Professor Sir John Skehel FRS

Dr S Thomas PhD

Audit

The Board's auditor is the Comptroller and Auditor General. Details of the audit fee for the year are disclosed in Note 4 to the financial statements.

Other than the statutory audit of the financial statements, the Comptroller and Auditor General has not provided any other services to the Board during the year ended 31 March 2004.

SC Inglis
Accounting Officer
National Biological Standards Board

4 February 2005

Statement of the Board's and Director's responsibilities

Under Section 4(3) of the Biological Standards Act 1975 the National Biological Standards Board is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Board's state of affairs at the year-end and of its income and expenditure and cash flow for the financial year.

In preparing the accounts the Board is required to

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer of the Department of Health has designated the Director of the National Institute for Biological Standards and Control as the Accounting Officer for the Board. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum, issued by the Treasury and published in 'Government Accounting'.

Statement on Internal Control

Scope of responsibility

The Board is accountable for internal control. As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the statutory duties of the National Biological Standards Board and its policies, aims and objectives, whilst safeguarding the Board's funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*. The policies, aims and objectives of the Board are reviewed by the Minister for Public Health as part of its annual Accountability process, while the authority delegated to the Board by the Department of Health is set out in its Management Statement.

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 the 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 boards 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 NBSB for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Board has established, with help from external experts and the Audit Committee, a continuous risk assessment process covering the activities of the NBSB and the environment within which it operates. Output from the risk management system is reviewed by the Board periodically and its operation is monitored by the Audit Committee. Risks identified within NBSB's scientific divisions and administration are recorded in a risk register to which all staff have access through trained risk champions. Risks are assigned to specific NBSB staff at divisional and organisational level who have responsibility for their management.

The risk and control framework

The framework which provides evidence to support this statement on internal control includes

- an Audit Committee which reviews the risk management process regularly, and receives the reports of the internal auditors;
- an internal audit function which sets its work programme based on an analysis of risks and which reports on the risk management system; and
- a system of staff responsibility, internal regulations and guidelines to allow staff to conduct the Board's business safely and legally with the minimum of risk to its staff, customers and the public.

The Board operates a system of risk management in accordance with Treasury guidance. This system has been reviewed and endorsed by independent risk management experts and provided the basis for the Institute's internal audit plan.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors, by comments made by the external auditors in their management letter and by the Audit Committee. I also place reliance on the executive managers within the organisation, who have responsibility for the development and maintenance of the system of internal control and the assurance framework.

During the previous year the internal audit function identified a number of accounting controls which needed improvement. Their recommendations were prioritised and largely implemented during that year and the relevant systems deemed satisfactory in a follow up review. Outstanding items requiring additional resource and/or more significant changes to systems and procedures were carried forward. During the year under review a substantial re-organisation of accounting functions was commenced to implement these changes.

SC Inglis
Accounting Officer
National Biological Standards Board

4 February 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 10 to 24 under the Biological Standards Act 1975. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 to 15.

Respective responsibilities of the Board, Director and Auditor

As described on page 5, the Board and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Biological Standards Act 1975 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. The Board and Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Biological Standards Act 1975 and directions made thereunder by the Secretary of State with the approval of HM Treasury, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 6 and 7 reflects the Board's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Director's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Biological Standards Board as at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Biological Standards Board Act 1975 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

22 February 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2004

	Notes	2003-2004 £000	2002-2003 £000
Income			
Government grants	2a	10,628	9,846
Other grants	2b	3,970	4,865
Income from activities	2c	2,988	2,778
Contributions to depreciation	2d	2,502	2,231
		20,088	19,720
Expenditure			
Staff costs	3a	9,724	9,140
Other operating charges	4a	6,343	7,781
VAT recoverable	4c	(2,073)	(1,489)
Depreciation	5	2,502	2,231
Cost of capital charge	2e	2,230	3,473
		18,726	21,136
Operating surplus/(deficit)		1,362	(1,416)
Interest receivable		1	29
Cost of capital reversal	2e	2,230	3,473
Surplus for the year		3,593	2,086

All results arose from continuing operations.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2004

	Note	2003-2004 £000	2002-2003 £000
Surplus for the year		3,593	2,086
Unrealised deficit on revaluation of stocks		(1,262)	(10)
Unrealised surplus on revaluation of fixed assets	12	2,674	5,722
Net deficit on foreign currency translation		(39)	(16)
Total recognised gains and losses		4,966	7,782

The notes on pages 13 to 24 form part of this account.

Balance sheet as at 31 March 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	5	53,519	49,841
Debtors due after more than one year	7	9,031	9,310
Current assets			
Stock	6	6,795	7,962
Debtors	7	9,497	6,242
Cash at bank and in hand	8	2,785	2,058
		19,077	16,262
Creditors			
Amounts falling due within one year	9	2,160	1,782
Deferred income	14	935	1,049
		3,095	2,831
Net current assets		15,982	13,431
Total assets less current liabilities		78,532	72,582
Provisions for liabilities and charges	10	9,018	9,431
Capital and reserves			
Deferred government grant	12	35,802	34,670
Revaluation reserve	12	25,831	25,901
Donated asset reserve	12	1,005	594
Income and expenditure account	12	6,876	1,986
		78,532	72,582

SC Inglis
Accounting Officer
National Biological Standards Board

4 February 2005

The notes on pages 13 to 24 form part of this account.

Cash Flow Statement for the year ended 31 March 2004

	Notes	2003-2004 £000	2002-2003 £000
Net cash inflow/(outflow) from operating activities	16(i)	508	(1,256)
<i>Returns on investments and servicing of finance</i>			
Interest received		1	29
Capital expenditure		(3,925)	(3,154)
Receipts from disposal of fixed assets		0	140
Net cash outflow before financing		(3,416)	(4,241)
Management of liquid resources		0	1,200
<i>Financing</i>			
Capital grants received		3,282	3,707
Grant equipment funds		861	249
Increase in cash	16(ii)	727	915

The notes on pages 13 to 24 form part of this account.

Notes to the Accounts

1 Accounting policies

a Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention, modified to include the revaluation of fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate. The accounts are also consistent where appropriate with generally accepted accounting practice in the United Kingdom (UK GAAP).

b Tangible fixed assets

Tangible fixed assets are shown at current value (cost or valuation) less depreciation.

Buildings are shown at depreciated replacement cost based on the most recent valuation by the District Valuer at 31 March 2004, indexed for movements in building costs since the last valuation. Land is owned by the Treasury, but its value is included in the Board's accounts at 31 March 2004.

Other assets are valued at modified historic cost, being historic cost indexed to depreciated current replacement cost.

c Depreciation

Depreciation is provided on all tangible fixed assets except assets under construction, at rates calculated to write off the cost of each asset evenly over its expected economic life as follows

Buildings	Based on components depreciated between 15 and 80 years
Plant	15 years
Equipment	7 years
Computers	5 years
Software	5 years
Vehicles	5 years

No depreciation is charged in the year of disposal.

d Government grants

Government Grants receivable for capital expenditure are credited to a Deferred Government Grant account (Note 14) and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants for revenue are credited to income in the year to which they relate (Note 2a). Deferred grant income comprises grant funds received in advance of work being undertaken (Note 14). Other grant income is shown in note 2b

e Stocks

Stocks are stated at the lower of cost and net realisable value. The materials incorporated in stocks of biological standards are provided to the Board without charge and are distributed onwards without any charge for the biological materials contained. However, costs are incurred in the production, storage and distribution of standards, including the scientific work undertaken to establish them and a handling charge is levied for their distribution. The value of standards calculated individually at the lower of cost and net realisable value is included in stocks.

f Research and development

Research and Development costs are written off as incurred.

g Foreign currencies

Assets and liabilities denominated in foreign currency are translated at rates of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. Exchange gains and losses are dealt with in accordance with Statement of Standard Accounting Practice 20 and are taken to the Income and Expenditure account.

h Pension costs

The majority of the Board's employees are members of the NHS Pension Scheme. This is a statutory scheme the provisions for which are contained in the NHS Pension Scheme Regulations (SI 1995 No 300). Under these regulations the Board is required to pay an employer's contribution, being 7% of pensionable pay for 2003-2004, as specified by the Secretary of State for Health. These contributions are charged to operating expenses as they become due.

The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years pension is payable on retirement. Members pay contributions of 5% or 6% of pensionable earnings. Pension payments rise in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum of twice the pensionable pay. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately based on an enhanced period of membership.

The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme, and the Board is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999 and details can be found on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationery Office.

The Board also operates a 'by-analogy' scheme. This offers benefits similar to the Medical Research Council pension scheme but was set up by the Board and is now closed to new members. It is given legal status by section 51(3) of the Social Security Act 1973. The Government of the day has an obligation to provide pension benefits to members of the schemes in accordance with their respective rules. The liability will be met from the annual grants from the Department of Health.

By-analogy schemes are unfunded in accordance with the Social Security Pensions Act 1975. Payments to the Paymaster General in respect of retired members are funded by employer and employee contributions in respect of active members with any shortfall being made up by an additional contribution by the Board.

The future liability of the by-analogy scheme calculated by the Government Actuary's Department is recognised as a liability in the balance sheet and the corresponding amount receivable from the Department of Health is included in long term debtors.

i Donated assets

Fixed assets purchased from donated funds are capitalised, valued and depreciated in the same way as government funded fixed assets. The net book value of the donated assets shown in the balance sheet is matched by the donated assets reserve.

j Cost of capital charge

Notional interest for financing the Board's net assets has been calculated on the average book value of net assets funded by the Government at the rate prescribed by the Treasury (3.5% per annum; 2002-2003: 6% per annum). This interest is charged to the income and expenditure account in arriving at the operating result and is then reversed as it is not actually paid.

k Income

Income comprises the amounts invoiced, excluding Value Added Tax, for goods and services supplied in the normal course of business and funding received from the Department of Health.

l Derivatives and other financial instruments

The Board's financial instruments consist of cash balances, trade debtors and trade creditors. It treats term deposits which are repayable at fixed dates within one year of the balance sheet date as investments. Current accounts and demand deposits are treated as cash. The Board has no borrowings or derivatives. Its policy is not to hold foreign currency in excess of known liabilities.

2 Income

<i>a Government grants</i>	2003-2004	2002-2003
	£000	£000
Department of Health	9,315	8,399
Scottish Executive	861	840
National Assembly for Wales	470	470
Northern Ireland Assembly	261	261
	10,907	9,970
<i>Less contributions to the NBSB Pension Scheme included in Department of Health grant</i>	(279)	(124)
Total Government grants	10,628	9,846
<i>b Other grants</i>	2003-2004	2002-2003
	£000	£000
Research councils etc	1,444	897
World Health Organization	198	305
European Commission	455	393
Other bodies	301	1,359
Contracts	1,572	1,911
	3,970	4,865
<i>c Other income</i>	2003-2004	2002-2003
	£000	£000
Standards distribution handling charges	1,918	1,684
Certification fees	1,070	1,050
Other services and supplies	0	44
	2,988	2,778

d Contributions to depreciation

All the fixed assets belonging to the Board are funded by government or other grants included in reserves (see Note 12). The cost of depreciation is matched by transfers from reserves as follows :

	2003-2004	2002-2003
	£000	£000
Historical cost depreciation on other assets transferred from deferred Government grant	2,150	1,766
Current cost depreciation adjustment transferred from Revaluation Reserve	282	389
Current cost depreciation on donated assets transferred from Donated Asset Reserve	70	76
	<u>2,502</u>	<u>2,231</u>

e Cost of capital charges

Notional interest at 3.5% of the average value of net government funded assets during the year, which is £2,230,000 (2002-2003 £3,473,000 at 6%) is matched by a notional credit for the same amount, shown below the operating deficit.

3 Staff costs

	2003-2004	2002-2003
	£000	£000
<i>a Salaries and wages</i>	7,983	7,533
Social Security costs	653	516
Employers contributions to the NBSB Pension Scheme	57	59
NHS superannuation contributions	482	457
Consultancy and agency staff	549	575
	<u>9,724</u>	<u>9,140</u>

b Board members' emoluments

	2003-2004	2002-2003
	£000	£000
The emoluments of the Chairman were	15	16
The emoluments of the Chief Executive were	122	122
Emoluments exclude pension and National Insurance contributions.		

c The salary (excluding employer's costs) and pension entitlements of the non-executive Board members were as follows

	Age at 31 March 2004	Salary, including performance pay	Real increase in pension at 60	Total accrued pension at 60 at 31 March 2004
		£000	£000	£000
Prof G Duff Chairman	56	15-20	0	0

The part-time members of the Board received attendance fees for their services as Board members as follows

	2003-2004 £000
Professor J Cash	423
Professor D Davies	284
Professor J Darbyshire	426
Professor J Hughes	139
J Metcalf	1,136
A Robertson	1,136
Professor J Sissons	568
Professor Sir John Skehel	568
Dr J Petricciani	710
G Noble	852
Prof D Calam	568
Prof D Latchman	710
	<hr/> 7,520 <hr/>

d Senior employees

The salary and pension entitlements of the senior management of the NBSB were as follows

	Age at 31 March 2004	Salary, including performance pay £000	Real increase in pension at 60 £000	Total accrued pension at 60 at 31 March 2004 £000
Dr S Inglis Director	51	120-125	0-2.5	0-5
V Knight Head of Finance/Board Secretary	51	45-50	0-2.5	5-10
S Murray Head of Operations	51	45-50	0-2.5	0-5
A Jowett Head of Human Resources (appointed 16 June 2003)	56	30-35	0-2.5	0-5

'Salary' includes gross salary, performance pay or bonuses and other allowances. The estimated monetary value of benefits in kind do not form part of 'salaries' for disclosure purposes under resource accounting; however there were no benefits in kind to any Board members or staff.

f The average number of employees during the year was

	2003-2004 No	2002-2003 No
Scientific	222	205
Administrative	56	54
Support	27	30
	<hr/> 305 <hr/>	<hr/> 289 <hr/>

4 Other operating charges*a Other operating charges*

	2003-2004	2002-2003
	£000	£000
Consumable laboratory supplies	2,695	4,351
Central services	1,895	1,536
Estate management	1,006	1,179
Equipment	379	414
<i>Travel, subsistence and hospitality</i>		
Chairman and other Board members	11	18
Employees	151	170
Audit fee	40	40
Provision for bad debts	11	(10)
Loss on disposal of assets	92	86
Diminution in value of computers and software	24	8
Sub-contracting costs	0	8
Foreign exchange (gain)/loss	39	(19)
	6,343	7,781

b Foreign currency translation

Net exchange losses of £39,000 on deposits have been debited to the Income and Expenditure account.

c VAT refund

	2003-2004	2002-2003
	£000	£000
VAT recoverable for previous years	2,073	1,489

The Board has negotiated with HM Customs and Excise a basis of recovery of VAT under the partial exemption rules. The Board is in the process of submitting claims for partial recovery of some £9.5 million of input VAT, for the period from October 1996 to March 2004. This includes £1.4 million of VAT paid on the construction of the new Centre for Biological Reference Materials (CBRM).

During 2001-2002 a refund of £1,394,000 of VAT was received on account, equivalent to 50% of the £2.8 million of input VAT claimed in respect of the period from October 1996 to September 1999. A further refund of £135,000 was received during 2002-2003, equivalent to 50% of input VAT claimed for the quarter ended December 1999. Since 31 March 2004 a refund of £1.35 million has been received in respect of the year ending 31 March 2003, at an average recovery rate of 80.5% of the input tax for that year.

An amount equivalent to 77.8% of the outstanding claim is included in debtors at 31 March 2004.

5 Tangible fixed assets

	Freehold Land	Freehold Buildings	Software computers and equipment	Motor Vehicles	Production equipment	Assets Under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Balances at 1 April 2003	4,747	37,880	9,861	30	1,772	9,009	63,299
Additions	0	826	35	0	147	2,844	3,852
Transfers	0	3,226	1,578	0	0	(4,804)	0
Disposals	0	0	(804)	0	(189)	0	(993)
Diminution	0	0	(44)	0	0	0	(44)
Revaluation/indexation	556	(5,426)	16	0	57	0	(4,797)
Cost or valuation at 31 March 2004	5,303	36,506	10,642	30	1,787	7,049	61,317
Accumulated depreciation at 1 April 2003	0	5,903	7,050	30	475	0	13,458
Charge for the year	0	1,580	812	0	110	0	2,502
Disposals	0	0	(590)	0	(81)	0	(671)
Diminution	0	0	(20)	0	0	0	(20)
Backlog depreciation/indexation	0	(7,483)	12	0	0	0	(7,471)
Accumulated depreciation at 31 March 2004	0	0	7,264	30	504	0	7,798
Net book value At 31 March 2003	4,747	31,977	2,811	0	1,297	9,009	49,841
At 31 March 2004	5,303	36,506	3,378	0	1,283	7,049	53,519

6 Stock

	31 March 2004 £000	31 March 2003 £000
Standards	6,029	7,165
Raw materials	98	87
Others	668	710
	6,795	7,962

The Board holds stocks of biological reference materials ('standards') which are used in regulatory control, diagnosis and research. At 31 March 2004 2.1 million standards were held of which 0.9 million were publicised for distribution in NBSB's reagent catalogue. Following a review of the stock valuation, the Board has changed the estimation technique used to value stock. This has resulted in a diminution in value of £1,262,000 (note 12). The Board estimates their economic value at 31 March 2004 to be £6,029,000 (2003: £7,165,000) at the lower of cost and net realisable value.

As stated in Note 1(e) the biological material contained in the standards is usually obtained without charge to the Board and no charge is levied in respect of the material contained in the standards distributed, although handling charges are made.

7 Debtors

	31 March 2004 £000	31 March 2003 £000
<i>Debtors due more than one year from balance sheet date</i>		
Department of Health	9,031	9,310
<i>Debtors due within one year</i>		
Trade debtors	1,042	1,225
Grant income receivable	1,695	1,512
Other debtors	6,542	3,318
Prepayments	218	187
	<u>9,497</u>	<u>6,242</u>

The long term debt due from the Department of Health represents the Department's obligation to fund the future liabilities of the NBSB Pension Scheme.

Other debtors at 31 March 2004 includes £6,510,000 (2003: £3,316,000) of VAT recoverable (Note 4(c)).

8 Cash at bank and in hand

	31 March 2004 £000	31 March 2003 £000
Paymaster account	2,024	756
Other Department of Health cash at bank and in hand	518	732
External cash funding received in advance	243	570
	<u>2,785</u>	<u>2,058</u>

9 Creditors: Amounts falling due within one year

	31 March 2004 £000	31 March 2003 £000
Taxation and social security costs	337	272
Trade creditors	1,515	1,339
Accruals	308	171
	<u>2,160</u>	<u>1,782</u>

10 Provisions

	NBSB pension scheme £000	Early Retirements £000	Other provisions £000	Total £000
Balance at 1 April 2003	9,185	238	8	9,431
Utilised during the year	(385)	(28)	0	(413)
Balance at 31 March 2004	<u>8,800</u>	<u>210</u>	<u>8</u>	<u>9,018</u>

The Government Actuary last calculated the capitalised value of the Board's future liability for pensions payable to members of the NBSB Pension Scheme as at 31 March 2002 as £7,256,000. This was based on the assumption of a 3.5% return in excess of price inflation and members' pensionable pay increasing at a rate 1.5% faster than prices at that time. He also calculated that the cost of transferring the scheme to other existing schemes would be £9.7 million. The provision for the scheme at 31 March 2004 uses the latter basis, as it is expected that responsibility for the scheme will be transferred to the Department of Health.

The early retirements provision is in respect of early retirement of staff where the Board has a continuing liability to meet the costs involved up to and beyond the standard retirement date. This provision covers only those staff where the Board did not elect to meet the costs involved by a commuted payment to the pension scheme in the year of early retirement. Following the valuation by the Government Actuary at 31 March 2002 the provision has been reduced to reflect the remaining liability in respect of those staff.

Other provisions represent the best estimate of the cost to settle legal claims outstanding against the Board at the balance sheet date.

11 NBSB Pension Scheme

The NBSB Pension Scheme is overseen by a five member Committee of Administration appointed by the Board. Of the 72 members, 13 are contributing, 48 are receiving pensions and the other 11 have preserved pension rights. Details of the net cost to the Board are shown below

	2003-2004	2002-2003
	£000	£000
Lump sum payments	100	1
Transfers to other schemes	0	0
Benefits paid	371	338
Total payments	471	339
<i>Less</i>		
Employers contributions	57	59
Employees contributions	29	31
Total contributions	86	90
Provisions utilised	385	249

The scheme first went into deficit in 1988 and since financial year 1990-1991 an addition has been made to the Board's cash limit towards the net cost to the Board of funding it. It is assumed that similar arrangements will continue for the foreseeable future.

12 Capital and reserves

	Deferred Government grant £000	Revaluation reserve £000	Donated asset reserve £000	Income and expenditure account £000	Total £000
Balance at 1 April 2003	34,670	25,901	594	1,986	63,151
Capital grant received (Note 13)	3,282	0	0	0	3,282
Donated additions	0	0	861	0	861
Surplus for the year	0	0	0	3,593	3,593
Gains on revaluation – fixed assets	0	3,054	(380)	0	2,674
Losses on revaluation – standards stock	0	(1,262)	0	0	(1,262)
Depreciation transfer to income and expenditure account	(2,150)	(282)	(70)	0	(2,502)
Realised gains on standards stock transfer to income and expenditure account	0	(283)	0	0	(283)
Reserves transfer	0	(1,297)	0	1,297	0
Balance at 31 March 2004	35,802	25,831	1,005	6,876	69,514

13 Government grants for capital

	2003-2004 £000	2002-2003 £000
Department of Health	3,188	3,614
Scottish Executive	51	50
National Assembly for Wales	28	28
Northern Ireland Assembly	15	15
	3,282	3,707

14 Deferred grant income

	2003-2004 £000	2002-2003 £000
Balance at 31 March 2003	1,049	1,817
Net transfers to income and expenditure account	(114)	(768)
Balance at 31 March 2004	935	1,049

15 Capital commitments

	2003-2004 £000	2002-2003 £000
Contracted capital commitments as at 31 March 2004 for which no provision has been made	2,142	798

16 Notes to the cash flow statement*i Reconciliation of operating surplus to net cash inflow from operating activities.*

	2003-2004	2002-2003
	£000	£000
Operating surplus/(deficit)	1,362	(1,416)
Cost of capital charge	2,230	3,473
Depreciation	2,502	2,231
Release from deferred government grant	(2,150)	(1,766)
Release from revaluation reserve	(283)	(389)
Release from donated asset reserve	(70)	(75)
Revaluation from production assets	(8)	(10)
Loss on disposal of fixed assets	322	86
Diminution in value of computers and software	24	8
Increase in stock	(95)	325
Decrease in long term debtors	279	124
Increase in short term revenue debtors	(3,255)	(2,843)
Increase in revenue creditors	177	241
Decrease in deferred grant income	(114)	(768)
Decrease in provisions	(413)	(477)
Net cash outflow from operating activities	508	(1,256)

ii Reconciliation of net cash flow to movement in net funds

	2003-2004
	£000
Increase in cash in the period	727
Decrease in liquid resources	0
Change in net funds	727
Net funds at 31 March 2003	2,058
Net funds at 31 March 2004	2,785

17 Losses and special payments

During the year the Board wrote off 76 invoices due from customers, and deemed uncollectible, with a value of £20,949. This value was offset by unallocated credits of £20,525.

18 Financial instruments

Financial Reporting Standard 13 (FRS 13), 'Derivatives and Other Financial Instruments: Disclosures' requires the disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities and the way in which Non Departmental Public Bodies are funded, the Board is not exposed to the degree of risk faced by business entities. Moreover financial instruments play a much more limited role in creating and changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The NBSB's main funding source for both revenue and capital expenditure is the Department of Health through resources voted annually by Parliament and drawn monthly as need arises. The NBSB is therefore only exposed to liquidity risk if it exceeds its voted expenditure or provides services for third parties - primarily donors of academic grants and customers for contract testing - for which funding lags behind expenditure. The Board manages its financial affairs to minimise such risks.

Interest rate risk

The NBSB has no powers to borrow and its Exchequer cash balances are held in non-interest bearing accounts. These do not give rise to interest rate risk. Funds from third parties, primarily donors for academic grants, are held on deposit at prevailing rates of short term interest. The income from this source comprised less than 0.01% of annual income and variations in interest rates do not represent a material risk to the Board's financial position.

Foreign currency risk

The Board conducts its business in the United Kingdom and most of its transactions and the major part of its funding are denominated in sterling. Its policy is to hold cash balances in sterling unless a matching obligation exists in another currency. Some funding for academic grants is received in foreign currency to cover sterling expenditure over a number of years, however any effect of exchange rate changes is borne primarily by the donor. The Board is not therefore exposed to any significant currency risk.

19 Related party transactions

- i The National Biological Standards Board (NBSB) is a Non-Departmental Public Body of the Department of Health.

The Department of Health is regarded as a related party within the definition of Financial Reporting Standard (FRS) 8. During the year, the NBSB has had various material transactions with the Department of Health and with other entities for which the Department of Health is regarded as the parent Department.

The amount of funding received from the Department is disclosed in Notes 2(a) and 13.

In addition, the NBSB has had a significant number of material transactions with other central Government bodies including

- Medical Research Council £1,861,000; and
- Home Office £31,000.

All transactions were carried out in an arm's length basis.

- ii During the year none of the Board Members, members of key management staff or other related parties has undertaken any material transactions with the National Biological Standards Board.

20 Post balance sheet events

In July 2004 the government announced, as part of its review of Arm's Length Bodies, its intention to abolish the National Biological Standards Board and to transfer its functions to other bodies, notably the Health Protection Agency. The precise timing of these changes remains to be determined and the Board does not consider that the values reported in the balance sheet at 31 March 2004 are materially affected by this post balance sheet event.

Accounts Determination

The Secretary of State, with the approval of the Treasury, in pursuance of Section 4(3) of the Biological Standards Act 1975, hereby gives the following determination

- 1 In this determination, 'the Board' means the National Biological Standards Board.
- 2 The Board shall prepare accounts for the financial year ended 31 March 1997 and subsequent financial years comprising
 - a a foreword;
 - b an income and expenditure account;
 - c a balance sheet;
 - d a cash flow statement; and
 - e a statement of total recognised gains and losses;including such notes as may be necessary for the purposes referred to in the following paragraphs.
- 3 The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
- 4 Subject to this requirement, the accounts shall be prepared in accordance with
 - a generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b the disclosure and accounting requirements contained in 'The fees and charges guide' (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury or the Secretary of State may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c the accounting and disclosure requirements given in 'Government accounting' and in 'Executive NDPBs: annual reports and accounts guidance', as amended or augmented from time to time;insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.
- 5 Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
- 6 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a fixed assets at their value to the business by reference to current costs; and
 - b stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 7 This accounts determination supersedes that dated 24 April 1996 and shall be reproduced as an appendix to the accounts.

P Kendall
Signed by the authority of the
Secretary of State for Health
Branch Head (RMF-EAC Division)
Department of Health

6 May 1997

Schedule 1

Application of the accounting and disclosure requirement of the Companies Act and Accounting Standards

Companies Act

- 1 The disclosure exemptions permitted by the Companies Act shall not apply to the Board unless specifically authorised by the Secretary of State with the approval of the Treasury.
- 2 The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.
- 3 When preparing its income and expenditure account, the Board shall have regard to the profit and loss format 2 prescribed in Schedule 4 to the Companies Act 1985 (as amended).
- 4 When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act 1985 (as amended). The balance sheet totals shall be struck at 'Total assets less current liabilities'.
- 5 The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act 1985.
- 6 The foreword and balance sheet shall be signed by the Director of the Board and dated.

Accounting standards

- 7 The Board is not required to include a note showing historical cost profits and losses as described in FRS3.

Schedule 2

Additional disclosure requirements

- 1 The foreword shall, inter alia
 - a state that the accounts have been prepared in a form determined by the Secretary of State with the approval of the Treasury in accordance with section 4(3) of the Biological Standards Act 1975; and
 - b include a brief history of the Board and its statutory background.
- 2 The notes to the accounts shall, inter alia:
 - a include details of the accounting policies adopted;
 - b provide further explanations of figures in the accounts where it is considered appropriate for a proper understanding of the accounts; and
 - c include details of the key corporate financial targets set by Ministers together with the performance achieved.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: C23131 5540WC

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

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 702 3474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents
(see Yellow Pages)

and through good booksellers

ISBN 0-10-328485-0



9 780103 284859