

**NATIONAL BLOOD AUTHORITY  
REPORT AND ACCOUNTS  
FOR THE 6 MONTH PERIOD  
1 APRIL 2005 TO 30 SEPTEMBER 2005**

**Presented to Parliament pursuant to section 98 (1c) of the National Health Service Act 1977**

**Ordered by the House of Commons to be printed 9 May 2006**

## **ANNUAL REPORT**

### **OPERATING AND FINANCIAL REVIEW**

The accounts for the six months ending 30 September 2005 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with section 98(2) of the National Health Service Act 1977 and in a format as instructed by the Department of Health with the approval of Treasury.

The National Blood Authority was established by Statutory Instrument 1993 No. 585 and 586 and amended by SI 1994 No. 589 and SI 2001 No. 1745. The National Blood Authority was abolished on 1 October 2005 by Statutory Instrument 2005 No. 2532 and its functions have been transferred to NHS Blood and Transplant by SI 2005 No. 2529 and No. 2531. Consequently this is the final account to be prepared for the National Blood Authority, and covers the six month period from 1 April 2005 to 30 September 2005. Comparatives are stated for the full twelve month period 2004-05 and balances at 31 March 2005.

The statutory duties of the National Blood Authority were set out in the Statutory Instruments and included:

- (a) the provision of laboratories for the manufacture of blood products and for other purposes; collecting, screening and processing blood and its constituents and supplying blood, plasma and other blood products for the purposes of the health service;
- (b) the preparation of plasma fractions and other products for therapeutic, diagnostic and other purposes;
- (c) research and development in plasma protein fractionation and for other purposes.
- (d) the manufacture of blood grouping reagents and other related reagents;
- (e) the supply of products prepared or manufactured under sub-paragraph (b) or (d) above for the purposes of the health service;
- (f) the promotion, by advertisement and otherwise, of the giving of blood and its constituents for the purposes of the health service, with a view in particular to maintaining an adequate number of persons who are willing to give blood or its constituents for those purposes.

The National Blood Authority (NBA) consisted of the Bio Products Laboratory (BPL) and the Blood Centre network. The latter was referred to as the National Blood Service (NBS). BPL was accountable to the Chief Executive and Accounting Officer via the BPL Committee and NBA Executive. The mission and values of the NBA were:-

#### Core Purpose

To save and improve patients' lives.

#### Our Mission

We will deliver world-class services, building ever stronger partnerships with donors and the healthcare community.

#### Key Values

We value people

- we listen and communicate clearly
- we strive to meet the needs of all our customers
- we recognise the achievements of others

We trust people

- to work to the highest possible standards of safety and quality
- to take responsibility for solving problems
- to embrace change for the better

We encourage people

- to be creative and innovative
- to work together to get things right
- to enjoy themselves and celebrate success

#### Financial Review

The final set of accounts of the National Blood Authority (NBA), which have been prepared by NHS Blood and Transplant (NHSBT), reported an Income and Expenditure deficit of £4.3m for the six month period to 30 September 2005 (full year 2004-05 Surplus £9.1m). This was primarily due to the revaluation of stock at Bio Products Laboratory (BPL) and a shortfall in sales. This deficit is forecast to be eradicated, in the first six months of operation of NHSBT, by a corresponding surplus by BPL.

The Authority primarily recovered its costs by charging NHS Trusts and other organisations for the supply of blood components and associated costs and services. These costs only reflected the handling charges, as all blood collected is freely donated by volunteer donors.

**OPERATING AND FINANCIAL REVIEW (Continued)**

Capital funding was received from the Department of Health in order to purchase and replace fixed assets. The appropriate levels of capital charges in the form of interest and depreciation are included within the Income and Expenditure Account.

The working capital position as shown in the Balance Sheet is considered to be satisfactory at the period end. Net current assets have decreased slightly from £60.5m to £59.9m, which primarily relates to a decrease in stocks, partly offset by a corresponding increase in debtors and cash. Total net assets have decreased from £327.9m to £321.4m reflecting a decrease in fixed assets, due to the phasing the NBA's capital expenditure programme, and an increase in provisions in respect of Agenda for Change. All assets and liabilities of the NBA were transferred to NHS Blood and Transplant with effect from 1 October 2005.

Activity Data

The following table shows activity data for the six month period, April to September 2005, and a comparison with the twelve month 2004/05 period.

	<u>30/09/2005</u>	<u>2004-05</u>
Units of Red Cells Issued (full unit equivalent)	988,000	2,030,000
Units of Platelets Issued (full dose equivalent)	110,000	219,000
Number of Donations Collected	1,044,000	2,155,000
Price of Unit of Adult Red Cells	£ 131.80	£ 120.22
Price of Unit of Adult Platelets	£ 216.87	£ 198.76

The price of blood components reflects the costs of collection, processing and distribution and makes no charge for the blood itself, which is donated on a voluntary basis.

Dissolution of the National Blood Authority and transfer of its functions

On 22 July 2004 the Secretary of State for Health announced in a written statement to the House of Commons, that the number of NHS bodies that work at 'arm's length' from the Department of Health would be reduced. A report, Reconfiguring the Department of Health's Arm's Length Bodies, was published which detailed the bodies that would merge, be abolished or see their functions transferred.

On 30 November 2004, the Secretary of State published An Implementation Framework for Reconfiguring the Department of Health's Arm's Length Bodies, setting out the principles, processes and timescales by which the change programme would be implemented. This resulted in the dissolution of the National Blood Authority as a separate body at 30 September 2005, with the transfer of its functions into NHS Blood and Transplant with effect from 1 October 2005.

Approved or planned future developments

The Corporate Business Plan describes the objectives and initiatives within the current business year (2005/06). It outlines the work the Authority will undertake in line with our Core Purpose 'To save and improve patients' lives' within the third year of our 2003/06 Strategic Plan.

Our mission 'to deliver world-class services, building ever-stronger partnerships with donors and the healthcare community' demonstrates an explicit intent to drive forward as a dynamic organisation and provide critical support to front-line services of the wider healthcare economy through the development of partnerships and collaborative working with all stakeholders within a framework of a patient-led NHS.

The strategic context for our 2005/06 Work Programme was largely informed and shaped by three factors: our three-year strategic plan, the safety and security of the blood supply and the DH Arms Length Body (ALB) Review. These factors have had a profound impact on the background within which the Business Plan was developed and from which it was deployed.

Safety initiatives still featured highly in the Plan as we sought to consolidate the progress made in this area over recent years. It was always likely however, that further pressures would emerge, during the course of the planning period (and beyond), to consider additional blood safety initiatives, particularly those related to variant Creutzfeldt-Jakob Disease (vCJD) and other blood borne pathogens with their potential for transmission through blood transfusion.

Of greater impact, particularly in 2005/06, was the delivery of the NBA contribution towards the overall cost savings targets contained within the ALB review.

**OPERATING AND FINANCIAL REVIEW (Continued)**

Operational activities for 2005/06 were grouped around the eight priority areas, accommodating those objectives developed by our Corporate Business Planning Group (CBPG) namely:

Sufficiency and safety	Managing the implications of the ALB review
Development of our people	Standards and statutory/regulatory requirements
A focus on customer service	Maintenance & development of the NBS estate
Information Technology Systems	The modernisation of the NBS Supply Chain.

These priority areas featured objectives and activities including such major initiatives as Agenda for Change (AfC) and Making the Change (MtC), our European Foundation for Quality Management (EFQM) programme and the Improving Working Lives (IWL) initiative. Clearly, our Business Plan was developed to progress the NBS's Service provision over the twelve month period beginning April 2005, which transcends the constitutional factors associated with the abolishment of the National Blood Authority and the concurrent establishment of NHS Blood and Transplant. Accordingly, the work activity commitments within the Plan remained at the forefront of NBS operational developments and as such, their implementation will continue to be monitored and reported under NHSBT within the NBS Operating Division quarterly Performance Review programme. We continued managing the implications of the European Directive on Blood and have undertaken work to respond to 'Standards for Better Health'. We also instigated major work related to the improved compliance with the Disability Discrimination Act (DDA), the in-Vitro Diagnostics Device (IVDD) Directive and the Human Tissues Act 9 (HTA).

We also maintained our approach of integrating, as far as possible, our IT infrastructure within our overall business, governance and quality systems.

Equal Opportunities Statement

As a major public sector employer the National Blood Authority reaffirmed its commitment to ensuring the reach and relevance of NBA employment opportunities for all sections of the community.

As a significant employer, the Authority needed to attract and retain a workforce with a variety of skills, backgrounds and experience, and therefore sought to ensure that all job applicants and employees were considered solely on their merits and suitability.

Board Members serving during the period 1 April 2005 to 30 September 2005

Mr Mike Fogden CB (Chairman)	Mr Martin Gorham OBE - Chief Executive
Mr Mike Bellamy	Dr Angela Robinson - Medical Director
Mrs Elisabeth Buggins	Mr Barry Savery - Director of Finance
Mrs Jennie Gubbins	
Mr Martin Hindle	
Mr Paul Sabapathy CBE	
Dr Mallika Sekhar	

Details of the remuneration of the senior management of the Authority can be found in the Remuneration Report at page 4.

Better Payment Practice Code

The Authority was required to pay its non-NHS trade creditors in accordance with the Better Payment Practice Code. The target is to pay non-NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier. Of total relevant bills, 91.1% of bills, representing 92.6% by value, were paid during the period within the target. (2004-05: 90.3% of bills, representing 91.9% by value, were paid within the 30 day target).

Audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 1977.

As Accounting Officer

- so far as I am aware, there is no relevant audit information of which the NBA's auditors are unaware; and

- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NBA's auditors are aware of that information.

The Audit certificate can be found on pages 10 to 11.

Signed: Martin Gorham OBE  
Chief Executive

Date: 10 March 2006

**REMUNERATION REPORT**Remuneration Committee Membership

During the period of the account membership of the Remuneration Committee comprised Mike Fogden CB (Chair), Martin Gorham OBE, Martin Hindle and Elisabeth Buggins.

Remuneration Policy

Remuneration of the Chief Executive and Director of Finance is in line with the General Whitley Council conditions of service for senior managers. Increase in pay is in line with nationally agreed pay awards, provided individual business plan targets, as identified within annual appraisals, are met. The Medical Director is employed on an NHS Consultant Contract. Remuneration for Non-Executive Board Members is set by the Secretary of State for Health through the NHS Appointments Commission.

Contract Details

Martin Gorham OBE, Chief Executive, contract start date 19 October 1998. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by the NBA.

Angela Robinson, Medical Director, contract start date 1 May 1994. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by the NBA.

Barry Savery, Director of Finance, contract start date 1 April 1993. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by the NBA.

Salary and Pension Entitlement of Senior Managers

a. Remuneration	6 months to 30 September 2005			2004-05		
	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)
Name and title	£000	£000	£000	£000	£000	£000
Mr M Fogden CB (Chairman)	10-15	-	-	20-25	-	-
Mr M Bellamy (NED)	0-5	-	-	5-10	-	-
Mrs E Buggins (NED)	0-5	-	-	5-10	-	-
Mrs J Gubbins (NED)	0-5	-	-	5-10	-	-
Mr M Hindle (NED)	0-5	-	-	5-10	-	-
Dr M Sekhar (NED)	0-5	-	-	5-10	-	-
Mr P Sabapathy CBE (NED)	0-5	-	-	5-10	-	-
Mr M Gorham OBE (Chief Executive)	55-60	-	58	110-115	-	116
Dr A Robinson (Medical Director)	85-90	-	57	180-185	-	114
Mr B Savery (Director of Finance)	50-55	-	39	100-105	-	78

NED = Non-Executive Director

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

b. Pension benefits	Real Increase	Total accrued	Cash Equivalent	Cash Equivalent	Real increase	Employer's
	in pension and related lump sum at age 60 (bands of £2,500)	pension at age 60 at 30 September 2005 and related lump sum (bands of £5,000)	Transfer Value at 30 Sept 2005	Transfer Value at 31 March 2005	in Cash Equivalent Transfer Value	contribution to stakeholder pension (rounded to nearest £00)
Name and title	£000	£000	£000	£000	£000	£000
Mr M Gorham OBE (Chief Executive)	0-2.5	210-215	902	848	33	-
Dr A Robinson (Medical Director)	-	280-285	-	-	-	-
Mr B Savery (Director of Finance)	-	90-95	-	-	-	-

Cash Equivalent Transfer Value

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

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

Real Increase in CETV

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

Signed: Martin Gorham OBE  
Chief Executive

Date: 10 March 2006

**STATEMENT OF THE BOARD'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES**

Under the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, NHS Blood and Transplant (NHSBT) as the successor organisation to the National Blood Authority (NBA) is required to prepare a statement of final account for the NBA for the period ending 30 September 2005 in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the National Blood Authority's state of affairs at the period end and of its income and expenditure, total recognised gains and losses and cash flows for the period.

The Accounting Officer for the Department of Health appointed the Chief Executive of NHSBT as the Accounting Officer, with responsibility for preparing the National Blood Authority's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the NHSBT Board and Accounting Officer are 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 a going concern basis, unless it is inappropriate to presume that the activities of National Blood Authority will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets which were vested in the National Blood Authority, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

## STATEMENT ON INTERNAL CONTROL

The National Blood Authority ceased to exist as a separate entity on 30th September 2005 and its functions were transferred to the newly established NHS Blood and Transplant (NHSBT) on 1st October 2005.

### Scope of responsibility

1. I was appointed Accounting Officer for NHSBT on 1st October 2005, and was formerly the Accounting officer of the National Blood Authority until 30th September 2005. As Accounting Officer, I had responsibility, together with the Board of the National Blood Authority, for maintaining a sound system of internal control that supported the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets for which I was personally responsible, as set out in the Accounting Officers' Memorandum issued by the Department of Health.

2. The National Blood Authority (NBA) comprised of the Bio Products Laboratory (BPL) and the Blood Centre network. The latter is referred to as the National Blood Service (NBS). The BPL Chief Executive was accountable to me via the BPL Committee and NBS Executive. There were BPL-specific risk policies and procedures that are consistent with those described below for the NBA.

3. The NBA is a complex organisation having multiple functions and belonging to a series of wider networks in both its commissioning and provider roles. This complexity was reflected in the way that we were organised. Although line management responsibility was discharged through a series of Operational and Support directorates, the philosophy behind the Service's management arrangements was that:

- A corporate approach to the planning, development and delivery of services is essential

- The range of cross-directorate (corporate) objectives, organised around the Service's three Key Business Processes (relating to the Patient, the Donor and the Organisation), impact on all service areas and require leadership. Where a Director or Manager had such a role they were accountable across the organisation and linked with managers in all directorates.

4. The last six months had seen myself and a number of Directors working on the transition arrangements associated with the NBA and UK Transplant merging to become NHS Blood and Transplant on 1 October 2005. To ensure management arrangements were as robust as possible throughout this period, I appointed the Director of Service Delivery as chair of the NBA Executive. This post subsequently moved to Acting Chief Executive of the NBS. Through the Acting Chief Executive of the NBS and subsequently myself, the NBA Executive had operational responsibility for the delivery of all aspects of governance and the provision, oversight and effective working of the systems of internal control, in particular the Risk Management process and NBA Events Management System (EMS). Operational responsibility for NBA governance systems was delegated to the Director of Corporate & Workforce Development who was also the Executive link between the Governance and Assurance Committee (GAC) and NBA Executive. The Corporate & Workforce Development Directorate was responsible for the co-ordination of governance activity within the NBA. The lead responsibility within the Directorate was vested in the Head of Governance and Assurance.

5. 'Governance and Assurance', including risk, were fully integrated within our overall business planning model and quality system. Planning and risk processes were co-ordinated through the Corporate Business Planning Group (CBPG), which was chaired by the Director of Corporate and Workforce Development, and reported to the NBA Executive. CBPG comprised of the Risk and Planning leads from each directorate, and also the Head of Governance and Assurance. This group facilitated the spread of good practice through its experiences and an annual review of risk policy. Close working and networking arrangements existed with Internal Auditors, Department of Health (DH), Controls Assurance Support Unit, the Modernisation Agency (from 1 July 2005, NHS Institute for Innovation and Improvement), and with the Healthcare Commission, to ensure that we drew on experience in the wider NHS.

**STATEMENT ON INTERNAL CONTROL (cont.)**

6. Work to progress achievement of the strategic objectives in the NBA three-year plan is outlined in the annual Corporate Business Plan, supported by Directorate Work Plans. Each directorate, through identifying the risks to the achievement of objectives, drew up detailed plans describing the sequence and scheduling of individual initiatives that underpin the annual business plan, and also provide a robust Assurance Framework.

7. Corporate performance was reported to the NBA Board on a quarterly basis. At the final NBA Board meeting in September 2005, five months of performance information was reported on, that being the most currently available information at that time. Any variations, in terms of the potential non-realisation of the high-level, corporate objectives, are accompanied by a detailed explanation relating to the anticipated position. Any variation associated with non-realisation of constituent initiatives was monitored through the NBA Executive who considered any corrective actions and reported on this to the Board.

8. Increasingly we worked and shared responsibility with other partners in the wider health and social care community to plan and deliver services. This led to increased cross-sector working, the creation of shared posts and collaborative working. One of the challenges for the Service was to support and develop these new ways of working while maintaining accountability and holding to our Core Purpose and Values.

9. As Chief Executive of the NBA I had responsibility to ensure that a wide range of communication and consultation mechanisms existed with key stakeholders i.e. Trusts, Clinicians, Patients, Donors, Staff and DH. NBA representation on various official groups and professional bodies such as the National Commissioning Group, the Transfusion Committee network, Donor Focus Groups, the NBA Hospital Liaison network, and the regular meetings with DH, was utilised as appropriate to increase shared understanding of NBA risks and mitigation activity i.e. to provide assurance that the NBA was doing its reasonable best to achieve its objectives.

The purpose of the system of internal control

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

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

11. The system of internal control was in place in the NBA for the period ended 30 September 2005.

Capacity to handle risk

12. The NBA approach to risk was fully documented in 'The NBA Policies and Procedures for the Management of Risk'. It identified the risk roles and responsibilities of staff at all levels. Training was provided to equip staff to carry out their designated responsibilities. In addition, the NBA approach to Governance (including risk) was featured in the Welcome Pack provided to all new staff.

13. All our existing quality systems, in one way or another, provided assurance. The NBA Assurance Framework brought together governance and quality and in effect articulated the NBA Corporate Quality system. It mapped a path from strategic objectives, through the corporate risks and on to the constituent mitigating activities (which were also the activities to deliver that strategic objective). Its purpose was to ensure that systems and information were available to provide the appropriate assurance on the appropriate things (i.e. that risks were being controlled and objectives were being achieved), to the appropriate stakeholders.

**STATEMENT ON INTERNAL CONTROL (cont.)**

14. The Executive received assurance from the directorates, and provided assurance to the Board on the achievement of corporate objectives and mitigation of corporate risk. The Executive was accountable for demonstrating: -

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

15. In short, the Assurance Framework provided a form of 'service level agreement' or 'contract' between the Executive and the Board through which both bodies could discharge their respective accountabilities.

The risk and control framework

16. The NBA Assurance Framework was the key element of the NBA risk strategy through which risks were defined in the context of objectives at both the corporate and operational levels. The risk process was totally integrated into the planning process by which plans were made to deliver objectives through mitigating the risks to their achievement. Risks were identified and evaluated at appropriate levels within the organisation through a uniform system articulated in the NBA Policy and Procedures for the Management of Risk. The process was operated and reviewed by the NBA Corporate Business Planning Group, which was accountable to the NBA Executive and was overseen by the Board Governance and Assurance Committee.

17. It was NBA policy to involve stakeholders (see paragraph 8 above), as appropriate, in all areas of its activities, including informing and consulting on the management of any significant risks. Public awareness of the NBA risk management policy and strategy was raised through its presentation at open Board meetings.

Review of effectiveness

18. As Accounting Officer, I had responsibility, together with the Board, for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed in a number of ways. The head of internal audit provided me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who had responsibility for the development and maintenance of the system of internal control provided me with assurance. The Assurance Framework itself provided me with evidence that the effectiveness of controls that managed the risks to the organisation achieving its principal objectives had been reviewed.

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

20. Governance was a standing agenda item on the monthly NBA Executive meeting and included a report from the Director of Corporate & Workforce Development. The Board Governance and Assurance Committee (GAC) held meetings at least quarterly and reported on these to the Board. The Internal Auditors were present at these meetings. We worked closely with our Internal Auditors: for example, over the six months we continued to collaborate on developing an effective system for co-ordinating the wide range of internal, NBA-conducted audits. Through this process we aimed to identify controls and assurance gaps. Where weaknesses in controls were identified these were addressed as part of the management action plan in response to the audit plan, ensuring the continuous improvement of the systems in place. The NBA Executive and the Audit Committee monitored progress against these management action plans and our internal auditors or ourselves did not consider that there were any significant gaps in control or assurance.

**STATEMENT ON INTERNAL CONTROL (cont.)**

21. The above process helped the NBA maximise its understanding and utilisation of all available information about the quality and effectiveness of our systems/operations to help us improve services and satisfy the increasing need for assurance about the effectiveness of systems of internal control. I have been advised by all of these sources on the implications of the result of my review of the effectiveness of the system of internal control. A plan to address weaknesses and ensure continuous improvement of the system was in place.

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

Signed: Martin Gorham OBE  
Chief Executive and Accounting Officer

Date: 10 March 2006

**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 National Blood Authority for the period ending 30 September 2005 under the NHS Act 1977. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

**Respective responsibilities of the Chief Executive and Auditor**

The Chief Executive is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 6 to 9 reflects the Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Chief Executive's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

**Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL TO THE HOUSES OF PARLIAMENT (Cont.)**

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

**Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury, of the state of the Authority's affairs as at 30 September 2005, and of its deficit, total recognised gains and losses and cashflows for the period then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the 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.

Signed: John Bourn  
Comptroller and Auditor General

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

Date: 27 March 2006

**Income and Expenditure Account for the period ended 30 September 2005****Continuing operations**

	Notes	6 months to 30 Sept' 05 £000	2004-05 £000
<b>Income</b>			
Department of Health Funding		7,390	50,547
Operating Income	2.2	197,813	374,871
<b>Expenditure</b>			
Operating expenses	3.1	(208,927)	(416,363)
<b>(Deficit)/surplus for the period before interest</b>		<u>(3,724)</u>	<u>9,055</u>
Interest Payable		(565)	-
<b>(Deficit)/surplus for the period</b>		<u>(4,289)</u>	<u>9,055</u>

**Statement of Total Recognised Gains and Losses for the period ended 30 September 2005**

		6 months to 30 Sept' 05 £000	2004-05 £000
(Deficit)/surplus for the period		(4,289)	9,055
Unrealised (loss)/gain on the revaluation of fixed assets	12.2	(7,214)	34,518
Unrealised gain on the indexation of fixed assets	12.2	5,898	14,452
Fixed asset impairment (losses)	12.2	-	(5,518)
<b>Recognised (losses)/gains for the financial period</b>		<u>(5,605)</u>	<u>52,507</u>

*The notes at pages 15 to 29 form part of this account.*

**Balance Sheet as at 30 September 2005**

	Notes	<b>30 Sept' 2005 £000</b>	31 March 2005 £000
<b>Fixed assets:</b>			
Intangible assets	5.1	<b>3,647</b>	3,972
Tangible assets	5.2	<b>270,811</b>	272,696
		<b>274,458</b>	276,668
<b>Current assets</b>			
Stocks	6	<b>56,740</b>	61,621
Debtors	7	<b>28,900</b>	26,415
Cash at bank and in hand	8	<b>1,333</b>	98
		<b>86,973</b>	88,134
<b>Creditors: amounts falling due within one year</b>	9.1	<b>(27,121)</b>	(27,598)
<b>Net current assets</b>		<b>59,852</b>	60,536
<b>Total assets less current liabilities</b>		<b>334,310</b>	337,204
<b>Provisions for liabilities and charges</b>	10	<b>(12,920)</b>	(9,315)
		<b>321,390</b>	327,889
<b>Capital and Reserves</b>			
Capital Account	12.1	<b>171,424</b>	172,207
Revaluation reserve	12.2	<b>102,863</b>	104,280
Donated asset reserve	12.3	<b>171</b>	181
Income and expenditure reserve	12.4	<b>46,932</b>	51,221
		<b>321,390</b>	327,889

*The notes at pages 15 to 29 form part of this account.*

The financial statements on pages 12 to 29 were approved by the NHS Blood and Transplant Board on 23 January 2006 and signed by the Accounting Officer, Martin Gorham OBE.

Signed: Martin Gorham OBE  
Accounting Officer

Date: 10 March 2006

**Cash Flow Statement for the period ended 30 September 2005**

	Notes	<b>6 months to 30 Sept' 05 £000</b>	2004-05 £000
<b>Net cash inflow from operating activities</b>	13	<b>1,800</b>	41
<b>Servicing of finance</b>			
Interest element of finance leases		<u>565</u>	-
<b>Net cash (outflow) from servicing finance</b>		<u>(565)</u>	-
<b>Capital expenditure and financial investment:</b>			
(Payments) to acquire intangible fixed assets		(337)	(536)
(Payments) to acquire tangible fixed assets		(6,140)	(31,887)
Receipts from disposal of tangible fixed assets		<u>8</u>	<u>42</u>
<b>Net cash (outflow) from investing activities</b>		<u>(6,469)</u>	<u>(32,381)</u>
<b>Net cash (outflow) before financing</b>		<u>(5,234)</u>	<u>(32,340)</u>
<b>Financing</b>			
Net Parliamentary funding		6,400	32,381
Capital element of finance leases		69	-
<b>Increase in cash in the period</b>	8	<u>1,235</u>	<u>41</u>

*The notes at pages 15 to 29 form part of this account.*

## **Notes to the Accounts**

### **1 Accounting policies**

The financial statements have been prepared in accordance with the 2005-06 Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting Conventions**

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

##### **Going Concern**

As discussed in the Foreword, on 22 July 2004 the Secretary of State for Health announced that the number of NHS bodies that work at 'arm's length' from the Department of Health would be reduced. On 30 November 2004, the Secretary of State announced the dissolution of the National Blood Authority as a separate body at 30 September 2005, with the transfer of its functions into the NHS Blood and Transplant with effect from 1 October 2005.

Accordingly, the assets, liabilities, contractual obligations and staff of the National Blood Authority were transferred from 1 October 2005 to the NHS Blood and Transplant. The Accounting Officer of the National Blood Authority therefore considers that it is appropriate to prepare the financial statements on a going concern basis.

##### **Acquisitions and Discontinued Operations**

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

#### **1.2 Income**

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

The Authority are income from sales to the NHS and Parliamentary grant from the Department of Health from Request for Resources 1 (RfR1) within an approved cash limit, which is credited to the income and expenditure account. Parliamentary funding is recognised in the financial period in which it is received. The products and services provided to the NHS include Coagulation Factors, Albumin and Immunoglobins from the Bio Products Laboratory (BPL) and blood components and services from Blood Centres. Other income includes such services as ante-natal screening, tissue typing for transplants and overseas trade by the BPL.

It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

## **1 Accounting policies (continued)**

### **1.3 Taxation**

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

### **1.4 Capital charges**

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial period was 3.5% (2004-05 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

### **1.5 Fixed Assets**

#### **a. Capitalisation**

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.
- iii Tangible assets which are capable of being used for more than one year, and they:
  - individually have a cost equal to or greater than £5,000;
  - collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
  - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.
- iv Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

#### **b. Valuation**

##### **Intangible Fixed Assets**

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

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

## **1 Accounting policies (continued)**

### **Tangible Fixed Assets**

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **i Land and buildings (including dwellings)**

Valuations are carried out by the District Valuer of the Inland Revenue Government Department at five yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were included in the accounts at 31 March 2005.

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

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

- specialised operational assets have been valued on a replacement rather than modern substitute basis;
- no adjustment has been made to the cost figures of operational assets in respect of dilapidations; and
- additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

- ii Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.
- iii Assets in the course of construction are valued at current cost, using the index as for land and buildings or equipment as appropriate. These assets include any existing land or buildings under the control of a contractor.
- iv Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.

## **1 Accounting policies (continued)**

- v All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

### **c. Depreciation and Amortisation**

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii Land and assets in the course of construction are not depreciated.
- iv Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer (in the range of 5 to 89 years). Leaseholds are depreciated over the primary lease term.
- v Each equipment asset is depreciated evenly over the expected useful life which is assessed by individual asset.

### **1.6 Donated Fixed Assets**

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure Account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

### **1.7 Stocks and work in progress**

Stocks and work in progress are valued as follows:

- i raw materials, finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they cannot or will not be used;
- ii work in progress is valued at the lower of cost and net realisable value.

### **1.8 Losses and special payments**

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

## **1 Accounting policies (continued)**

### **1.9 Pension costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the Special Health Authority to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contributions payable in the period to 30 September was £8,627,000 (2004-05 £16,851,000) .

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004-05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

## **1 Accounting policies (continued)**

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure Account at the time the Authority commits itself to the retirement, regardless of the method of payment.

A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

### **1.10 Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Income and Expenditure Account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation should be calculated on the same basis as used for depreciation i.e. on a quarterly basis.

### **1.11 Foreign exchange**

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Bio Products Laboratory values its plasma and the plasma element of its goods for resale at the lower of the average price paid, or if significantly different, net replacement cost.

### **1.12 Leases**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives or primary lease term. Rentals under operating leases are charged on a straight line basis over the terms of the lease.

### **1.13 Provisions**

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% (2004-05 3.5%) in real terms. A charge has been made to expenditure in the period to reflect the increased cost of provisions due to this change.

**2.1 Reconciliation of Cashflow Statement to Parliamentary Funding**

		<b>6 months to 30 Sept' 05</b>	
		<b>£000</b>	2004-05 £000
	Notes		
Net cash inflow from operating activities	13	<b>1,800</b>	41
Expenditure	3.1	<b>208,927</b>	416,363
Operating Income	2.2	<b>(197,813)</b>	(374,871)
Movement in working capital		<b>(5,524)</b>	9,014
Capital funding (net)		<b>6,400</b>	32,381
Capital charges adjustment		<b>1,010</b>	427
<b>Total Parliamentary funding</b>		<b><u>14,800</u></b>	<b><u>83,355</u></b>

**2.2 Operating Income**

Operating income analysed by activity, is as follows:

		<b>6 months to 30 Sept' 05</b>	
		<b>£000</b>	2004-05 £000
Blood Product Income		<b>156,634</b>	301,170
BPL Product Sales		<b>25,568</b>	45,851
Other income		<b>15,611</b>	27,850
<b>Total</b>		<b><u>197,813</u></b>	<b><u>374,871</u></b>

**2.3 Segmental Reporting**

		<b>6 months to 30 Sept' 05</b>	
		<b>£000</b>	2004-05 £000
BPL Income		<b>39,309</b>	78,030
BPL (deficit)/surplus		<b>(4,128)</b>	1,308
BPL Net Assets		<b>157,452</b>	160,475

**3.1 Expenditure**

			<b>6 months to 30 Sept' 05</b>	
		<b>£000</b>	<b>£000</b>	2004-05 £000
	Notes			
Salaries and wages	3.2		<b>91,208</b>	175,103
Other staff costs			<b>5,937</b>	13,544
Consumable supplies			<b>59,943</b>	118,436
Maintenance of buildings, plant and equipment			<b>6,699</b>	16,283
Rent and rates			<b>5,464</b>	10,494
Transport costs			<b>3,655</b>	7,010
External contractors			<b>4,302</b>	10,013
Purchase and lease of equipment and furniture			<b>1,780</b>	6,155
Utilities and telecommunications			<b>4,217</b>	8,670
Media advertising			<b>1,420</b>	2,647
Capital: Depreciation and amortisation	5.1, 5.2	<b>11,131</b>		20,338
Impairments	5.1, 5.2	-		1,027
Capital charges interest		<b>5,668</b>		9,779
			<b>16,799</b>	31,144
Other finance costs - unwinding of discount	10		<b>58</b>	24
- change in discount rate	10		<b>116</b>	-
Auditor's remuneration: Audit Fees			<b>100</b>	159
Foreign exchange (gain)/loss			<b>(317)</b>	1,099
Miscellaneous			<b>7,546</b>	15,582
			<b><u>208,927</u></b>	<b><u>416,363</u></b>

The Authority did not make any payments to Auditors for non audit work

**3.2 Staff numbers and related costs**

	6 months to 30 Sept' 05			2004-05
	Total	Permanently	Other	
		Employed Staff		
	£000	£000	£000	£000
Salaries and wages	77,434	72,382	5,052	148,134
Social security costs	5,147	4,981	166	10,118
Employer contributions to NHSPA	8,627	8,409	218	16,851
	<b>91,208</b>	<b>85,772</b>	<b>5,436</b>	<b>175,103</b>

The average number of employees during the period was:

	Total	Permanently	Other	2004-05
		Employed Staff		
	Number	Number	Number	Number
Total	<b>5,978</b>	<b>5,615</b>	<b>363</b>	<b>6,035</b>

**Expenditure on staff benefits**

The amount spent on staff benefits during the period totalled £403,000 (2004-05: £900,000).

**Retirements due to ill-health**

During the period there were 5 early retirements from the National Blood Authority on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £243,000.

**4 Better Payment Practice Code - measure of compliance**

	Number	£000
Total bills paid in the 6 month period to 30 September 2005	<b>65,578</b>	<b>109,225</b>
Total bills paid within target	<b>59,771</b>	<b>101,150</b>
Percentage of bills paid within target	<b>91.1%</b>	<b>92.6%</b>

There are plans in place to provide a breakdown of the split between NHS and non-NHS bills in accordance with the NHS Manual for Accounts 2005/06 under NHSBT.

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

There was no interest payable arising from claims made under the Late Payment of Commercial Debts (Interest) Act 1998 (2004-05 £Nil). No compensation payments were made under this legislation (2004-05: £Nil).

**5.1 Intangible fixed assets**

	Software	Development	Total
	Licences	Expenditure	
	£000	£000	£000
Gross cost at 31 March 2005	10,912	1,494	<b>12,406</b>
Indexation	-	31	<b>31</b>
Additions - purchased	347	-	<b>347</b>
Reclassification	39	-	<b>39</b>
<b>Gross cost at 30 September 2005</b>	<b>11,298</b>	<b>1,525</b>	<b>12,823</b>
Accumulated amortisation at 31 March 2005	8,434	-	<b>8,434</b>
Provided during the year	742	-	<b>742</b>
<b>Accumulated amortisation at 30 September 2005</b>	<b>9,176</b>	<b>0</b>	<b>9,176</b>
Net book value at 31 March 2005	2,478	1,494	<b>3,972</b>
<b>Net book value at 30 September 2005</b>	<b>2,122</b>	<b>1,525</b>	<b>3,647</b>

Reclassification relates to the transfer of completed assets from assets under construction.

**5.2 Tangible fixed assets**

	Land	Buildings exc dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 31 March 2005	26,923	168,930	2,099	33,638	71,547	10,305	20,058	3,446	336,946
Additions - purchased	-	6,321	-	2,585	1,154	-	-	-	10,060
Impairments	-	-	-	-	-	-	-	-	0
Reclassification	-	23,387	-	(25,580)	2,225	-	-	-	32
Indexation	1,349	3,181	38	491	1,553	218	-	73	6,903
Other in year revaluations	-	(7,214)	-	-	-	-	-	-	(7,214)
Disposals	-	-	-	(64)	(1,702)	(221)	(20)	-	(2,007)
<b>Gross cost at 30 September 2005</b>	<b>28,272</b>	<b>194,605</b>	<b>2,137</b>	<b>11,070</b>	<b>74,777</b>	<b>10,302</b>	<b>20,038</b>	<b>3,519</b>	<b>344,720</b>
Accumulated depreciation at 31 March 2005					38,215	7,427	15,228	3,380	64,250
Provided during the year		4,937	23		3,723	482	1,217	7	10,389
Reclassification		-	-		71	-	-	-	71
Indexation		-	-		809	156	-	71	1,036
Disposals		-	-		(1,597)	(218)	(22)	-	(1,837)
<b>Accumulated depreciation at 30 September 2005</b>		<b>4,937</b>	<b>23</b>		<b>41,221</b>	<b>7,847</b>	<b>16,423</b>	<b>3,458</b>	<b>73,909</b>
Net book value:									
Purchased at 31 March 2005	26,923	168,930	2,099	33,638	33,151	2,878	4,830	66	272,515
Donated at 31 March 2005	-	-	-	-	181	-	-	-	181
Total at 31 March 2005	26,923	168,930	2,099	33,638	33,332	2,878	4,830	66	272,696
<b>Net book value:</b>									
<b>Purchased at 30 September 2005</b>	<b>28,272</b>	<b>189,668</b>	<b>2,114</b>	<b>11,070</b>	<b>33,385</b>	<b>2,455</b>	<b>3,615</b>	<b>61</b>	<b>270,640</b>
<b>Donated at 30 September 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171</b>
<b>Total at 30 September 2005</b>	<b>28,272</b>	<b>189,668</b>	<b>2,114</b>	<b>11,070</b>	<b>33,556</b>	<b>2,455</b>	<b>3,615</b>	<b>61</b>	<b>270,811</b>

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

Total at 31 March 2005	-	-	-	-	-	-	-	-	-
<b>Total at 30 September 2005</b>	<b>-</b>	<b>14,476</b>	<b>-</b>						

The building revaluation loss relates to the revaluation, by the Valuation Office, of the newly completed Liverpool Speke building. The loss has been taken to the Statement of Recognised Gains and Losses. The cost of the build and associated lease payments were previously held in assets under construction.

Land and Buildings includes the net book value of £3,017,000 which relates to the Liverpool West Derby Street, which will transfer to the Liverpool & Broadgreen University Hospitals NHS Trust on completion of the legal transaction. There is a potential impairment on this transaction that will be taken Statement of Recognised Gains and Losses of NHSBT at the time when the transfer materialises.

**5.3 Net Book Value of land and buildings**

The net book value of land, buildings and dwellings as at 30 September 2005 comprises:

	2004-05 £000	2004-05 £000
Freehold	193,347	185,524
Long leasehold	26,707	12,428
	<b>220,054</b>	<b>197,952</b>

**5.4 Profit and loss on disposal of fixed assets**

	2004-05 £000	2004-05 £000
(Loss) on disposal of plant and equipment	(162)	(339)
	<b>(162)</b>	<b>(339)</b>

**6 Stocks and work in progress**

	<b>30 Sept'</b>	
	<b>2,005</b>	2004-05
	<b>£000</b>	£000
Raw materials and consumables	<b>21,259</b>	29,484
Work in progress	<b>10,718</b>	5,945
Finished processed goods	<b>24,763</b>	26,192
	<u><b>56,740</b></u>	<u>61,621</u>

**7 Debtors**

<b>Amounts falling due within one year</b>	<b>30 Sept'</b>	
	<b>2,005</b>	2004-05
	<b>£000</b>	£000
NHS debtors	<b>14,732</b>	13,102
Provision for irrecoverable debts	<b>(267)</b>	(217)
Prepayments	<b>5,876</b>	5,608
Accrued income	<b>534</b>	637
Capital debtors	<b>428</b>	209
Other debtors	<b>7,597</b>	7,076
	<u><b>28,900</b></u>	<u>26,415</u>

**8 Analysis of changes in cash**

	At 31	<b>Change</b>	At 30
	March	<b>during</b>	<b>September</b>
	2005	<b>the period</b>	<b>2005</b>
	£000	<b>£000</b>	<b>£000</b>
Cash at OPG	61	<b>1,115</b>	<b>1,176</b>
Cash at commercial banks and in hand	37	<b>120</b>	<b>157</b>
	<u>98</u>	<u><b>1,235</b></u>	<u><b>1,333</b></u>

**9 Creditors:****9.1 Amounts falling due within one year**

	<b>30 Sept'</b>	
	<b>2,005</b>	2004-05
	<b>£000</b>	£000
NHS creditors	<b>7,116</b>	3,827
Capital creditors	<b>971</b>	576
Tax and social security	<b>3,103</b>	8
Other creditors	<b>3,975</b>	8,871
Accruals	<b>11,630</b>	13,890
Deferred income	<b>326</b>	426
	<u><b>27,121</b></u>	<u>27,598</u>

**9.2 Finance lease obligations**

	<b>30 Sept'</b>	
	<b>2,005</b>	2004-05
	<b>£000</b>	£000
Leases Payable:		
Within one year	<b>423</b>	-
Between one and five years	<b>1,692</b>	-
After five years	<b>7,825</b>	-
Gross obligation	<u><b>9,940</b></u>	-
Finance charges allocated to future periods	<b>5,810</b>	-
	<u><b>4,130</b></u>	-

The finance lease creditor of £4,130,000 relates to the new Liverpool Speke building and is included in capital reserves.

**10 Provisions for liabilities and charges**

	<b>Pensions for former staff £000</b>	<b>Product Liability £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 31 March 2005	101	2,375	6,839	9,315
Arising during the year	-	549	4,583	5,132
Utilised during the year	(98)	(963)	(248)	(1,309)
Reversed unused	(3)	(88)	(301)	(392)
Change in discount rate	-	72	44	116
Unwinding of discount	-	48	10	58
<b>At 30 September 2005</b>	<b><u>0</u></b>	<b><u>1,993</u></b>	<b><u>10,927</u></b>	<b><u>12,920</u></b>

**Expected timing of cash flows:**

Within 1 year	-	472	10,602	11,074
1-5 years	-	1,521	64	1,585
Over 5 years	-	-	261	261

Product liability provisions relate to legal actions brought against the Authority through the use of Authority products by individuals, mainly Hepatitis C cases. Provisions for the settlement of Hepatitis C cases amounting to £1,752,000 (2004-05 £1,645,000) have been brought under an action for product liability, and are included in the above Product Liability provision total of £1,993,000 (2004-05 £2,375,000).

Included within the 'Other' category are provisions relating to legal claims for personal injury and donor claims, provisions for stock, redundancy payments, provisions under Agenda for Change and provisions for injury benefits.

£104,000 (2004-05 £107,000) is included in the provisions of the NHS Litigation Authority at 30 September 2005 in respect of clinical negligence liabilities of the National Blood Authority. There is a provision of £3,000 in respect of the existing liabilities scheme (2004-05 £3,000).

**11 Movements in working capital other than cash**

	<b>£000</b>	<b>2004-05 £000</b>
Decrease in stocks	4,881	1,819
(Increase) in debtors	(2,485)	(9,450)
(Decrease) in creditors	(477)	(7,680)
	<b><u>1,919</u></b>	<b><u>(15,311)</u></b>

**12 Movements on reserves****12.1 Capital Reserve**

	<b>£000</b>	<b>2004-05 £000</b>
Balance at 31 March 2005	172,207	162,346
Additions	10,407	31,223
Impairments	-	(1,027)
Disposals	(69)	(19)
Depreciation	(11,121)	(20,316)
<b>Balance at 30 September 2005</b>	<b><u>171,424</u></b>	<b><u>172,207</u></b>

**12 Movements on reserves (continued)****12.2 Revaluation reserve**

	£000	2004-05 £000
Balance at 31 March 2005	<b>104,280</b>	61,190
Impairments	-	(5,518)
Indexation of fixed assets	<b>5,898</b>	14,452
Revaluation of fixed assets	<b>(7,214)</b>	34,518
Disposals	<b>(101)</b>	(362)
<b>Balance at 30 September 2005</b>	<b><u>102,863</u></b>	<b><u>104,280</u></b>

**12.3 Donated asset reserve**

	£000	2004-05 £000
Balance at 31 March 2005	<b>181</b>	203
Depreciation of donated assets	<b>(10)</b>	(22)
<b>Balance at 30 September 2005</b>	<b><u>171</u></b>	<b><u>181</u></b>

**12.4 Income and Expenditure Reserve**

	£000	2004-05 £000
Balance at 31 March 2005	<b>51,221</b>	42,166
Transfer from the Income and Expenditure Account	<b>(4,289)</b>	9,055
<b>Balance at 30 September 2005</b>	<b><u>46,932</u></b>	<b><u>51,221</u></b>

**13 Reconciliation of operating costs to operating cash flows**

		£000	2004-05 £000
(Deficit)/surplus for the period before interest		<b>(3,724)</b>	9,055
Adjust for movements in working capital other than cash	11	<b>1,919</b>	(15,311)
Increase in provisions	10	<b>3,605</b>	6,297
<b>Net cash inflow from operating activities</b>		<b><u>1,800</u></b>	<b><u>41</u></b>

**14 Contingent liabilities**

A contingent liability of £511,000 (2004-05: £584,000) relates to potential costs associated with donor claims, personal injury claims, and non Hepatitis C product liability claims. The related provisions are included under 'Product liability' and 'Other' in Note 10.

A contingent liability of £260,000 (2004-05: £370,000) relates to Hepatitis C cases brought under an action for product liability.

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

**15 Capital commitments**

At 30 September 2005 the value of contracted capital commitments was £3,840,000 (2004-05: £4,618,000).

**16 Commitments under operating leases**

Expenses of the Authority include the following in respect of hire and operating lease rentals:

	<b>6 months to 30 Sept' 05</b>	2004-05
	<b>£000</b>	£000
Hire of plant and machinery	229	484
Other operating leases	<u>1,295</u>	<u>2,111</u>
	<b><u>1,524</u></b>	<b><u>2,595</u></b>
Commitments under non-cancellable operating leases:		
<b>Land and buildings</b>	<b>£000</b>	£000
Operating leases which expire: within 1 year	2,655	2,411
between 1 and 5 years	5,194	5,295
after 5 years	<u>2,075</u>	<u>2,976</u>
	<b><u>9,924</u></b>	<b><u>10,682</u></b>
<b>Other leases</b>		
Operating leases which expire: within 1 year	2,157	2,156
between 1 and 5 years	2,973	3,219
after 5 years	<u>57</u>	<u>73</u>
	<b><u>5,187</u></b>	<b><u>5,448</u></b>

**17 Other commitments**

The Authority has entered into non-cancellable contracts (which are not operating leases) totalling £nil as at 30 September 2005 (2004-05: £nil)

**18 Losses and special payments**

There were 350 case losses and special payments totalling £1,206,000 approved in the period to 30 September 2005 (2004-05: 388 cases totalling £902,000).

There was one compensation under legal obligation case where the payment exceeded £250,000 totalling £870,000 (2004-05: nil)

**19 Related parties**

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

The Department of Health is regarded as a controlling related party. During the year the Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, ie: the majority of NHS acute trusts. During the period these transactions were valued at £193 million of income, including capital funding, and £3 million of expenditure, which represented trading with 234 separate organisations.

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

<u>Name and Title</u>	<u>Registered Interest(s)</u>
Mr M Bellamy (NED)	Buckinghamshire Hospitals NHS Trust (NED)
Mrs E Buggins (NED)	Birmingham and Black Country SHA (Chair)
Mr M Hindle (NED)	Peterborough Hospitals NHS Foundation Trust (NED)
	National Biological Standards Board (NED)
Mr P Sabapathy CBE (NED)	Eastern Birmingham PCT (Chair)
Mr M Gorham OBE (Chief Executive)	Spouse is Chief Executive of Waltham Forest PCT

NED = Non-Executive Director

NBA Transactions with Members Registered Interests

	Income £000's	Expenditure £000's
Buckinghamshire Hospitals NHS Trust	872	Nil
Birmingham and Black Country SHA	481	Nil
Peterborough Hospitals NHS Foundation Trust	751	Nil
National Biological Standards Board	5	53
Eastern Birmingham PCT	Nil	Nil
Waltham Forest PCT	Nil	Nil

During the period none of the Authority Members or members of the key management staff or other related parties has undertaken any material transactions with the National Blood Authority.

**20 Post balance sheet events**

The National Blood Authority ceased to exist as a separate entity on 30th September 2005 and it's functions were transferred to the newly established NHS Blood and Transplant on 1st October 2005.

**21 Financial instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way that Special Health Authorities are financed, the National Blood Authority is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Authority has no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Authority in undertaking its activities.

**Liquidity risk**

The Authority's net operating costs are mainly recovered through prices under annual service agreements with NHS Trusts and Primary Care Trusts, which are financed from resources voted annually by Parliament. A relatively small amount of income arises from export sales. Capital expenditure costs are financed from resources voted annually by Parliament. The Authority is not, therefore, exposed to significant liquidity risks.

**Interest-rate risk**

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

**Foreign currency risk**

The National Blood Service has a relatively small amount of foreign currency income or expenditure. It buys forward currency for most of its foreign payments. It is not therefore exposed to significant foreign currency risk. Bio Products Laboratory enters into forward exchange contracts to purchase US dollars to pay for its plasma. It is therefore exposed to foreign currency risk should the US dollar/sterling exchange rate move significantly from the average rate in the contract.

**Fair values**

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

**22 Intra-government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	2,319	-	3,503	-
Balances with local authorities	741	-	24	-
Balances with NHS Trusts	14,534	-	6,906	-
Balances with public corporations and trading funds	-	-	224	-
Balances with bodies external to government	11,306	-	16,464	-
At 30 September 2005	<u>28,900</u>	<u>-</u>	<u>27,121</u>	<u>-</u>
Balances with other central government bodies	3,036	-	311	-
Balances with local authorities	1,490	-	99	-
Balances with NHS Trusts	12,835	-	3,334	-
Balances with public corporations and trading funds	-	-	204	-
Balances with bodies external to government	9,054	-	23,650	-
At 31 March 2005	<u>26,415</u>	<u>-</u>	<u>27,598</u>	<u>-</u>

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

**On line**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**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 7 023474

Email [book.orders@tso.co.uk](mailto: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 0-10-293772-9



9 780102 937725