National Patient Safety Agency

Annual Report and Accounts 2011/12

HC 214 London: The Stationery Office £10.75

National Patient Safety Agency

Annual Report and Accounts 2011/12

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

Ordered by the House of Commons to be printed 12 July 2012

HC 214 London: The Stationery Office £10.75

Any enquiries regarding this publication should be sent to us at NPSA, 4-8 Maple Street, London W1T 5HD.

This publication is available for download at www.official-documents.gov.uk.
This document is also available from our website at www.npsa.nhs.uk

ISBN: 9780102977486

Printed in the UK by The Stationery Office Limited

on behalf of the Controller of Her Majesty's Stationery Office

ID: 2432856 07/11

Printed on paper containing 75% recycled fibre content minimum

Contents

Introduction	4
Patient Safety	6
The National Clinical Assessment Service	8
The National Research Ethics Service	10
Clinical Outcomes Review Programme (CORP)	11
Management Commentary	12
Sustainability Report	14
Public Interest	17
Remuneration Report	20
Statement of Accounting Officers Responsibilities	23
Governance Statement	25
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	31
Annual Accounts	34

Introduction

This is the last full Annual Report of the National Patient Safety Agency (NPSA). It was established in May 2001 to drive forward patient safety as a new priority for the NHS. Over time new functions were added to its remit including:

- National Clinical Assessment Service.
- National Research Ethics Service.
- The 3 National Confidential Enquiries - maternal and child health, patient outcome and death, and suicide and homicide by people with mental illness.

The recommendation to abolish the NPSA followed the Governments review of arm's-length bodies and the publication of *Liberating the NHS: report of the arms length bodies review* in July 2010. Therefore the Agency will close on the 9th July 2012.

Many of the current functions of the Agency will be redistributed within the reorganised NHS as follows:

- Leadership on Patient Safety policy will transfer to the NHS Commissioning Board Authority on the 1st June 2012.
- The database of reported patient safety incidents called the National Reporting and Learning System (NRLS) transferred to Imperial College NHS Trust for a two year period from 1st April 2012. The work of the NRLS will be commissioned by the NHS Commissioning Board Authority.
- The National Clinical Assessment Service (NCAS), which helps healthcare managers and practitioners to understand, manage and prevent concerns with the performance of doctors, dentists and pharmacists transferred to the National Institute of Clinical Excellence (NICE) on the 1st April 2012.
- The National Research Ethics Service (NRES) transitioned to the newly established Health Research Authority (HRA) on 1st December 2011. NRES will form the spine of the new Health Research Authority. The NPSA supported the HRA between the 1st December 2011 and the 31st March 2012 by providing some back office support services. On the 1st April 2012 this transferred to the Department of Health.
- The National Patient Safety Agency was also responsible for the commissioning of three Clinical Outcome Review Programmes (formerly known as National Confidential Enquiries). On 1st September 2011 the Clinical outcomes Review Programme was transitioned to the Healthcare Quality Improvement Partnership.

Our corporate services division will be dissolved on 9 July 2012. The division has played a very important role in helping to enact the transition plans, managing the smooth transfer of staff, assets, information and budgets to the agreed organisations.

To successfully implement the Agency's complex transition plans, many hours of negotiation and formal consultation meetings were held with receiving host organisations, stakeholders, and staff. Internal communications has played a crucial role in keeping staff informed and updated about developments and news in a sensitive and timely manner. An agency wide communications plan was developed at the start of the transition process and supported by divisional specific plans. Communications activity has focused on ensuring that staff have been kept updated regularly on the organisational changes specifically communicating what is happening, when things are happening and why, as well as providing information on how it will impact on them personally.

Ensuring the appropriate governance arrangements are in place to manage transition has been an important part of our work this year. A Due Diligence Checklist has been developed to manage all aspects of the transfer to receiving organisations and we have worked closely with the National Audit Office and internal auditors to ensure transparency and external scrutiny of our plans.

It has been a privilege to lead the NPSA through this major transition programme and we are confident that the skills and expertise of the staff that have moved to new organisations will continue to make a significant and positive contribution to the safety of the NHS.

The successful transfer of the agency functions to new hosts has been achieved by the efforts of many. In particular we want to acknowledge the support of the Board, Senior Management Group colleagues and the internal and external auditors. Most importantly we want to thank every member of staff for their unrelenting commitment, hard work and expertise in successfully delivering our transitional plans. It is a testament to their professionalism that this has been achieved at the same time as delivering 'business as usual 'products and services. We deeply appreciate their dedication during such a difficult period of change.

Sarndrah Horsfall
Chief Executive

Sir Liam Donaldson
Chairman

Patient Safety

During 2011/ 2012 the Patient Safety division provided leadership, advice and guidance, patient safety information, training and patient safety focus weeks for the NHS in England and Wales. In addition in a year of transition significant activity focused on creating legacy documentation and transfer of patient safety functions to new homes.

Leadership

The division provided leadership for the patient safety agenda in the NHS. The division worked with key stakeholders including the Department of Health, the NHS Commissioning Board Authority (NHS CBA), and the National Institute for Health and Clinical Excellence and provided significant input to the design of the NHS CBA including the national patient safety function, the NHS Outcomes Framework, the Commissioning Outcomes Framework and Quality Standards.

Advice and Guidance

Advice and guidance was provided to the NHS in England and Wales and relevant stakeholders including Royal Colleges, other professional organisations, pharmaceutical and medical products industry, the World Health Organisation and the European Union. Focused areas of guidance were in the form of two Rapid Response Reports (RRR), *Minimising Risks of Mismatching Spinal, Epidural and Regional Devices with Incompatible Connectors* and *Keeping newborn babies with a family history of Medium-chain acyl-CoA dehydrogenase deficiency* (*MCADD) safe in the first hours and days of life.*

Patient Safety Information

The National Reporting and Learning System (NRLS) captured, extracted and analysed patient safety incident data for feedback to NHS organisations in England and Wales. During the year an average of around 110,000 patient safety incidents were reported each month by NHS organisations in England and Wales.

The division produced two editions of Signals, a collection of incident case stories from the NRLS, and two releases of Organisational Feedback Reports (September and March) together with the high level data for England and Wales in the form of Quarterly Data Summaries.

In accordance with 'Data Sharing Agreements' patient safety incident data was shared with the Care Quality Commission, Medicines and Healthcare Products Regulatory Agency, Health Protection Agency, NHS Connecting for Health, The Royal College of Anaesthetists and NHS Wales Informatics Service.

Patient Safety Training

During the year 80 *Root Cause Analysis (RCA)* investigation training courses were delivered. This resulted in 1020 Investigators trained to lead and conduct comprehensive investigations into patient safety incidents and 170 Investigators trained to assist in investigations.

In addition, 40 *Being Open* courses were delivered over the year. Five hundred NHS staff were trained on communicating with patients following a patient safety incident and 125 NHS staff are now trained to champion *Being Open* and support other staff in communicating with patients when things go wrong.

Patient Safety First

Two patient safety focus weeks were held during the year:

Patient Safety Week took place between 12 and 18 September 2011 with the theme *'It starts with me'.* The objective was for NHS organisations to use the week as a platform to raise awareness about their own patient safety initiatives and celebrate local successes.

Patient Safety focus on Nutrition and Hydration, '*A Taste of Patient Safety'*, took place between 23 and 29 January 2012. Using expert speakers the week played host to a series of informative and interactive online presentations and conferences, promoting the delivery of high quality and safe nutrition and hydration.

Transition Programme

Preparing for closure and transitioning activities and information to new hosts was a major focus during the year. Legacy documentation was created for all patient safety activity. Ongoing work throughout the year was undertaken to transfer or work towards transfer of the following functions:

- Patient Environment Action Team (PEAT): transferred to the NHS Information Centre.
- Confidential Enquires: transferred to the Healthcare Quality Improvement Partnership.
- Central Alerting System (CAS): transferred to the Medicines and Healthcare Products Regulatory Agency.
- NRLS Operational Team: transferred to Imperial College Healthcare NHS Trust.
- NHS Cleaning Manual: transferred to the Association for Healthcare Cleaning Professionals.
- Cleaning Specifications and Colour Coding guidance: transferred to the Department of Health.
- Patient Safety leadership, professional and clinical expertise: to be transferred to the NHS Commissioning Board Authority.

The National Clinical Assessment Service

2011/2012 has been a year of significant change for the National Clinical Assessment Service (NCAS). During 2011/12, we have continued to provide all business as usual services while implementing the first changes required in response to the Department of Health's white paper: 'Liberating the NHS: Report of the arms length bodies review'.

New hosting arrangements for NCAS

The ALB review identified that with the closure of the NPSA, NCAS would be moved to a new host. In November 2011, the National Institute for Health and Clinical Excellence (NICE) was confirmed as our new interim host organisation. This will be for a period of one year from April 2012 to March 2013. This arrangement provides NCAS with the essential year of transition to move to its longer term organisational form and self funding status.

NCAS has continued to produce new guidance which highlights best practice in managing concerns in practitioners. During the year, we published two good practice guides, one on handling health concerns and one on handling concerns about a practitioner's behaviour. These publications contain practical advice based on our ten years experience and provide information to assist medical directors, responsible officers and others who may be faced with handling concerns about professional practice.

Case management activity

NCAS referrals continued to be high, with 2011/12 predicted to see one of the highest annual rates of referrals since NCAS was founded. During the year, NCAS received over 900 referrals. All case management business targets for responding to referrals and giving advice continued to be met.

Assessment activity

Assessment activity has increased during 2011/12 and we are on track to have performed over 48 assessments for the year. This is the highest number of assessments that we have ever carried out in a 12 month period. Assessments are the most intense form of NCAS intervention; hence while there has been an increase in total assessments, the conversion rate remains less than 5% of total referrals.

We have also developed a method for local record review and have designed an associated training programme which has been jointly accredited with St George's, University of London and NCAS. We will be advertising the programme in the early part of 2012, with a view to recruiting to the training in the new financial year. In addition, we are working with regulatory bodies on extending the range of services that we currently provide to them.

Service development

The ALB review placed a requirement on NCAS to move to a self funding business model.. A business model development group has been set up to take this work forward; the group's membership includes NCAS, Department of Health sponsor, and NCAS hosts. The work of the group is being informed by stakeholder views and feedback that has been collected through surveys and workshops. The future business model for NCAS is subject to the approval by the Secretary of State for Health.

In August 2011, NCAS was commissioned by the Medical Council of Ireland (MCI), to set up a new service to assess the performance of doctors who are the subject of complaints. We have shared our expertise in designing and delivering performance assessments as well as advised on the methods that can be used to assess a doctor's performance, in whatever specialty they practice. We have also provided advice to the MCI about the recruitment and selection of assessors and have trained staff on the management and delivery of workplace-based assessments. Further opportunities are currently being developed with regulators and royal colleges which are the commencement of the business generation model.

NCAS continues to provide services for Doctors, Dentists and Pharmacists to NHS England, Wales and Northern Ireland, Channel Islands, Isle of Man, Independent Healthcare Service, Defence Medical Services, regulators and Royal Colleges. Services to Scotland continue to be provided on referrals direct from the respective Health Boards. Opportunities for International co-operation continue to arise.

Revalidation

NCAS will have a role to play in support of the implementation of medical revalidation in 2012/13. To this end we have engaged with the GMC, the Royal Colleges, Responsible Officers, Revalidation Support Team and the Department of Health to ensure appropriate support is available for responsible officers. NCAS will continue to provide support where concerns about professional practice emerge and in particular where a practitioner may have difficulty in revalidating.

Official statistics produced by NCAS

Statistics produced by NCAS are designated 'official statistics'. In 2011/2012 NCAS published a midyear activity report. To see a copy of the report, please visit: http://www.ncas.npsa.nhs.uk/publications/

Education and Support Services

Our education and support services department continued to provide high quality educational workshops across the UK with 70 events since April 2011. With our exit from the NPSA and move to NICE, we have postponed our 2012 conference.

The National Research Ethics Service

The National Research Ethics Service (NRES) has a dual mission: to protect the rights, safety, dignity and well-being of research participants and to facilitate ethical research which is of potential benefit to participants, science and society. NRES does this by

- providing robust and responsive ethical review through its Research Ethics Committees (RECs);
- providing ethical guidance and management support;
- delivering a quality assurance framework for ethical review;
- delivering a training programme;
- working with colleagues in the UK to provide a UK-wide system for ethical review;
- providing the Integrated Research Application System
- promoting and supporting transparency in research; and
- working in partnership with colleagues in the wider regulatory environment.

Key achievements

NRES has continued to deliver service against all agreed metrics in 2010/11, including timelines for ethics committee review and opinions. NRES reviewed over 6000 applications this year. One of our key successes has been agreeing standard operating procedures for a proportionate review service for low risk studies, and the successful implementation of the service in England.

The key challenge for NRES the year was the maintenance and development of the service against a background of organisational change which has seen the NRES transfer as the core of the new Health Research Authority.

Shared ethical debate
A key challenge for NRES is to maintain and improve the quality and consistency of ethical review. The NRES Research Ethics Committees are responsible for reviewing and providing opinions on research applications, volunteer members sit on these committees with a wide range of expertise and lay membership. All members receive induction training and NRES provides a comprehensive programme of ongoing training. To support the development of consistent review NRES has developed a Shared Ethical Debate programme. Through this programme a group of committees are sent the same training application and asked to review it as part of committee business, the committee deliberation and opinions are then analysed and discussed to enable committees to consider their own decision making in light of others within NRES. The programme has been hugely successful and has attracted interest internationally.

Maintaining standards
This year NRES has continued to uphold the UK-wide quality assurance framework, which was ISO9001 certified in 2009. The framework provides guidelines on the audit and accreditation of RECs, as well as formal mechanisms for inviting and considering feedback from applicants, NRES staff and volunteers.

Transfer to the Health Research Authority
On 1st December 2011 the NRES successfully transferred from the NPSA to the new Health Research Authority.

Clinical Outcomes Review Programme (CORP)

Following the Department of Health Arm's Length Body (ALB) review in 2004 responsibility for the commissioning of the work of the three existing national confidential enquiries was transferred from the National Institute of Clinical Excellence (NICE) to the NPSA with effect from April 2005.

The three enquiries were:

- National Confidential Enquiry into Patient Outcome and Death (NCEPOD).
- Confidential Enquiry into Maternal and Child Health (CEMACH). The contract was held with the Royal College of Obstetricians & Gynaecologists as CEMACH was not a separate legal body.
- National Confidential Inquiry into Suicides and Homicides (NCISH). The contract was held by the University of Manchester of which NCISH was a part.

In October 2009 NPSA Board agreed a new contract with each new provider of the Confidential Enquiries following an extensive EU tendering programme which altered these relationships from a collaborative agreement towards a more commercial and performance related contract. The new contract terms covered the period 1st April 2010 to 31st March 2012.

The NPSA, Department of Health in England and representatives from the devolved administrations agreed to discontinue the procurement process for the Maternal and Newborn Health programme in March 2011. This process would have established a new contract service provider from 1 April 2011. In the meantime the NPSA agreed to maintain a minimum essential data collection process for maternal and newborn mortality.

Transfer of CORP to Healthcare Quality Improvement Partnership

As part of the recommendations of the Department of Health's ALB Review published in 2010 the Clinical Outcome Review Programme (formerly Confidential Enquiries) transferred to the Healthcare Quality Improvement Partnership (HQIP) with effect from 1 September 2011.

The transfer of responsibility included the interim management of maternal and newborn data and the Maternal and Perinatal Mortality Notification (MPMN) web portal and the MPMN Enquiries email and implementation of the recommendations of the Maternal and Newborn expert Review Panel. Responsibility for appointment of a new provider for Maternal and Newborn also passed to HQIP on 1st September 2011.

The Department of Health in February 2012 requested the NPSA transfer the remaining Head Injury Data to HQIP.

Management Commentary

Operating and policy environment

The Arm's Length Bodies (ALB) review, published on 26 July 2010, proposed to abolish the National Patient Safety Agency, the abolition was then included in the Health and Social Care Bill which became the Health and Social Care Act 2012 on receiving Royal Assent in March 2012. The functions of the Agency have been transferred to other bodies as set out in the Public Interest section below and the agency will close on 9th July 2012.

Resources

The NPSA receives two resource limits from the Department of Health (DH), one to cover revenue expenditure and one for capital.

The Agency met its financial duties in 2011/12 and spent within the resource limits set. Details of the NPSA's accounts can be found at the end of this report.

The Agency's total available revenue resources for the year were £22.817m. Its capital allocation was £0.375m. The vast majority of our income comes from DH by way of a resource limit, with the remainder from the devolved administrations of Wales and Northern Ireland and miscellaneous other income. The resource limit represents the maximum the Agency was permitted to utilise.

The Agency underspent the revenue allocation in the year by £3.153m and the capital allocation by £0.240m, due to operations being revised to take account of the decision to close the Agency.

The Agency's revenue expenditure totalled £19.664m. Capital expenditure was £0.135m

The underspend was a result of a review of activities following the announcements in the Arm's Length Bodies Review and due to the level and number of redundancies being less than planned for.

During the year the agency spent £0.212m on consultancy services mainly regarding legal advice. The total cost of staff is shown at note 3 to the accounts which includes the costs of temporary, agency and seconded staff as 'other' which totalled £1.156m

Stakeholders

We have continued to work in partnership with both local NHS and national health organisations to reduce risks to patients receiving NHS care and improve safety.

We have a Management Statement in place with the Department of Health and a Section 83 agreement with the Welsh Assembly Government as the organisations that provide primary funding for our work and hold us to account. Our divisions have individual agreements in place for the services that they provide in Northern Ireland, the Channel Islands, the Isle of Man, the Defence Medical Services and the independent sector throughout the UK.

The two operating divisions of the Agency work in partnership with a wide variety of organisations. We have joint working agreements and Memoranda of Understanding with key partners.

Emergency preparedness

The NPSA has contingency plans in place to maintain continuous delivery of some core functions should disaster occur, and to restore other functionality as quickly as possible.

Equality and diversity

The constituent parts of the Agency have, from their inception, been committed to being inclusive: involving the widest range of stakeholders in their work; making the best of stakeholder knowledge, skills and perspectives; and promoting equality and diversity.

The Agency's Equality and Diversity Strategy and Equality Scheme and Action Plan were approved by the Board in December 2009.

The Equality Scheme and Action Plan were developed through consultation with stakeholders and staff across the Agency, taking into consideration our duty to both the three statutory (race, disability and gender), plus the three non-statutory (religion, sexual orientation and age) considerations.

The Agency continued to monitor progress against the Equality Action Plan, taking into consideration any new developments and changes in legislation. The Agency has complied with the requirements of the Equalities Act 2010, making workforce monitoring information available on our public website.

Sickness absence data

Sickness absence rates for the NPSA for the calendar year 2011 were 1.9 per cent.

Freedom of Information

The NPSA complies with the Freedom of Information Act.

Social and community issues

Other than as disclosed in the Sustainability Report the Agency has nothing further to report in respect of social and community issues

Personal data related incidents

During 2011/12 there were no personal data related incidents that required reporting to the Information Commissioner.

Sustainability Report 2011/12

Introduction

This report sets out the Agency's performance in reducing the environmental impact of its activities. The report has been produced in accordance with the Government Financial Reporting Manual.

Summary of Performance and discussion of issues

As can be seen from the commentary in the other sections of the Annual Report, the Agency is going through a period of change with its functions being transferred to other bodies in preparation for its closure in July 2012. The majority of our effect on the environment comes from our occupation of office buildings and on the travel our staff undertake. We do not manufacture goods, or consume raw materials.

During the year our use of offices has reduced as we have rationalised our activities and began the process of transferring our services. The only building which we occupy for which we pay for energy use direct to the supplier is our main premises in Maple Street, London W1. This building transferred to Department of Health control on 1st January 2012 and therefore the energy consumption shown in this report only includes nine months of this year, as compared to a full year in 2010/11. All our other buildings are shared occupation and we are recharged energy costs as part of a service charge and therefore cannot report our consumption in those buildings.

However as can be seen from the table below, our energy use has fallen by 20% in 2011/12 when compared to the same period in the previous year.

Our travel arrangements are managed through an external provider who supplies information on rail and air miles travelled and on the carbon effect of them. As can be seen from the table the impact of our travelling has reduced by 50% in 2011/12.

We have encouraged staff to recycle where possible and as can be seen from the table below we have increased our recycling in 2011/12.

Our consumption of water has increased this year, as with energy this can only be measured in our main building. This increase is in part due to our increasing our showering capacity in order to meet demand from staff who cycle to work. Staff who cycle to work rather than drive or use public transport have a positive effect on the environment but that effect cannot be measured by ourselves nor included in the figures in this report.

GREENHOUSE GAS EMISSIONS		2010/ 11	2011/ 12	2011/12 Full year equivalent where less than a full year data used	Year on year change (%)
Non Financial Indicators (000s tCO2e)	Total Gross Emissions	514	294	369	-28.2
	Total Net Emissions	514	294	369	-28.2
	Gross Emissions Scope 1 (Direct)	0	0	0	0
	Gross Emissions Scope 2 (Indirect)	380	227	302	-20.5
	Gross Emissions Scope 3 (Indirect) Includes rail and air travel	134	67	67	-50.0
Related Energy Consumption (000s Kilowatt hours)	Electricity: Non Renewable	726	432	576	-20.7
Financial Indicators (£000s)	Expenditure on Energy	79	46	61	-22.8
	Expenditure on Official Business Travel	393	215	215	-45.3
PERFORMANCE COMMENTARY (including MEASURES)					
The level of energy performance has fallen due mainly to rationalisation and virtualisation of computing.					
CONTROLLABLE IMPACTS COMMENTARY					
The main impacts are in respect of electricity and business travel. The Agency no longer has any responsibility for management of office buildings. Business travel will be very low in the period after March 2012 as the Agency transitions to closure					
OVERVIEW OF INFLUENCED IMPACTS					
We are no longer entering into new significant procurements and therefore can have no further influence on the wider effect of our activities					

WASTE			2010/11	2011/12	Year on year change (%)
Non Financial Indicators (tonnes)	Total Waste		N/A	N/A	N/A
	Non Hazardous	Landfill	N/A	N/A	N/A
		Reused/Recycled	N/A	N/A	N/A
		Composted	N/A	N/A	N/A
Financial Indicators (£000s)	Non Hazardous	Landfill	5	5	0
		Reused/Recycled	6	6	0

PERFORMANCE COMMENTARY (including MEASURES)
Staff are encouraged to recycle through the provision of facilities to segregate waste. Individual waste bins have also been removed. However data on weight of trade refuse disposed of by the Local Authority is not available and recycled volume data is unreliable
CONTROLLABLE IMPACTS COMMENTARY
Most of the waste produced by the agency comes from normal office activities and from food and wrappings generated when staff purchase their lunch and bring it back to the office to consume
OVERVIEW OF INFLUENCED IMPACTS
Apart from influencing our staffs behaviour we have no other significant external influence

FINITE RESOURCE CONSUMPTION		2010/11	2011/12	2011/12 Full year equivalent where less than a full year data used	Year on year change (%)
Non Financial Indicators (000 cubic metres)	Water Consumption (office estate)	0.8	1.2	1.6	100
Financial Indicators (£000s)	Water Supply Costs (office estate)	2	2	3	50

PERFORMANCE COMMENTARY (including MEASURES)
Water consumption has increased due to the provision of additional showering facilities
CONTROLLABLE IMPACTS COMMENTARY
Our water consumption is all office based for beverages, toilets and hand washing. As noted above we also provide shower facilities for staff
OVERVIEW OF INFLUENCED IMPACTS
None

Summary of Future Strategy

In view of the planned closure of the Agency in July 2012, the Agency has not prepared a future strategy.

Sustainable Procurement including Food

The Agency uses fair-trade beverages where possible. Where catering is required for meetings local providers are used to ensure the environmental effects of distribution are minimised. All formal procurements include requirements for suppliers to operate effective sustainability processes and have an overarching policy. Sustainability is a criteria used, amongst others, when selecting providers.

People

The Agency has promoted staff wellbeing through a number of measures aimed primarily to mitigate the impact on staff of the change programme and potential redundancy. A series of training events have been held to ensure staff can position themselves favourably in the job market and a counselling service has been made available. In environmental terms, impact assessments have been undertaken for each of the office relocations that have taken place and as mentioned above showering facilities have been increased at our main site.

Governance

The sustainability agenda is managed through the mainstream management structures of the organisation. The lead role for sustainability is held by the Director of Finance, Facilities, Procurement and Information Services. A group of staff representing each Operating Division took the lead in developing the sustainability measures, such as recycling and virtualisation of IT servers. The management of the implementation of these measures has been through functional line management.

Public Interest

History and statutory background

The NPSA is a Special Health Authority which was created in July 2001 to improve the safety of NHS patients.

As a result of the review of ALBs undertaken in 2004, the NPSA was reformed with responsibility for three separate divisions, each with distinct functions:

- National Reporting and Learning Service (renamed from 1 April 2010 as Patient Safety).
- National Clinical Assessment Service (formerly the National Clinical Assessment Authority – established in 2001).
- National Research Ethics Service (formerly the Central Office for Research Ethics Committees – established in 2000).

At the same time, the Agency took on responsibility for the safety aspects of hospital design, cleanliness and food, and the management of the contracts with the three National Confidential Enquiries: the Centre for Maternal and Child Enquiries (CMACE), the National Confidential Enquiry into Patient Outcome and Death (NCEPOD) and the National Confidential Inquiry into Suicide and Homicide by people with mental illness (NCISH).

Following the announcement of the closure of the Agency the operating functions have been transferred to other bodies as set out below. The transfer of the National Research Ethics function to the newly formed Health Research Authority (HRA) on 1st December 2011 was the only in year substantial change where the receiving body was a public body. Accordingly the annual report of the HRA includes details of activities for the whole of 2011/12 and they do not appear in this report.

Transfers of function

Function	Date	To
Patient Environment Action Team	1st April 2011	NHS Information Centre
Clinical Outcome Review Programme	1st September 2011	Healthcare Quality Improvement Partnership
National Research Ethics Service	1st December 2011	Health Research Authority
CAS	1st January 2012	MHRA
National Clinical Assessment Service	1st April 2012	NICE
National Reporting and Learning System	1st April 2012	Imperial Health Care NHS Trust
Patient Safety	1st June 2012	NHS Commissioning Board Authority

Staff survey

An annual survey of staff was conducted in line with the national NHS Staff Survey framework so as to gain a full understanding of the experience of staff working within each of the divisions of the Agency and to inform action plans to bring about improvements in the Agency as a place of work. Action plans are developed with involvement from staff and by staff in many cases.

Consultation with staff

The Staff Council was established to encourage open channels of communication and aims to ensure that everyone knows what is happening in the NPSA, how the NPSA is performing and what our goals are.

The current role of a Staff Council representative is to:

- agree with other representatives the particular constituency of staff to be represented;
- seek the views of staff represented;
- agree time to seek staff views with appropriate managers;
- represent the interests of all constituent staff to the Staff Council;
- ensure timely feedback to staff

Additionally the Agency met all legal consultation requirements in relation to redundancy and TUPE transfer programmes during 2011/12.

Complaints

The NPSA has a complaints process which has been developed in line with the Ombudsman's 'Principles of Complaints Handling'.

Better Payment Practice Code

The Agency seeks to comply with the Better Payment Practice Code by paying our suppliers within 30 days of the receipt of goods or services, or within 30 days of receipt of an invoice. The performance in meeting this objective is disclosed in note 4.3 to the Accounts.

External audit

The accounts have been prepared according to accounts direction of the Secretary of State, with approval of HM Treasury. The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 2006 at the cost of £46,000. The audit certificate can be found on page 31.

So far as the Chief Executive is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Chief Executive has taken all the steps that they ought to have taken to make them self aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Register of interests

In line with other NHS organisations, the NPSA holds a register of interests with information provided by Board members and other NPSA staff.

A statement to the effect that 'all Board members should declare interests which are relevant and material to the NHS Board of which they are a member' is contained in the NPSA Board agenda and members are expected to declare any interests on any agenda item before discussion commences.

Pension liabilities

The Agency participates in the NHS Pension Scheme and in doing so makes contributions based on the salary of individual members. The Agency does not have any liability for future pension costs as these are met by the NHS Pensions Scheme.

Remuneration Report

Statutory Committees

There are two statutory sub-committees of the NPSA Board: Audit Committee, and Pay and Remuneration Committee.

Pay and Remuneration

The Chairman and Non-Executive Board Members are remunerated in line with Department of Health (DH) guidance that applies to all NHS bodies. Details of senior managers' remuneration are given below. Pay for all senior managers is set and reviewed in line with the DH guidance 'Pay Framework for Very Senior Managers in Strategic and Special Health Authorities, Primary Care Trusts and Ambulance Trusts' (VSM). Senior managers employed under the VSM framework are under stated contracts of employment as set out by NHS Employers.

No senior managers were employed on service contracts. No significant awards were made to past senior managers in the past year. The information contained in the tables of the Remuneration report has been audited.

Salaries and allowances

Name and title	2011-12		2010-11	
	Salary (bands of £5,000)	Other Remuneration	Salary (bands of £5,000)	Other Remuneration
	£000	£000	£000	£000
Non-Executive Directors				
Lord N Patel Chairman (left 30 June 2010)	0	0	15-20	0
Sir Liam Donaldson (start date 1 July 2010)	35-40	0	25-30	0
R Pritchard Non-Executive Director - Audit Chair	10-15	0	10-15	0
T Jones Non-Executive Director	5-10	0	5-10	0
D Weir-Hughes Non-Executive Director	5-10	0	5-10	0
H Ghodse Non-Executive Director	5-10	0	5-10	0
G Edelman Non-Executive Director (left 10 November 2010)	0	0	0-5	0
L Patterson Non-Executive Director (left 31 March 2012)	5-10	0	5-10	0
G Gardiner Non-Executive Director (left 31 March 2012)	5-10	0	5-10	0
Directors				
Sarndrah Horsfall Chief Executive	135-140	0	135-140	0
Kevin Cleary Medical Director (left 2 September 2010)	0	0	45-50	0
Alastair Scotland Director, National Clinical Assessment Service (*) (Retired 31 August 2011)	60-65	25-30	145-150	55-60
Dave Bell Director of Finance, Facilities, Procurement and IS	115-120	0	110-115	0
Janet Wisely National Research Ethics Service Director (left 30 November 2011)	60-65	0	90-95	0
Suzette Woodward Director of Patient Safety Strategy	95-100	0	95-100	0
Band of Highest paid Director's Total Remuneration (£000s) (annualised where they left during the year)	215-220		205-210	
Median Total (£)	48,513		41,233	
Remuneration Ratio	4.48		5.03	

(*) Other remuneration consists of a Clinical Excellence Award separately funded by the Advisory Committee on Clinical Excellence Awards.

There were no other benefits in kind

Reporting Bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remunerations of the organisations workforce.

The banded remuneration of the highest paid Director in the NPSA in the financial year 2011/12 (annualised where that Director left in the year) was £217,500 (2010/11, £207,500). This was 4.48 times (2010/11 5.03 times) the median remuneration of the workforce, which was £48,513 (2010/11 £41,233).

There were no staff in the NPSA who received remuneration at a higher level than the highest paid director except for those staff who were redundant and whose packages cost the organisation in excess of that level. These are disclosed in note 3 to the Accounts below.

Total remuneration includes salary, benefits in kind and severance payments. There were no non consolidated performance related bonuses. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The ratio has changes between the two years due to the significant downsizing of the workforce in preparation for closure and due to the part year transfer out of some functions to other bodies. In addition the payments of redundancies caused the overall levels of remuneration to rise.

Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Lump sum at aged 60 related to real increase in pension (bands of £2,500)	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2012 (bands of £5,000)
	£000	£000	£000	£000
Sarndrah Horsfall Chief Executive	(A)	(A)	(A)	(A)
Kevin Cleary Medical Director (left 2 September 2010)	(B)	(B)	(B)	(B)
Alastair Scotland Director, National Clinical Assessment Service (Retired 31 August 2011)	(B)	(B)	(B)	(B)
Dave Bell Director of Finance	5.0-7.5	7.5-10.0	45-50	145-150
Janet Wisely National Research Ethics Service Director (Left 30th November 2011)	0-2.5	0-2.5	15-20	55-60
Suzette Woodward Director of Patient Safety Strategy	0-2.5	0-2.5	35-40	110-115

Pension Benefits (continued)				
Name and title	**Cash Equivalent Transfer Value at 31 March 2012**	**Cash Equivalent Transfer Value at 31 March 2011**	**Real increase in Cash Equivalent Transfer Value**	**Employer's contribution to stakeholder pension**
	£000	**£000**	**£000**	**£000**
Sarndrah Horsfall Chief Executive	(A)	(A)	(A)	0
Kevin Cleary Medical Director (left 2 September 2010)	(B)	416	(B)	0
Alastair Scotland Director, National Clinical Assessment Service (Retired 31 August 2011)	(B)	2,364	(B)	0
Dave Bell Director of Finance	953	834	96	0
Janet Wisely National Research Ethics Service Director (Left 30th November 2011)	311	260	30	0
Suzette Woodward Director of Patient Safety Strategy	700	626	56	0
(A) Not in Pension Scheme, (B) Left the organisation prior to 31 March 2011 or retired prior to 31 March 2012				
As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.				

Cash Equivalent Transfer Values

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 member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and 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. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

On 1 October 2008, a change in the way the factors used to calculate CETVs came into force as a result of the Occupational Pension Scheme (Transfer Value Amendment) regulations. These placed responsibility for the calculation method for CETVs (following actuarial advice) on Scheme Managers or Trustees. Further regulations from the Department for Work and Pensions to determine cash equivalent transfer values (CETV) from Public Sector Pensions Schemes came into force on 13 October 2008.

In his budget of 22 June 2010 the Chancellor announced that the uprating (annual increase) of public sector pensions would change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) with the change expected from April 2011. As a result the Government Actuaries Department undertook a review of all transfer factors.

Sarndrah Horsfall

Chief Executive
Date: 20th June 2012

Statement of Accounting Officer's responsibilities

Under the National Health Service Act 2006, the Secretary of State has directed the National Patient Safety Agency to prepare for each year a financial statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Patient Safety Agency and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

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

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

The Accounting Officer of the Department of Health has designated the Chief Executive as Accounting Officer of the National Patient Safety Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Patient Safety Agency's assets, are set out in Managing Public Money published by the HM Treasury.

Governance Statement 2011/12

Introduction

This Governance Statement sets out the framework utilised by the Agency to regulate its activities and to ensure delivery of its functions and objectives. In addition to setting out the governance structure it outlines the way in which performance is managed and reviewed, the risk management processes and the process for setting Directors Remuneration. The Agency complies with the requirements of the Corporate Governance in Central Government Departments: code of good practice in so far as they relate to the NPSA.

Governance Structure

Responsibilities of accounting officer

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the National Patient Safety Agency's policies, aims and objectives, whilst safeguarding public funds and the Agency's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I have been the Accounting Officer for the whole of the year ended 31st March 2012.

I am accountable for the discharge of my functions to the Agency's Chairman and its Board. I am also accountable to the Minister of State at the Department of Health. This line of accountability is managed through an Annual Accountability Review with the Minister supported by quarterly reviews with officials at the Department of Health and close working on a day to day basis between my staff and those in the Sponsor Branch at the Department.

The Board

The Board is comprised of a non executive chair and both non executive and executive directors. The Board has met 4 times during the year and at each meeting in addition to receiving updates on current issues receives reports on progress against our business plan and financial plans and considers our corporate level risks and their mitigation and management.
The attendance by Directors during the year is shown on the composite table below

Sub Committees

The Board has two sub Committees, the Audit Committee which comprises two non executive directors and has the internal and external auditors, Chief Executive, Director of Finance and Transition Director in attendance: and a Pay and Remuneration Committee comprising the Chairman and three non executive Directors.

The Audit Committee

The Audit committee has met 4 times in the year. The Committee at each meeting reviews reports undertaken by the internal auditors and considers their recommendations, reviews the Transition Assurance Framework (TAF), arrangements for risk management, reviews

any losses or special payments and reviews single tender actions. Once a year the Committee reviews the annual report and accounts, including considering related reports from external auditors and an annual report on the activities and effectiveness of the committee. The Committee reports their minutes to the Board and summarises its activities in an annual report to the Board for assurance purposes. The attendance by members of the committee is shown on the composite table below

Pay and Remuneration Committee

The Pay and Remuneration Committee has met twice in the year and is responsible for agreeing the pay levels of executive directors and any performance related bonus. These levels are shown in the Remuneration Report above. The Committee also agrees significant policy matters in relation to all staff where the exercise of discretion or interpretation within national terms and conditions is required. Minutes of the meetings are reported to the Board. The attendance by members of the committee is shown on the composite table below

Directors Remuneration

The remuneration of the Chair and Non executive Directors is set by the Department of Health. The level of remuneration for Directors is set by the Pay and Remuneration Committee as part of the very senior management pay framework and complies with guidance issued by the Department of Health. The detail of remuneration is shown in the Remuneration report above.

The only change in the level of remuneration during the year was in relation to the responsibilities of one Director being reviewed.

Compliance with NHS Pension Scheme regulations

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

Attendance at Board and Sub Committee Meetings.

The figures in the table below shows attendance at each meeting as compared to the total number of meetings the Director was eligible to attend. For instance 3/4 would indicate that 3 meetings were attended out of four that the Director could have attended. Directors who left during the year therefore have a smaller number of meetings they were eligible to attend. Where no entry is shown the Director is not a member of that committee.

Name	Board	Audit Committee	Pay and Remuneration Committee.
Non-Executive Directors Sir Liam Donaldson	4/4		2/2
R Pritchard Non-Executive Director - Audit Chair	3/4	4/4	
T Jones Non-Executive Director	2/4	4/4	
D Weir-Hughes Non-Executive Director	3/4		2/2
H Ghodse Non-Executive Director	4/4		2/2
L Patterson Non-Executive Director (left 31 March 2012)	4/4		
G Gardiner Non-Executive Director (left 31 March 2012)	2/4		1/2
Executive Directors Sarndrah Horsfall Chief Executive	4/4		
Alastair Scotland Director, National Clinical Assessment Service (*) (Retired 31 August 2011)	1/1		
Dave Bell Director of Finance, Facilities, Procurement and IS	4/4		
Directors Janet Wisely National Research Ethics Service Director (left 30 November 2011)	2/3		
Suzette Woodward Director of Patient Safety Strategy	4/4		

Effectiveness

The system of performance monitoring in place throughout the year is designed to ensure appropriate delegation and segregation of duties. The following sections describe the operation

The risk and control framework

The Board has overall responsibility for risk management and for clear lines of individual accountability for managing risk throughout the organisation, leading up to the Board.

The Audit Committee is the Board's sub-committee that overviews risk and ensures that the systems are in place to ensure effective risk management. The Board retains overall responsibility for risk management and governance. There are clear lines of responsibility of individual accountability for managing risk throughout the Agency, leading up to the Board Directors' responsibilities are detailed in an Annual Accountability Letter. In 2011/12, the Agency has continued to focus its risk assessments to include business as usual, transition and closure issues.

As agreed in the Business Plan, directors lead on the objectives of the Agency and, as such, they are responsible for managing risk at the workstream and day-to-day operational level, as well as relating to transition planning. All risks are recorded in the risk register.

Risks are identified, monitored and managed at divisional level, but escalated for monitoring to the Senior Management Group and entered into the Transition Assurance Framework.

The Transition Assurance Framework reports the escalated risks and risk scores, along with the key controls and assurances put in place to mitigate the risks. The Framework is reviewed by our Senior Management Group and the Audit Committee to monitor the effective management of risks reporting to the Board.

The Audit Committee overviews and ensures that systems are in place to ensure effective risk management. The Internal Audit function forms part of the review process and provides assurance on the risk management process, and advises the Audit Committee accordingly.

In response to general concerns surrounding the security of data in the public services, the Agency established a programme of work in 2007/8 to minimise the risk of data loss and to ensure data was retained in accordance with law and best practice. Since then this process has been further strengthened. The appointment of a SIRO occurred in 2008/9. A steering group was established in 2008/9, the Information Governance Assurance Group, under the chairmanship of the SIRO, to coordinate this activity. The work of this group completed at the end of 2010/11 and activity is now embedded in Divisional Management arrangements. A full suite of policies and procedures are in place including incident reporting processes and all staff have undertaken Information Security training. The approach to implementing Information Governance in the Agency followed a phased approach moving through initiation, implementation, Business as Usual to Enhancing and Streamlining. The final phase took place from November 2010 and the following areas of activity were completed:

Final implementation of the mandatory measures.

- Development and implementation of a risk assessment and management framework.
- Investigation of information security events.
- Improving situational awareness of Information Security.
- Establishing & embedding Privacy Impact Assessment (PIA).
- Mandatory IA Training.
- Improved & updated Information Asset Register.

The Chief Executive in her capacity as SIRO for the National Patient Safety Agency has confirmed that the Annual Assessment of Information Risk has been completed.

The Government announced new controls on expenditure shortly after taking office in June 2010 and the Department of Heath revised their delegations to the Agency as a result of these new controls. These were implemented by introducing new procedures and disseminating these to staff on an ad hoc basis and were then consolidated in an Addendum to Standing Orders and Standing Financial Instructions adopted by the Board in November 2010 and was then revised and adopted in spring 2011

I am therefore satisfied that the NPSA has operated an effective risk and control framework throughout the period under review.

The system of internal control

As Accounting Officer, I have responsibility, for reviewing the effectiveness of the system of internal control, which has been in place in the National Patient Safety Agency for the year ended March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

My review of the effectiveness of the system of internal control is informed by the work of internal auditors and the managers within the agency who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and plans to address weaknesses and ensure continuous improvement are in place.

The head of internal audit provides me with an opinion, in accordance with Government Internal Audit Standards, on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. This opinion for 2011/12 is one of substantial assurance. Senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principle objective have been reviewed. Particular aspects of the Agency's activities are from time to time the subject of external review.

The effectiveness of the system of internal control has been subject to review by our internal auditors who, in liaison with the external auditors, plan and carry out a programme of work that is approved by the Audit Committee, to review the design and operation of the systems of internal control. Where weaknesses have been identified these are reported to the Audit Committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

The Agency prepared its Business Plan for 2011/12 in the light of the announcement that it would be abolished and cast its activities in order that those relating to ongoing and enduring processes were continued together with the activities required in relation to the transfer of functions to new hosts and the closure of the organisation. Our Controls Assurance and Risk Management processes are closely aligned to the twin objectives of maintaining ongoing activities and preparing for and undertaking the transfer of functions and ultimate closure. The organisation reports on achievements and progress against the objectives and plans to the Board on a quarterly basis and this report includes risks and controls in place to mitigate them. I am assured that our transition arrangements are robust by the reviews undertaken by both our Internal and External Auditors.

I am not aware of any significant internal control issues, and am therefore satisfied that the system of internal control has operated effectively during the period under review.

Capacity to handle risk

The Director of Finance, Facilities, Procurement and IS is the designated executive with operational responsibility for maintaining and developing the organisation wide system of internal control. I am the designated executive with operational responsibility for the system of risk management and risk reporting. I am also the Agency's designated Senior Responsible Information Officer (SIRO) with responsibility for the system of safeguarding and protecting personal identifiable, confidential and sensitive data.

I have delegated the day to day responsibility for maintaining the system of risk management and risk reporting to the Transition Director.

The Senior Management Group, led by myself, reviews and monitors progress with action plans and provides a resource group for operating divisions and teams to raise local risk management issues.

Since the announcement by the Department of Health in July 2010 that the Agency would be abolished, but with its functions transferred elsewhere, I have established systems and processes to ensure that the transition of the outward facing services that the Agency currently provides is undertaken in an efficient and effective manner. All the functions of the agency have now been transferred and preparations for closure are in place. The transition risks have been managed through the TAF (Transition Assurance Framework) which has been reviewed frequently by our senior management team and by our internal auditors. Throughout the process careful attention has been given to ensuring redundancy costs were minimised and the final level of redundancy costs over the last two years and up to closure have been reduced from initial estimates of £6.9m down to £3.2m..

The Board takes an active role in risk management, receiving periodic reports and reviewing the TAF.

The Audit Committee has the role of overseeing the Governance process and has reviewed the TAF at its meetings, together with movements in those risks and the management of them.

Each Division prepares local risk registers, reviews them at their regular meetings and manages those risks.

I am not aware of any significant risk management issues of a residual nature.

Based on the above, I am content that the governance structure has operated effectively during the period under review.

Sarndrah Horsfall
Chief Executive
Date: 20th June 2012

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

I certify that I have audited the financial statements of the National Patient Safety Agency for the year ended 31 March 2012 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Net Expenditure the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities**,** the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit under International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Patient Safety Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Patient Safety Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Patient Safety Agency's affairs as at 31 March 2012 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and directions issued thereunder by the Secretary of State.

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in light of the proposal to abolish the National Patient Safety Agency. As a consequence the financial statements have been prepared on a basis other than going concern. Details of the impact of this on the financial statements are provided in Note 1 to the financial statements.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State's directions issued under the National Health Service Act 2006; and
- the information given in the Chairman and Chief Executive's report, the sections of the Annual Report on Patient Safety; The National Clinical Assessment Service; and the National Research Ethics Service; and Public Interest and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date 3 July 2012

The Accounts for 2011/12

Account of National Patient Safety Agency 2011-12

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Notes	2011-12	2010-11
		£000	£000
Expenditure Administration			
Staff Costs	3	**9,867**	21,794
Depreciation and amortisation	4.2	**1,217**	2,217
Other Expenditure	4.2	**10,898**	11,453
		21,982	35,464
Income from Activities	6	**2,335**	4,919
Net Expenditure and resource outturn		**19,647**	30,545

	Notes	2011-12	2010-11
		£000	£000
Expenditure Programme			
Staff Costs	3	**318**	351
Depreciation and amortisation	4.2	**0**	0
Other Expenditure	4.2	**99**	0
		417	351
Income from Activities	6	**452**	351
Net Expenditure and resource outturn		**(35)**	**0**
Total Net Expenditure and Resource Outturn		**19,612**	**30,545**

The notes on pages 38 to 58 form part of these accounts.

These accounts include the activities for the National Research Ethics Service up until 30th November 2011 when the function was transferred to the Health Research Authority

Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012	31 March 2011
		£000	£000
Non Current Assets			
Property, Plant & Equipment	7.1	**211**	1,133
Intangible Assets	7.2	**485**	905
Total non-current assets		**696**	2,038
Current assets			
Trade and other receivables	8.1	**237**	1,679
Cash and cash equivalents	9	**4,124**	7,946
Total current assets		**4,361**	9,625
Total Assets		**5,057**	11,663
Current Liabilities			
Trade and other payables	10.1	**2,473**	6,152
Provisions for liabilities and charges	11	**0**	52
Other liabilities	10.1	**3**	7
Total current liabilities		**2,476**	6,211
Assets less liabilities		**2,581**	5,452
Taxpayers' Equity			
General Fund		**2,581**	5,433
Revaluation Reserve		**0**	19
Total Taxpayers' Equity		**2,581**	5,452

The financial statements on pages 34 to 37 were signed on behalf of the National Patient Safety Agency by:

Sarndrah Horsfall
Chief Executive: Date: 20th June 2012

These accounts include the activities for the National Research Ethics Service up until 30th November 2011 when the function was transferred to the Health Research Authority. £260k of intangible assets, £151k of trade and other receivables, £46k of cash and £198k of trade and other payables were transferred.

Statement of Cash Flows for the year ended 31 March 2012

	Notes	**2011-12**	2010-11
		£000	£000
Cash flows from operating activities			
Net Surplus after interest		**(19,612)**	(30,545)
Adjustments for amortisation and depreciation charge		**1,217**	2,217
(Increase)/Decrease in trade and other receivables		**1,442**	1,772
Increase/(Decrease) in trade payables		**(3,683)**	2,241
Increase in provisions		**0**	52
Less: trade payables not passing through Statement of Comprehensive Net Expenditure		**32**	66
Add: write off of non current assets		**140**	222
Use of Provisions		**(52)**	
Net cash (outflow) from operating activities		**(20,516)**	(23,975)
Cash flows from investing activities			
Purchase of plant, property and equipment		**(165)**	(148)
Purchase of intangible assets		**(141)**	(157)
Net cash inflow/(outflow) from investing activities		**(306)**	(305)
Cash flows from financing activities			
Net Parliamentary funding		**17,000**	31,851
Net financing		**17,000**	31,851
Net increase/(decrease) in cash and cash equivalents		**(3,822)**	7,571
Cash and cash equivalents at 31 March 2011		**7,946**	375
Cash and cash equivalents at 31March 2012	9	**4,124**	7,946

The notes at pages 38 to 58 form part of these accounts.

These accounts include the activities for the National Research Ethics Service up until 30th November 2011 when the function was transferred to the Health Research Authority

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2012

	General Fund	Revaluation Reserve	Total Reserves
	£000	£000	£000
Balance at 1 April 2010	**4,108**	**38**	**4,146**
Changes in reserves 2010/11			
Transfers of realised elements of revaluation reserve	19	(19)	0
Retained deficit	(30,545)	0	(30,545)
Total recognised income and expenditure for 2010/11	(30,526)	(19)	(30,545)
Parliamentary Funding from Department of Health	31,851	0	31,851
Balance as at 31 March 2011	**5,433**	**19**	**5,452**

	General Fund	Revaluation Reserve	Total Reserves
	£000	£000	£000
Balance at 1 April 2011	**5,433**	**19**	**5,452**
Changes in reserves 2011/12			
Transfers of realised elements of revaluation reserve	19	(19)	**0**
Retained deficit	(19,612)	0	**(19,612)**
Transfers to other NHS bodies (Health Research Agency)	(259)	0	**(259)**
Total recognised income and expenditure for 2011/12	(19,852)	(19)	**(19,871)**
Parliamentary Funding from Department of Health	17,000	0	**17,000**
Balance as at 31 March 2012	**2,581**	**0**	**2,581**

These accounts include the activities for the National Research Ethics Service up until 30th November 2011 when the function was transferred to the Health Research Authority

The notes at pages 38 to 58 form part of these accounts.

Account of National Patient Safety Agency 2011-12

Notes to the Accounts

1. Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. From the current year, the accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the National Patient Safety Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the National Patient Safety Agency are described below. They have been applied consistently 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 fixed assets at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

In July 2010, the Government announced its intention to close the Agency and to transfer its functions. The closure was confirmed when the Health and Social Care Act 2012 received Royal assent and the closure date was set as 9th July 2012. After the closure it is proposed that the National Patient Safety Agency's functions will continue as they will be transferred to various other bodies as described in the Public Interest section of the Annual Report above.
Following closure the Agency, in its current legal form, will be abolished.

Having considered the circumstances described above, and from discussion with the Department for Health, management's expectation is that the Agency will transfer its remaining function in June 2012 and close on 9th July. As a result, management considers it inappropriate to continue to adopt the going concern basis in preparing the annual report and financial statements. Assets and liabilities that will be transferred to other bodies have been accounted for on a going concern basis. Other non current assets have been written down to a nil value, payables and receivables have been calculated on a fair value basis.

Discontinued operations are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer to another NHS body.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1 within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

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 external customers, as well as public repayment work, but it also includes other income such as that from Devolved Administrations and from other NHS organisations. 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

1.3 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 Property, Plant & Equipment

(a) Capitalisation

Property, Plant & Equipment which is capable of being used for more than one year and they:

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

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

● form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.

(b) Valuation

Operational and IT assets are carried at depreciated historic cost as this is not considered to be materially different from
fair value.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Assets in the course of construction are valued at current cost.

(c) Intangible Assets

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at historic cost.

Prior to 31 March 2008 Developed Software was capitalised to Property, Plant and Equipment. Under IFRS standards, this is required to be capitalised as Intangible Assets. All Developed Software is valued at depreciated historic cost as this is not considered to be materially different to fair value.

(d) Depreciation, amortisation and impairments

Depreciation is charged on each individual component of fixed assets

Land and assets under construction are not depreciated.

Intangible assets are amortised on a straight line basis over the estimated lives of the assets.

Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.

	Years
Software Licences	3
Bespoke Software licence	7
Intangible Information Technology	5- 7

Equipment and IT Assets are depreciated evenly over the expected useful life:

	Years
Plant & Machinery	5
Tangible Information Technology	5

Furniture and fittings are depreciated on a straight line basis over the estimated lives of the asset.

1.5 Inventories

Inventories are valued at the lower of cost and net realisable value.

1.6 Cash and cash equivalents

Cash is the balance held with the Office of Paymaster General. Cash in hand are petty cash imprests held within the National Patient Safety Agency as well as vouchers of known amounts of cash with no risk of change in value.

1.7 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, 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). However, note 16 is compiled directly from the losses and special payments register which is prepared on a cash basis.

1.8 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.9 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 Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.10 Leases

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

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

Where arrangements are in place that imply a lease arrangement the costs have been charged as an expense on a straight line basis and disclosed as part of note 14.

Contingent rentals are recognised as an expense in the period in which they are incurred.
Where a lease is for land and buildings, the land and building components are separated where possible. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

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. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.12 Provisions

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

1.13 Financial Instruments

Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The Agency's loans and receivables comprise: cash at bank and in hand, NHS Debtors, accrued income and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cast receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account

Financial liabilities
Financial liabilities are recognised on the Statement of Financial Position when the Agency becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired. The Agency's financial liabilities comprise: NHS Creditors, other creditors and accruals.

Financial liabilities are initially recognised at fair value.

Financial liabilities at fair value through profit and loss

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

2. Analysis of Net Expenditure by Segment

The segments are based on the four reporting divisions within the Agency upon which the monthly reporting to the Board is based.

The Income disclosed relates to funding received for each of the divisions to provide specific services. In addition funding is also received from Wales (£1,118k, 2010-11: £1,560k) and Northern Ireland (£242k, 2010-11: £296k) Devolved Nations for the provision of some services. This funding is held within a central income budget and not allocated to specific divisions, and therefore is not shown in this note, but is identified in Note 6.

In addition our main funding supply is Parliamentary Funding which is not treated as income but is allocated directly to the General Fund and therefore is not shown within this note.

	Patient Safety (*)	National Clinical Assessment Service	National Research Ethics Service(***)	Corporate (**)	Total
	2011-12 £000	2011-12 £000	2011-12 £000	2011-12 £000	2011-12 £000
Gross Expenditure	**9,088**	**6,972**	**1,787**	**4,552**	**22,399**
Income	**(445)**	**(309)**	**(110)**	**(563)**	**(1,427)**
Net Expenditure	**8,643**	**6,663**	**1,677**	**3,989**	**20,972**
Segment net assets	**0**	**0**	**0**	**0**	**2,581**

	Patient Safety (*)	National Clinical Assessment Service	National Research Ethics Service	Corporate (**)	Total
	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000
Gross Expenditure	11,598	10,623	3,441	10,153	35,815
Income	(531)	(2,660)	(218)	(5)	(3,414)
Net Expenditure	11,067	7,963	3,223	10,148	32,401
Segment net assets	**0**	0	0	0	5,452

(*)The costs of Confidential Enquiry contracts are included within the costs reported under Patient Safety

(**)The costs for rents, rates and utilities for the Maple Street building are held centrally within the Corporate Division and form part of the Corporate Costs disclosed.
The Agency has included the capital charges and depreciation costs within the divisions for 2011/12.
The figures for 2010/11 have not been restated to reflect the same costs for that period as they were not reported on a segmental basis to management in that year.

The balance sheet net assets are also not reported by Division and therefore these have been included in the total column.

(***)The National Research Ethics Service transferred to the Health Research Authority on 1st December 2011 and therefore the costs shown above represent the period April 2011 to November 2011.

3. Staff numbers and related costs

Executive members and staff costs:

	Total 2011-12 £000	**Permanently employed £000**	**Other £000**	Total 2010-11 £000	Permanently employed £000	Other £000
Salaries and wages	**8,765**	7,609	1,156	15,197	12,583	2,614
Social security costs	**759**	759	0	1,035	1,035	0
Employer contributions to NHSPA	**989**	989	0	1,558	1,558	0
Redundancies/notice	**(328)**	(328)	0	4,355	4,355	0
Total	**10,185**	**9,029**	**1,156**	22,145	19,531	2,614

The average number of persons employed during the year was :

	2011-12			2010-11		
	Total Number	**Permanently employed Number**	**Other Number**	Total Number	Permanently employed Number	Other Number
Total	**174**	**156**	**18**	300	256	44

Expenditure on staff benefits
The amount spent on staff benefits, comprising of tax on Non Executive Directors and staff travel and improving working lives for the staff, during the period to 31st March 2012 totalled £4,062 (2010-11 :£17,178)

Retirements due to ill-health
This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There was 1 retirement during 2011-12 (2010-11: Nil). £33,059 (2010-11 £nil).This information has been supplied by NHS Pensions

Early retirements and redundancies

Exit package cost band	Number of compulsory redundancies	Total cost of exit packages by cost band (£000s)
<£20,001	7 (34)	89 (157)
£20,001 - £40,000	6 (11)	189 (311)
£40,001 - 100,000	... (10)	... (691)
£100,001 - £150,000	... (...)	... (...)
£150,001 - £200,000	... (...)	... (...)
£200,001 - £250,000	... (...)	... (...)
£250,001 - £300,000	... (...)	... (...)
£300,001 - £350,000	... (...)	... (...)
Total number and cost of exit packages where notice issued in 2010/11	18 (63)	917 (2583)

Where number of redundancies are less than five this is shown as "...". Figures in brackets relate to 2010/11.

Redundancy costs have been calculated in accordance with the provisions of NHS Agenda for Change Terms and Conditions. Where there is an entitlement to Early Retirement under those conditions the actuarial cost payable to the NHS Pensions Agency is shown. Exit costs have been accounted for in the year in which the triggering event occurs that will result in that redundancy. The figures above include only those staff who received notice of their redundancy as a result of a triggering event in the year. For those staff who did not receive notice they will be disclosed in the year notice is issued. The triggering events that have led to the redundancies were the announcement by the Department of Health (DH) of the closure of the Agency and reorganisations in order to reduce costs in line with falls in resources available from the DH.
There are no payments that are Special Payments.

Details of remuneration paid to Non-Executive Directors and the Directors are given in the Remuneration Report

4.1 Pension costs

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

The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.
The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

An outline of these follows:

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

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.
Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting Valuation

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

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

The valuation of the scheme liability as at 31 March 2010 is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data.

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

c) Scheme provisions

In 2011-12 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

Annual Pensions

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Pensions Indexation

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.

Lump Sum Allowance

A lump sum is payable on retirement which is normally three times the annual pension payment.

Ill-Health Retirement

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

Death Benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVCs)

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Transfer between Funds

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

Preserved Benefits

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

Compensation for Early Retirement

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

4.2 Other Operating Costs

	Note			2011-12		2010-11
Administration				**£000**		£000
Non-executive members' remuneration				**89**		104
Other salaries and wages	3			**10,195**		17,439
Redundancies and notice costs				**(328)**		4,355
Total Staff Costs				**9,956**		21,898
Rentals under operating leases				**875**		1,138
Supplies and Services - general				**80**		148
Establishment expenses				**1,495**		2,551
Transport and moveable plant				**19**		32
Premises and fixed plant				**2,199**		2,310
External contractors (*)				**1,710**		4,670
Capital: Depreciation		**790**			1,607	
Amortisation		**427**			610	
Loss on disposal of non current assets	7.3	**140**			222	
				1,357		2,439
Auditors' remuneration: (**)	Audit fees			**46**		46
Miscellaneous				**0**		232
Grants (***)				**4,245**		0
Total administration costs				**21,982**		35,464
Programme						
Other salaries and wages				318		351
Total Staff Costs				318		**351**
Establishment Expenses				99		0
Total Programme Costs				**417**		**351**

(*) This includes payments of £726k for Confidential Enquiries from 01/04/2011 (2010-11: £2,901) The Confidential Enquiries carry out national audits of NHS care focussing on Acute care, Maternal and Child health and Suicide.

(**) The Authority did not make any payments to Auditors for non audit work.

(***) Grants expenditure covers the costs relating to the transfer of the NRLS function covering set up and development costs (£4,245K)

Programme costs represent a pro rata share of costs relating to the delivery of training courses to NHS Trusts, Foundation Trusts and external customers. It also includes clinical assessment costs for non NHS customers.

4.3 Better Payment Practice Code - measure of compliance

	2011-12 Number	2010-11 Number	**2011-12 £000**	2010-11 £000
Total Non-NHS trade invoices paid in the year	**4,979**	9,070	**8,439**	15,675
Total Non-NHS trade invoices paid within target	**4,838**	8,542	**7,602**	14,310
Percentage of Non-NHS trade invoices paid within target	**97.2%**	94.2%	**90.1%**	91.3%
Total NHS trade invoices in the year	**242**	406	**4,776**	1,694
Total NHS trade invoices paid within target	**229**	361	**4,752**	1,536
Percentage of NHS trade invoices paid within target	**94.6%**	88.9%	**99.5%**	90.7%

The Late Payment of Commercial Debts (Interest) Act 1998

There were no interest payments from claims from small business under this legislation in 2011/12 or 2010/11

5.1 Reconciliation of net operating cost to net resource outturn

	2011-12 £000	2010-11 £000
Net operating costs for the financial year	**19,612**	30,545
Change in level of provisions	**52**	(52)
Charge Against Revenue Resource Limit	**19,664**	30,493
Revenue Resource Limit	**22,817**	33,276
Underspend against Revenue Resource Limit	**3,153**	2,783

5.2 Reconciliation of gross capital expenditure to capital resource limit

	2011-12 £000	2010-11 £000
Gross Capital Expenditure	**275**	240
Less: Net Book Value of assets disposed of	**(140)**	(222)
Charge against the Capital Resource Limit	**135**	18
Capital Resource Limit	**375**	2,213
Underspend Against Capital Resource Limit	**240**	2,195

6. Operating revenue

	Appropriated in Aid £000	Not Appropriated in Aid £000	2011-12 £000	2010-11 £000
Fees & charges to external customers	286	7	**293**	351
Income received from Scottish Parliament	0	105	**105**	961
Income received from National Assembly for Wales	0	1,173	**1,173**	1,689
Income received from Northern Ireland Assembly	0	261	**261**	334
Income received from other Departments	0	955	**955**	1,935
Total Operating revenue	**286**	**2,501**	**2,787**	5,270

All the income above is administration income other than fees and charges £286k (2010-11 351K) and income received from other Departments £166k (2010-11,£nil) which are programme income. The income from other departments that is programme income relates to training courses for NHS Trusts and Foundation Trusts.

7.1 Property, Plant and Equipment

	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 1 April 2011	295	100	3,531	679	**4,605**
Additions - purchased	109	0	166	0	**275**
Transfers to intangible assets	(404)	0	0	0	**(404)**
Disposals	0	0	(8)	0	**(8)**
Gross cost at 31 March 2012	**0**	**100**	**3,689**	**679**	**4,468**
Depreciation					
Accumulated depreciation at 1 April 2011	0	52	2,821	599	**3,472**
Charged during the year	0	48	667	75	**790**
Disposals	0	0	(5)	0	**(5)**
Accumulated depreciation at 31 March 2012	**0**	**100**	**3,483**	**674**	**4,257**
Net book value at 31 March 2011	295	48	710	80	1,133
Net book value at 31 March 2012	**0**	**0**	**206**	**5**	**211**

	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 1 April 2010	544	76	4,292	679	**5,591**
Additions - purchased	40	34	28	0	**102**
Transfers to intangible assets	(281)	0	35	0	**(246)**
Disposals	(8)	(10)	(824)	0	**(842)**
Gross cost at 31 March 2011	**295**	**100**	**3,531**	**679**	**4,605**
Depreciation					
Accumulated depreciation at 1 April 2010	0	30	1,951	515	**2,496**
Charged during the year	0	28	1,495	84	**1,607**
Disposals	0	(6)	(625)	0	**(631)**
Accumulated depreciation at 31 March 2011	**0**	**52**	**2,821**	**599**	**3,472**
Net book value at 31 March 2010	544	46	2,341	164	3,095
Net book value at 31 March 2011	**295**	**48**	**710**	**80**	**1,133**

Assets are held at depreciated historic cost as this has been determined as representing the fair value of assets due to the short lives and nature of the assets. Previously historic Furniture and Fittings were valued using appropriate indices, this method of valuation was removed in 2008/09.
Due to the closure of the Agency by July 2012, the assets that will not be transferring with the continuing functions have been reviewed and relifed to reflect their expected remaining economic life.
Leasehold land and buildings have a net book value of £0 (2010-11 £0)

7.2 Intangible assets

	Software licences £000	Information Technology £000	Total £000
Gross cost at 1 April 2011	635	2,074	**2,709**
Additions - purchased	0	0	**0**
Transfers from assets in the course of construction	0	404	**404**
Disposals	(83)	(169)	**(252)**
Transfer to other NHS Bodies (Health Research Agency)	0	(982)	**(982)**
Gross cost at 31 March 2012	**552**	**1,327**	**1,879**
Amortisation			
Accumulated amortisation at 1 April 2011	554	1,250	**1,804**
Charged during the year	51	376	**427**
Disposals	(56)	(59)	**(115)**
Transfer to other NHS Bodies (Health Research Agency)	0	(722)	**(722)**
Accumulated amortisation at 31 March 2012	**549**	**845**	**1,394**
Net book value at 31 March 2011	81	824	905
Net book value at 31 March 2012	**3**	**482**	**485**

	Software licences £000	Information Technology £000	Total £000
Gross cost at 1 April 2010	613	1,732	**2,345**
Additions - purchased	22	116	**138**
Transfers from assets in the course of construction	0	246	**246**
Disposals	0	(20)	**(20)**
Gross cost at 31 March 2011	**635**	**2,074**	**2,709**
Amortisation			
Accumulated amortisation at 1 April 2010	459	744	**1,203**
Charged during the year	95	515	**610**
Disposals	0	(9)	**(9)**
Accumulated amortisation at 31 March 2011	**554**	**1,250**	**1,804**
Net book value at 31 March 2010	154	988	1,142
Net book value at 31 March 2011	**81**	**824**	**905**

Assets are held at depreciated historic cost as this has been determined as representing the fair value of assets due to the short lives and nature of the assets
The useful life of software licences has been determined to be 3 years. For information technology the useful life s either 5 years or 7 years dependant on the expected life of the asset. This is assessed for each asset that is generated.
Due to the closure of the Agency , the assets that will not be transferring with the continuing functions have been reviewed and relifed to reflect their expected remaining economic life.

7.3 Profit / (loss) on disposal of non current assets

	2011-12	2010-11
	£000	£000
(Loss) on disposal of intangible assets	(137)	(11)
(Loss) on disposal of property, plant and equipment assets	(3)	(211)
	(140)	(222)

8 Trade Receivables

8.1 Amounts falling due within one year

	31st March 2012	31st March 2011
	£000	£000
Trade Receivables	**135**	341
Other receivables	**89**	250
Prepayments and accrued income	**13**	1,088
Trade and other receivables	**237**	1,679

9 Cash and Cash equivalents

	As at 1 April 2011	**Change in year**	**As at 31 March 2012**
	£000	**£000**	**£000**
GBS cash at bank	7,945	(3,822)	**4,123**
Commercial cash at bank and in hand	1	0	**1**
Total	**7,946**	**(3,822)**	**4,124**

Comprising:	
Held with office of Government Banking Service	**4,123**
Commercial banks and cash in hand	**1**
Balance at 31st March 2012	**4,124**

10 Trade Payables and other current liabilities

10.1 Amounts falling due within one year

	31st March 2012 £000	31st March 2011 £000
Trade payables	**329**	650
Accruals and deferred income	**2,144**	5,502
Trade and other payables	**2,473**	6,152
Other taxation and social security	**3**	7
Other Current Liabilities	**3**	7
Total Trade Payables and other current liabilities	**2,476**	6,159

11 Provisions for liabilities and charges

	Legal claims	**Other**	**Total**	31 March 2011
	£000	**£000**	**£000**	£000
At 1 April 2011	0	52	**52**	0
Arising during the year (rent liability on closed office in Scotland)	0	0	**0**	52
Utilised	0	(52)	**(52)**	0
At 31 March 2012	**0**	**0**	**0**	52

12 Contingent Liabilities

At 31 March 2012, there were no known contingent liabilities (2010-11:£0).

13 Capital commitments

At 31 March 2012 the value of contracted capital commitments was £0 (2010-11:£0).

14 Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2011-12	2010-11
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	24	911
Later than one year and not later than five years	0	1540
Later than five years	0	0
	24	**2,451**
Other Leases		
Not later than one year	0	2
Later than one year and not later than five years	0	0
	0	**2**

15 Other financial commitments

The National Patient Safety Agency has entered into 2 contracts, one relating to the provision of payroll services commencing on 1st April 2007 for 6 years and one relating to the support of the business management system commencing on 1st January 2009 for three years. The total cost over the life of the contracts is £244,000. The remaining commitment is as follows.

	2011-12	2010-11
	£000	£000
Not later than one year	3	39
Later than one year and not later than five years	0	10
	3	49

16. Losses and special payments

There were 2 cases of losses (2010-11: 11 cases) totalling £2,408 (2010-11: £3,582) approved to the 31st March 2012 and no special payments (2010-11: 1 case) totalling £0 (2010-11: £2,000)

17. Related Party Transactions

The National Patient Safety Agency 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 National Patient Safety Agency 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.

The National Patient Safety Agency has considered materiality in line with the manual for accounts guidelines for agreeing creditor and debtor balances (£50k) and income and expenditure balances (£100k).

	Payments in Year 11/12	Receipts in year 11/12	Debtor @ 31.03.12	Creditor @ 31.03.12
	£000	£000	£000	£000
Birmingham & Solihull Mental Health Trust	57	0	0	58
Department of Health	330	80	0	38
Imperial College Healthcare NHS Trust	4,273	0	0	14
NHS Commissioning Board	0	556	0	0
NHS London	0	84	0	0
NHS Pension Scheme	816	0	0	0

No Board Member or key manager has undertaken any material transactions with the National Patient Safety Agency during the year.

18. Events after the reporting period

The Patient Safety function transferred to the NHS Commissioning Board Authority on 1st June 2012..

19 Financial Instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the Agency are met through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The National Patient Safety Agency has limited powers 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 Agency is undertaking its activities.

The Agency's treasury management operations are carried out by the finance department, within parameters defined formally within the Agency's Standing Financial Instructions and policies agreed by the Board. The Agency's treasury management activity is subject to review by the Agency's internal auditors

Foreign Currency risk

The National Patient Safety Agency takes measures to minimise all foreign currency risk, The National Patient Safety Agency has negligible foreign currency risk.

Interest rate risk

100% of the Authority's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The National Patient Safety Agency is not, therefore, exposed to significant interest - rate risk.

Liquidity Risk

The National Patient Safety Agency's net operating costs are financed from resources voted annually by Parliament. The National Patient Safety Agency largely finances its capital expenditure from funds made available from Government under an agreed capital resource limit. The National Patient Safety Agency is not, therefore exposed to significant liquidity risks.

Credit Risk

The National Patient Safety Agency operates primarily within the NHS market and receives the majority of its income from the Department of Health and Devolved Administrations. Bad debt provisions are calculated based on the type of debtor, ageing or the outstanding debt and knowledge of specific queries on the balances.

The ageing of trade debtors at the reporting date was:

	£000
Not past due	5
Past due 0-30 days	96
Past due 31-120 days	1

The NPSA has made a provision for £1k relating to 2 invoices between 31 and 120 days old.

Supplier Risk

The National Patient Safety Agency operates within both the NHS and non NHS market for the supplies of goods and services .
The ageing of NHS and Non NHS Trade creditors at the reporting date was:

	£000
Not past due	124
Past due 0-30 days	75
Past due 31-120 days	4
More than 121 days	-2

Fair values

The National Patient Safety Agency has no significant long term debtors and creditors and therefore the book values are not different from the fair value.

20. Intra-government balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other central government bodies	114	0	91	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	122	0
Balances with public corporations and trading funds	0	0	0	0
	114	**0**	**213**	**0**
Balances with bodies external to government	123	0	2,263	0
At 31 March 2012	**237**	**0**	**2,476**	**0**
Balances with other central government bodies	352	0	228	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	25	0	316	0
Balances with public corporations and trading funds	0	0	0	0
	377	0	544	0
Balances with bodies external to government	1,302	0	5,615	0
At 31 March 2011	1,679	0	6,159	0

21 IFRS disclosure

Early adoption of IFRS's, amendments and interpretations

The NPSA have not adopted any IFRS's, amendments or interpretations early.

IFRS's, amendments and interpretations in issue but not yet effective, or adopted

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRS's, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the NPSA

- *IFRS 7 Financial Instruments: Disclosures* Amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which is effective for accounting periods beginning on or after 1 July 2011.

- *IFRS 9 Financial Instruments* A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- *IFRS 13 Fair Value Measurement* IFRS 13 applies when other IFRS's require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.
- *IAS 1 Presentation of Financial Statements* Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.
- *IAS 19 Employee Benefits* The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.
- *IAS 32 Offsetting Financial Assets and Financial Liabilities* Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the NPSA

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

Online
www.tsoshop.co.uk

Mail, telephone, fax and email
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

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

TSO@Blackwell and other accredited agents

ISBN 978-0-10-297748-6