

National Patient Safety Agency

Annual Report and Accounts

**For the six months ended
30 September 2012**

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

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Contents

Introduction	4
Patient Safety	5
Management Commentary	7
Public Interest	9
Remuneration Report	11
Statement of Accounting Officer's Responsibilities.	15
Governance Statement	16
The Certificate of the Comptroller and Auditor General to the House of Parliament.	22
The Accounts for the six months ended 30 September 2012	25

Introduction

This is the last 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 Government's 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 closed on the 9th July 2012 and was formally abolished on 1st October 2012.

The Patient Safety function was the last transfer the Agency did on the 1st June 2012 to the NHS Commissioning Board Authority (NHSCBA). All 29 posts were transferred under Transfer of Undertakings Protection of Employment (TUPE).

Our corporate services division was 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.

We maintained appropriate governance arrangements during the final stages of closure with our final Audit Committee and Board on the 20th June 2012. The Board was assured of our final plans after the 20th June until the 9th July which included any final payments, transferring our financial data to the Department of Health and ultimately decommissioning our IT infrastructure.

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 patient safety in the NHS



Sandra Horsfall
Chief Executive



Sir Liam Donaldson
Chairman

Patient Safety

During the first two months of the financial period the Patient Safety function has continued to provide continuity of the National Reporting and Learning System (NRLS) for the NHS for reporting, feedback and alerts and reviewing data related to deaths, severe and moderate harm incidents. Sharing that data with partners including the Care Quality Commission has also been maintained. The NRLS is now being operationally managed by Imperial Healthcare NHS Trust (ICHT) but will continue to work extremely closely with the Patient Safety function as it transfers into the NHS Commissioning Board Authority (NHSCBA) who will continue to maintain the ownership and accountability for the NRLS.

The Patient Safety function has also continued to deliver against their agreed business plan for 2012/13 and have also completed a transition programme into the NHSCBA which has included;

- Stakeholder mapping and analysis and developing process and system maps of the relationships and the systems across the new NHS and in particular for:
 - Patient engagement, Insight and Informatics Directorate, patient experience and patient associations
 - Commissioning development and direct commissioning
 - The role of the operations directorate of the NHS CB
 - Clinical Engagement and the Clinical Senates / Networks
 - Medical Directorate of the NHS CB and domains 1 to 3
 - Royal Colleges and Professional associations
 - Patient Safety Research Centres
 - Care Quality Commission
 - NICE
 - Monitor
 - NTDA
- Horizon scanning for information and Intelligence re commissioning for safe services and the new commissioning landscape
- Creating 90 day plans which describe:
 - key goals and outputs
 - the development of succinct guidance with links to references and resources for sectors, local offices, and clinical commissioning groups on patient safety
- Continue with the patient safety community via Patient Safety First
- Develop understanding of the improvement and transformation strategy, the single change model, the process for commissioning solutions
- Provide professional patient safety expertise for the set up of the NHS CB
- Supporting the development of patient safety indicators and the commissioning outcomes framework to provide clarity about the patient safety outcomes for which clinical commissioning groups are accountable e.g. information related to Domain Five:
 - Hospital related venous thromboembolism

- Incidence of healthcare associated infection
- Incidence of newly-acquired category 3 and 4 pressure ulcers
- Incidence of medication errors causing serious harm
- Improving the safety of maternity services focusing on neonatal care
- Incidence of harm to children due to 'failure to monitor'

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 was finally abolished on 1st October 2012.

Resources

The NPSA receives a resource limit from the Department of Health (DH) to cover revenue expenditure.

The Agency met its financial duties in the period 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 period were £911k. All but £70k of our income comes from DH by way of a resource limit. The resource limit represents the maximum the Agency was permitted to utilise.

The Agency underspent the revenue allocation in the period by £357k. The Agency's revenue expenditure totalled £554k

During the period the Agency spent £37k on consultancy services exclusively on legal advice. The total costs of staff is shown at note 3 to the accounts which includes the costs of temporary, agency and seconded staff shown as 'other' which totalled £96k

Risk management

The NPSA Board has overall responsibility for risk management and there are clear lines of responsibility of individual accountability for managing risk throughout the Agency, leading up to the Board. In 2012, the Agency's twin objectives of managing and then transferring one contract for service and then the orderly closure of the Agency resulted in a very small residual organisation being in place. The lead for closure risk activities was shared between the remaining Directors. All risks are recorded in the risk register.

Risks are identified, monitored and managed 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 Board to monitor the effective management of risks.

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.

Stakeholders

In the brief period to closure the primary stakeholder was the Department of Health together with the NHS Commissioning Board who took over responsibility for managing the one remaining service contract on 30th June 2012.

We have a Management Statement in place with the DH.

Corporate citizenship

There were no corporate citizenship activities in the period.

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 agency maintained its equality and diversity activities in order to meet both our statutory and non statutory activities during the brief period until our closure following where possible the existing strategy and plans.

Sickness absence data

Sickness absence rates for the NPSA for the year 1 January 2012 to 31 May 2012 was 1.29 per cent.

Freedom of Information

The NPSA complies with the Freedom of Information Act.

Social and Community Issues

The Agency has nothing to report on these issues

Personal data related incidents

During the period there were no personal data related incidents that required reporting to the Information Commissioner. The only personal data related incidents in the period were small localised ones not significant enough to have been recorded centrally.

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 (the former Agency, 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.

Transfers of function

Function	Date	To
Patient Environment Action Team	1st April 2011	The NHS Information Centre
Clinical Research Review Programme	1 st September 2011	Health Quality Improvement Partnership
National Research Ethics Service	1st December 2011	Health Research Authority
CAS	1 st January 2012	MHRA
National Clinical Assessment Service	1 st April 2012	NICE
Patient Safety	1 st June 2012	NHS Commissioning Board Authority

Staff survey

No staff survey took place in the period.

Consultation with staff

Consultation with staff on our final closure plans took place prior to 1st April 2012.

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 £35,000. The audit certificate can be found on page 22.

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.

The Audit Committee comprises of two non-executive directors: Mr Robin Pritchard, Chairman of the committee and Mr Trevor Jones.

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. However due to the closure of the Agency the Pay and Remuneration Committee did not meet during the period.

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 period. Except where stated all Directors left on 9th July 2012. The information contained in the tables of the Remuneration Report has been audited.

Salaries and allowances				
Name and title	April to September 2012		2011-12	
	Salary (bands of £5,000)	Other Remuneration	Salary (bands of £5,000)	Other Remuneration
	£000	£000	£000	£000
Non-Executive Directors				
Sir Liam Donaldson (start date 1 July 2010)	10-15	0	35-40	0
R Pritchard Non-Executive Director - Audit Chair	0-5	0	10-15	0
T Jones Non-Executive Director	0-5	0	5-10	0
D Weir-Hughes Non-Executive Director	0-5	0	5-10	0
H Ghodse Non-Executive Director	0-5	0	5-10	0
L Patterson Non-Executive Director (left 31 March 2012)	0	0	5-10	0
G Gardiner Non-Executive Director (left 31 March 2012)	0	0	5-10	0
Directors				
Sarndrah Horsfall Chief Executive	40-45	90-95	135-140	0
Alastair Scotland Director, National Clinical Assessment Service (*) (Retired 31 August 2011)	0	0	60-65	25-30
Dave Bell Director of Finance, Facilities, Procurement and IS	35-40	0	115-120	0
Janet Wisely National Research Ethics Service Director (left 30 November 2011)	0	0	60-65	0
Suzette Woodward Director of Patient Safety Strategy (left 31 May 2012)	20-25	0	95-100	0
Band of Highest paid Director's Total Remuneration (£000s) (annualised where they left during the period)	225-230		215-220	

Median Total (£)	62,162		48,513	
Remuneration Ratio	3.66		4.48	
(*) Other remuneration for Alastair Scotland consists of a Clinical Excellence Award separately funded by the Advisory Committee on Clinical Excellence Awards. Other remuneration for Samdrah Horsfall is redundancy pay				

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 period (annualised where that Director left in the period) was £227,500 (2011/12, £217,500). This was 3.66 times (2011/12 4.48 times) the median remuneration of the workforce, which was £62,162 (2011/12 £48,513). The calculation of the pay of the highest paid director is calculated on a full year basis and includes the redundancy payment received. The actual total received from 1st April 2012 up until 9th July 2012 was considerably less and is reported on a named basis in the table above.

There were no staff in the NPSA who received remuneration at a higher level than the highest paid director.

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 periods 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 9 July 2012 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 9 July 2012 (bands of £5,000)
	£000	£000	£000	£000
Samdrah Horsfall Chief Executive	(A)	(A)	(A)	(A)
Dave Bell Director of Finance	0-2.5	0-2.5	45-50	145-150
Suzette Woodward Director of Patient Safety Strategy (left 31 st May 2012)	0-2.5	0-2.5	35-40	110-115

Pension Benefits (continued)				
Name and title	Cash Equivalent Transfer Value at 9 July 2012	Cash Equivalent Transfer Value at 31 March 2012	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
Alastair Scotland Director, National Clinical Assessment Service (Retired 31 August 2011)	(B)	(B)	(B)	0
Dave Bell Director of Finance	961	953	8	0
Janet Wisely National Research Ethics Service Director (Left 30 th November 2011)	(B)	311	(B)	0
Suzette Woodward Director of Patient Safety Strategy (left 30 th May 2012)	701	700	1	0
(A) Not in Pension Scheme, (B) Left the organisation prior to 31 March 2012 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.

Una O'Brien

Principal Accounting Officer

Department of Health

Date: 15 April 2013

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 period.

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 Principal Accounting Officer of the Department of Health designated the Chief Executive as Accounting Officer of the National Patient Safety Agency up until 9th July 2012. From 10 July 2012 until 30 September, Sir Bruce Keogh, was appointed by the Principal Accounting Officer of the Department of Health. At this date, the Principal Accounting Officer of the Department took back the responsibilities as Accounting Officer. 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

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 Principal Accounting Officer for the Department of Health, 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.

Sarndrah Horsfall, the NPSAs Chief Executive was Accounting Officer until 9 July 2012 and I have relied on the information and assurances she has provided to compile this statement.

I am accountable for the discharge of my functions to the Minister of State at the Department of Health.

The Board

The Board is comprised of a non executive chair and both non executive and executive directors. The Board has met once during the period and at that meeting the Board received final reports on the financial position of the Agency, its transfers of functions and remaining liabilities.

The attendance by Directors during the period 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 once in the period. The Committee reviewed reports undertaken by the internal auditors and considered their recommendations, reviewed the final Transition Assurance Framework (TAF), arrangements for risk management, reviewed any losses or special payments and reviews single tender actions. The Committee reviewed the annual report and accounts for both 2011/12 and the six months ended 30 September 2012, including considering related reports from external auditors and an annual report on the activities and effectiveness of the committee. The Committee reported their minutes to the Board. The attendance by members of the committee is shown on the composite table below

Pay and Remuneration Committee

The Pay and Remuneration Committee did not meet in the period.

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 levels of remuneration were unchanged from those set in the previous period.

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 meeting 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 period 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
Non-Executive Directors Sir Liam Donaldson	1/1	
R Pritchard Non-Executive Director - Audit Chair	1/1	1/1
T Jones Non-Executive Director	1/1	1/1
D Weir-Hughes Non-Executive Director	1/1	
H Ghodse Non-Executive Director	0/1	
Executive Directors Sarndrah Horsfall Chief Executive	1/1	
Dave Bell Director of Finance, Facilities, Procurement and IS	1/1	

Effectiveness

The system of performance monitoring in place throughout the period 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.

During the period, the Agency has continued to focus its risk assessments on 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 Chief Executive 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 the Audit Committee to monitor the effective management of risks reporting to the Board.

The Audit Committee oversees 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. During the period in the run up to closure Internal Audit reviewed all transactions to provide independent assurance on their appropriateness.

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 business as usual 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 an Assessment of Information Risk has been completed for the period the Agency operated in the period.

The Government announced new controls on expenditure shortly after taking office in June 2010 and the Department of Health 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 period April 2012 to September 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 Chief Executive, the Board, the Audit Committee and plans to address weaknesses and ensure continuous improvement were in place.

The head of internal audit provided 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 the period is one of significant assurance. Senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control provided me, through the Chief Executive, 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 the period 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 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 reported on achievements and progress against the objectives and plans to the Board and this report included risks and controls in place to mitigate them. I am assured that transition arrangements were delivered effectively 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 was the designated executive with operational responsibility for maintaining and developing the organisation wide system of internal control. The Chief Executive was the designated executive with operational responsibility for the system of risk management and risk reporting. They were 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.

The Chief Executive delegated the day to day responsibility for maintaining the system of risk management and risk reporting to the Transition Director until the end of May 2012 and then took on this responsibility until the Agency's operations ceased.

Since the announcement by the Department of Health in July 2010 that the Agency would be abolished, but with its functions transferred elsewhere, The Chief Executive established systems and processes to ensure that the transition of the outward facing services that the Agency provided was undertaken in an efficient and effective manner. All the functions of the agency have now been transferred and the Agency closed. The transition risks have been managed through the TAF which has been reviewed frequently by the Chief Executive 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 £3.5M.

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

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

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.

Una O'Brien

Principal Accounting Officer,
Department of Health
Date: 15 April 2013

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 period ended 30 September 2012 under the National Health Service Act 2006. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 30 September 2012 and of its net expenditure for the period 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 closure of the National Patient Safety Agency on 30 September 2012. 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 Sustainability Report 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records and 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
23 April 2013*

The Accounts for 2012

Account of National Patient Safety Agency 2012

Statement of Comprehensive Net Expenditure for the six months ended 30 September 2012

	Notes	Six months to 30 September 2012	2011-12
		£000	£000
Expenditure Administration			
Staff Costs	3	327	9,867
Depreciation and amortisation	4.2	0	1,217
Other Expenditure	4.2	275	10,898
		<u>602</u>	<u>21,982</u>
Income from Activities	6	58	2,335
Net Expenditure and resource outturn		<u>544</u>	<u>19,647</u>
	Notes	2012-13	2011-12
		£000	£000
Expenditure Programme			
Staff Costs	3	22	318
Other Expenditure	4.2	0	99
		<u>22</u>	<u>417</u>
Income from Activities	6	12	452
Net Expenditure and resource outturn		<u>10</u>	<u>(35)</u>
Total Net Expenditure and Resource Outturn		554	19,612

The notes on pages 29 to 50 form part of these accounts.

These accounts include the activities for

The National Research Ethics Service up until 30th November 2011. The function was transferred to the Health Research Authority on 1 December 2012,

The National Clinical Assessment Service up until 31st March 2012. The function transferred to NICE on 1 April 2012, and

The Patient Safety Service up until 31st May 2012. The function transferred to the NHS Commissioning Board Authority on 1 June 2012

Statement of Financial Position as at 30 September 2012

	Notes	30 Sept 2012 £000	31 March 2012 £000
Non Current Assets			
Property, Plant & Equipment	7.1	0	211
Intangible Assets	7.2	0	485
Total non-current assets		<u>0</u>	<u>696</u>
Current assets			
Trade and other receivables	8.1	565	237
Cash and cash equivalents	9	1,190	4,124
Total current assets		<u>1,755</u>	<u>4,361</u>
Total Assets		<u>1,755</u>	<u>5,057</u>
Current Liabilities			
Trade and other payables	10.1	424	2,473
Provisions for liabilities and charges	11	0	0
Other liabilities	10.1	0	3
Total current liabilities		<u>424</u>	<u>2,476</u>
Assets less liabilities		<u>1,331</u>	<u>2,581</u>
Taxpayers' Equity			
General Fund		1,331	2,581
Revaluation Reserve		0	0
Total Taxpayers' Equity		<u>1,331</u>	<u>2,581</u>

The financial statements on pages 25 to 28 were signed on behalf of the National Patient Safety Agency by:

Una O'Brien
Principal Accounting Officer,
Department of Health

Date: 15 April 2013

Statement of Cash Flows for the period ended 30 September 2012

	Six months to	
	30 September	
Notes	2012	2011-12
	£000	£000
Cash flows from operating activities		
Net Surplus after interest	(554)	(19,612)
Adjustments for amortisation and depreciation charge	0	1,217
(Increase)/Decrease in trade and other receivables	(328)	1,442
Increase/(Decrease) in trade payables	(2,052)	(3,683)
Less: trade payables not passing through Statement of Comprehensive Net Expenditure	0	32
Add: write off of non current assets	0	140
Use of Provisions	0	(52)
Net cash (outflow) from operating activities	(2,934)	(20,516)
Cash flows from investing activities		
Purchase of plant, property and equipment	0	(165)
Purchase of intangible assets	0	(141)
Net cash inflow/(outflow) from investing activities	0	(306)
Cash flows from financing activities		
Net Parliamentary funding	0	17,000
Net financing	0	17,000
Net increase/(decrease) in cash and cash equivalents	(2,934)	(3,822)
Cash and cash equivalents at 31 March 2012	4,124	7,946
Cash and cash equivalents at 30 Sept 2013	1,190	4,124

The notes at pages 29 to 50 form part of these accounts.

These accounts include the following activities for the National Research Ethics Service up until 30th November 2011 - the function was transferred to the Health Research Authority on 1 December 2012, The National Clinical Assessment Service up until 31st March 2012 - the function transferred to NICE on 1 April 2012 and the Patient Safety Service up until 31st May 2012 - the function transferred to the NHS Commissioning Board Authority on 1 June 2012.

**Statement of Changes in Taxpayers' Equity
For the period ended 30 September 2012**

	General Fund £000	Revaluation Reserve £000	Total Reserves £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)
Transfer to other NHS bodies	(259)	0	(259)
	<u>(19,852)</u>	<u>(19)</u>	<u>(19,871)</u>
Parliamentary Funding from Department of Health	17,000	0	17,000
Balance as at 31 March 2012	<u>2,581</u>	<u>0</u>	<u>2,581</u>

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2012	2,581	0	2,581
Changes in reserves 2012			
Transfers of realised elements of revaluation reserve	0	0	0
Retained deficit	(554)	0	(554)
Transfers to other NHS bodies	(696)	0	(696)
	<u>(1,250)</u>	<u>0</u>	<u>(1,250)</u>
Parliamentary Funding from Department of Health	0	0	0
Balance as at 30 September 2012	<u>1,331</u>	<u>0</u>	<u>1,331</u>

The notes at pages 29 to 50 form part of these accounts.

These accounts include the following activities for the National Research Ethics Service up until 30th November 2011 when the function was transferred to the Health Research Authority, The National Clinical Assessment Service up until 31st March 2012 when the function transferred to NICE and the Patient Safety Service up until 31st May 2012 when the function transferred to the NHS Commissioning Board Authority

Account of National Patient Safety Agency for the six months ended 30 September 2012

Notes to the Accounts

1. Accounting Policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. From the current period, 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 abolition date was set as 1st October 2012. The National Patient Safety Agency's functions continue as they were 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, was abolished.

Having considered the circumstances described above, as the Agency transferred its remaining function in June 2012 and closed on 1st October 2012, management considers it inappropriate to continue to adopt the going concern basis in preparing the annual report and financial statements. Assets and liabilities that were 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 cash 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 (£58k, 2011-12: £1,118k) and Northern Ireland (£0k, 2011-12: £242k) 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
	2012 £000	2012 £000	2012 £000	2012 £000	2012 £000
Gross Expenditure	581	0	0	43	624
Income	(12)	(0)	(0)	0	(12)
Net Expenditure	569	0	0	43	612
Segment net assets	0	0	0	1,331	1,331

	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

(*)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 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 relate to the periods before that date

(****) The Patient Safety Service transferred to the NHS Commissioning Board on 1st June 2012 and therefore costs shown above relate to the periods before that date

(*****) The National Clinical Assessment Service transferred to the NICE on 1st April 2012 and therefore costs shown above relate to the periods before that date

3. Staff numbers and related costs

Executive members and staff costs:

	Total 2012 £000	Permanently employed £000	Other £000	Total 2011-12 £000	Permanently employed £000	Other £000
Salaries and wages	249	153	96	8,765	7,609	1,156
Social security costs	39	39	0	759	759	0
Employer contributions to NHSPA	61	61	0	989	989	0
Redundancies/notice	0	0	0	(328)	(328)	0
Total	349	253	96	10,185	9,029	1,156

The average number of persons employed during the period was

	Total Number	2012 Permanently employed Number	Other Number	Total Number	2011-12 Permanently employed Number	Other Number
Total	40	37	3	174	156	18

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 30th September 2012 totalled £1,019 (2011-12 :£4,062)

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 period. There were no retirements during 2012 £0 (2011-12 1, £33k). 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)	... (89)
£20,001 - £40,000	... (6)	... (189)
£40,001 - 100,000	... (...)	... (...)
£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)	... (917)

Where number of redundancies are less than five this is shown as "...". Figures in brackets relate to 2011/12.

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 period 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 period. 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.

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 2012-13 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	2012 £000	2011-12 £000
Administration			
Non-executive members' remuneration		5	89
Other salaries and wages	3	327	10,195
Redundancies and notice costs		0	(328)
Total Staff Costs		332	9,956
Rentals under operating leases		0	875
Supplies and Services - general		1	80
Establishment expenses		52	1,495
Transport and moveable plant		2	19
Premises and fixed plant		-123	2,199
External contractors (*)		283	1,710
Capital: Depreciation	0		790
Amortisation	0		427
Loss on disposal of non current assets	7.3	0	140
		0	1,357
Auditors' remuneration: (**)	Audit fees	35	46
Miscellaneous		20	0
Grants (***)		0	4,245
Total administration costs		602	21,982
Programme			
Other salaries and wages		22	318
Total Staff Costs	3	22	318
Establishment Expenses		0	99
Total Programme Costs		22	417

(*) This includes payments of £726k for Confidential Enquiries in 2011/12
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 includes the costs relating to the transfer of the NRLS function covering set up and development costs in 2011/12 of £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

	2012 Number	2011-12 Number	2012 £000	2011-12 £000
Total Non-NHS trade invoices paid in the period	243	4,979	497	8,439
Total Non-NHS trade invoices paid within target	199	4,838	397	7,602
Percentage of Non-NHS trade invoices paid within target	81.9%	97.2%	79.9%	90.1%
Total NHS trade invoices in the period	14	242	1,765	4,776
Total NHS trade invoices paid within target	11	229	1,762	4,752
Percentage of NHS trade invoices paid within target	78.6%	94.6%	99.8%	99.5%

The Late Payment of Commercial Debts (Interest) Act 1998

There were no interest payments from claims from small business under this legislation in 2012 or 2011/12

5.1 Reconciliation of net operating cost to net resource outturn

	2012 £000	2011-12 £000
Net operating costs for the financial period	554	19,612
Change in level of provisions	0	52
Charge Against Revenue Resource Limit	554	19,664
Revenue Resource Limit	911	22,817
Underspend against Revenue Resource Limit	357	3,153

5.2 Reconciliation of gross capital expenditure to capital resource limit

	2012 £000	2011-12 £000
Gross Capital Expenditure	0	275
Less: Net Book Value of assets disposed of	0	(140)
Charge against the Capital Resource Limit	0	135
Capital Resource Limit	0	375
Underspend Against Capital Resource Limit	0	240

6. Operating revenue

	Appropriated in Aid £000	Not Appropriated in Aid £000	2012 £000	2011-12 £000
Fees & charges to external customers	0	0	0	293
Income received from Scottish Parliament	0	0	0	105
Income received from National Assembly for Wales	0	58	58	1,173
Income received from Northern Ireland Assembly	0	0	0	261
Income received from other Departments	0	12	12	955
Total Operating revenue	0	70	70	2,787

All the income above is administration income other than fees and charges £0k (2011-12 286K) and income received from other Departments £12k (2011-12, £166) which are programme income. The income from other departments that is programme income relates to training course for NHS Trusts and Foundation Trusts.

7.1 Property, Plant and Equipment

	Assets under construction & payments on account £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 1 April 2012	0	100	3,689	679	4,468
Additions - purchased	0	0	0	0	0
Transfers to other NHS Bodies	0	0	(547)	(24)	(571)
Disposals	0	(100)	(3,142)	(655)	(3897)
Gross cost at 30 Sept 2012	0	0	0	0	0
Depreciation					
Accumulated depreciation at 1 April 2012	0	100	3,483	674	4,257
Charged during the period	0	0	0	0	0
Transfers to other NHS Bodies	0	0	(341)	(19)	(360)
Disposals	0	(100)	(3,142)	(655)	(3897)
Accumulated depreciation at 30 Sept 2012	0	0	0	0	0
Net book value at 31 March 2012	0	0	206	5	211
Net book value at 30 Sept 2012	0	0	0	0	0

	Assets under construction & payments on account £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	(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 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 on 1st October 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 2012	552	1,327	1,879
Additions - purchased	0	0	0
Transfers	0	0	0
Disposals	(542)	(594)	(1,136)
Transfer to other NHS Bodies	(10)	(733)	(743)
Gross cost at 30 Sept 2012	0	0	0
Amortisation			
Accumulated amortisation at 1 April 2012	549	845	1,394
Charged during the period	0	0	0
Disposals	(542)	(594)	(1,136)
Transfer to other NHS Bodies	(7)	(251)	(258)
Accumulated amortisation at 30 Sept 2012	0	0	0
Net book value at 31 March 2012	3	482	485
Net book value at 30 Sept 2012	0	0	0
	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	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

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 is 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

	2012-13 £000	2011-12 £000
(Loss) on disposal of intangible assets	0	(137)
(Loss) on disposal of property, plant and equipment assets	0	(3)
	0	(140)

8 Trade Receivables

8.1 Amounts falling due within one year

	30th September 2012 £000	31st March 2012 £000
Trade Receivables	565	135
Other receivables	0	89
Prepayments and accrued income	0	13
Trade and other receivables	<u>565</u>	<u>237</u>

9 Cash and Cash equivalents

	As at 1 April 2012 £000	Change in period £000	As at 30 September 2012 £000
GBS cash at bank	4,123	(2,933)	1,190
Commercial cash at bank and in hand	1	(1)	0
Total	<u>4,124</u>	<u>(2,934)</u>	<u>1,190</u>

Comprising:

Held with office of Government Banking Service	1,190
Commercial banks and cash in hand	0
Balance at 30 Sept 2012	<u>1,190</u>

10 Trade Payables and other current liabilities

10.1 Amounts falling due within one year

	30th Sept 2012	31st March 2012
	£000	£000
Trade payables	117	329
Accruals and deferred income	307	2,144
Trade and other payables	424	2,473
Other taxation and social security	0	3
Other Current Liabilities	0	3
Total Trade Payables and other current liabilities	424	2,476

11 Provisions for liabilities and charges

	Legal claims	Other	Total	31 March 2012
	£000	£000	£000	£000
At 1 April 2012	0	0	0	52
Utilised	0	0	0	(52)
At 30 Sept 2012	0	0	0	0

12 Contingent Liabilities

At 30 Sept 2012, there were no known contingent liabilities (2011-12:£0).

13 Capital commitments

At 30 Sept 2012 the value of contracted capital commitments was £0 (2011-12:£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.

	2012	2011-12
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	0	24
Later than one year and not later than five years	0	0
Later than five years	0	0
	<u>0</u>	<u>24</u>
Other Leases		
Not later than one year	0	0
Later than one year and not later than five years	0	0
	<u>0</u>	<u>0</u>

15 Other financial commitments

	2012	2011-12
	£000	£000
Not later than one year	0	3
Later than one year and not later than five years	0	0
	<u>0</u>	<u>3</u>

16. Losses and special payments

There were 2 cases of losses (2011-12: 2 cases) totalling £827 (2011-12: £2,408) approved to the 30th Sept 2012 and no special payments (2011-12: 0 cases) totalling £0 (2011-12: £0)

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 period 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, this includes various NHS bodies and the NHS Commissioning Board.

The following functions transferred in 2011-12 and 2012:

- The National Research Ethics Service transferred to the Health Research Authority on 1 December 2012;
- The National Clinical Assessment Service transferred to NICE on 1 April 2012, and
- The Patient Safety Service transferred to the NHS Commissioning Board Authority on 1 June 2012

The following table sets out the assets and liabilities transferred to those bodies:

	2012-13			2011-12
	NCAS £000	NICE £000	Total £000	NRES £000
Property, plant & equipment	72	139	211	-
Intangible assets	485	-	485	260
Total non-current assets	557	139	696	260
Trade & other receivables	125	-	125	151
Cash	475	565	1,040	46
Total current assets	600	565	1,165	197
Total assets	1,157	704	1,861	457
Current liabilities	(600)	(565)	1,165	(198)
Assets less liabilities	557	139	696	259

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

18. Events after the reporting period

The National Patient Safety Agency was abolished under the Health and Social Care Act 2012 on 1st October 2012.

NPSA's accounts are laid before the Houses of Parliament by the Department of Health. IAS10 requires the disclosure of the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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 receivables at the reporting date was:

	£000
Not past due	0
Past due 0-30 days	0
Past due 31-120 days	565

The NPSA has made no provisions for outstanding debts

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 payables at the reporting date was:

	£000
Not past due	0
Past due 0-30 days	0
Past due 31-120 days	424
More than 121 days	0

Fair values

The National Patient Safety Agency has no significant long term receivables and payables 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 central government bodies	565	0	387	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	0	0	0	0
	565	0	387	0
Balances with bodies external to government	0	0	37	0
At 30 September 2012	565	0	424	0
Balances with 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

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.
- *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.



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