

# **National Patient Safety Agency**

## **Annual Report and Accounts 2010/11**

# **National Patient Safety Agency**

## **Annual Report and Accounts 2010/11**

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 05 July 2011

**© National Patient Safety Agency (2011)**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context

The material must be acknowledged as National Patient Safety Agency copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

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](http://www.official-documents.gov.uk).  
This document is also available from our website at [www.npsa.nhs.uk](http://www.npsa.nhs.uk)

ISBN: 9780102972368

Printed in the UK by The Stationery Office Limited

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

ID: 2432856 07/11 13172 19585

Printed on paper containing 75% recycled fibre content minimum

# Contents

|  |    |
|--|----|
| Introduction .....   | 5  |
| Patient Safety.....  | 7  |
| The National Clinical Assessment Service .....   | 8  |
| The National Research Ethics Service .....   | 10 |
| Management Commentary .....  | 12 |
| Public Interest .....  | 15 |
| Remuneration Report.....   | 17 |
| Statement of Accounting Officer's Responsibilities.....                                | 20 |
| Statement on Internal Control 2010/11.....   | 20 |
| The Certificate of the Comptroller and Auditor General to the House of Parliament. ... | 24 |
| The Accounts for 2010/11.....  | 26 |

# Introduction

2010/11 has been a year of uncertainty and transition for the National Patient Safety Agency (NPSA) following the Government's review of arm's length bodies (ALBs) in July 2010. Its report, *Liberating the NHS: report of the arm's length bodies review*, highlighted the need to drive down administrative costs within the NHS and outlined the Government's intentions to reduce bureaucracy, improve efficiency and streamline the functions of both the Department of Health (DH) and its ALBs.

Whilst the report recognised the importance and value of the NPSA's functions, it considered that the work of the Agency should continue in a different form. Therefore it recommended that the NPSA should be abolished, with its functions continuing in other ways:

- elements of the **Patient Safety** division will be incorporated into the new NHS Commissioning Board;
- the **National Clinical Assessment Service** (NCAS) will become self-funding over the next 2–3 years, but will be hosted by another body in the meantime;
- the **National Research and Ethics Service** (NRES) will become the initial core of the new Health Research Authority.

As a result, the Agency has faced a complex period of change. Our corporate services division in particular has provided essential support for the Agency's dissolution, helping to develop and implement divisional transition plans whilst also facing an uncertain future.

The date of closure was originally to be by April 2012 but this has subsequently been amended to July 2012 as a result of further consultation on the NHS Bill.

## Delivering services and managing change

Despite this period of change and uncertainty, staff have continued to work diligently to meet their business objectives and improve patient safety within the NHS.

Highlights from the Patient Safety division have included the 10 for 2010 programme of work, which has helped to embed a safety culture across healthcare organisations, and the continuation of shared learning from the National Reporting and Learning System (NRLS), through the release of Organisation Patient Safety Incident Reports and the emailed bulletin *Signals*.

Work to improve the depth and breadth of NCAS has also continued, and we have made significant progress this year on plans supporting responsible officers when medical revalidation for doctors is introduced. In addition, the service saw its busiest year to date with over 1,000 referrals.

NRES also had a successful year, including the completion of its programme to streamline the number of Research Ethics Committees. Furthermore, it maintained its drive to become a more efficient service with the introduction of the new Proportionate Review Service.

## Celebrating success

Since the Agency's inception in 2001, the landscape of the NHS has changed dramatically from that of a culture of blame to one of open and honest communication. Throughout this time the NPSA has worked tirelessly to support this change and put patient safety at the heart of the NHS. Some of the more significant achievements include the NRLS which is connected to every NHS organisation in England and Wales, the clean~~your~~**our**hands campaign which has resulted in significant improvements in hand hygiene and the Patient Safety First campaign, which led to the successful implementation of patient safety improvement tools including the Surgical Safety Checklist adapted from the WHO Checklist.

Through the work of NCAS we have increased our support for healthcare professionals with the introduction of offices throughout the UK and the development of specialist support services for pharmacists and dentists. We worked closely with the Department of Health on the development of '*Maintaining high professional standards in the NHS*', and have also developed a number of key products of our own including our 'Good Practice Guide' series, the NCAS toolkit and the Back on Track Directory.

In addition, through NRES we have overseen the development of a more streamlined and efficient research ethics service, with a reduction in Research Ethics Committees from 200 in 2004 to just 80 in 2011, and the maintenance and continued development of the integrated research application system (IRAS) for research approvals. More widely, the division has helped to improve the research environment in the UK with the establishment of the National Research Ethics Advisor' Panel (NREAP).

We would like to thank all the staff at the NPSA for their hard work, professionalism and commitment to the Agency over the years, and especially during 2010/11 in a very difficult and ever changing environment.



Sarndrah Horsfall  
Chief Executive



Sir Liam Donaldson  
Chairman

# Patient Safety

The Patient Safety division has continued to support the NHS in England and Wales during 2010/11, improving safety for patients and supporting commissioners and providers of healthcare to deliver the safest possible care.

## 10 for 2010

A key focus for the division this year has been the 10 for 2010 programme. This built on the work of the Patient Safety First campaign to engage staff in the NHS by concentrating efforts on 10 high-risk patient safety areas. 10 for 2010 has helped to engage clinicians further and embed changes which lead to an improved safety culture across healthcare organisations. The programme reached a high point during the second Patient Safety Week (15 to 21 November 2010).

## National Reporting and Learning System

The National Reporting and Learning System (NRLS) now holds over five million patient safety incidents and we continue to share this data and the resultant learning with the NHS. There are three main channels for sharing learning with the NHS; Rapid Response Reports, Patient Safety Alerts and an electronic bulletin *Signals*. These all share key risks emerging from the review of serious incidents with the NHS. During the year we issued 13 Patient Safety Alerts and Rapid Response Reports covering diverse topics including insulin administration, safer blood transfusion and essential care after an inpatient fall.

We have also improved our engagement with the NHS through the release of two separate Organisation Patient Safety Incident Reports, the publication of additional PEAT (Patient Environment Action Team) data, as well as the release trusts' responses to NPSA alerts from the Central Alerting System (ENGLAND ONLY).

## Matching Michigan

2010/11 marked the second and final year of the Matching Michigan project. The project's aim for this year was to embed its patient safety principles and activity in day-to-day work.

The programme resulted in a reduction of central line infections in intensive care in England from 3.4 per cent (January 2010) to 1.4 per cent (October 2010) [average adult rate] and from 5.8 per cent (May 2010) to 3.2 per cent (October 2010) [paediatric rate].

In addition, around 740 healthcare professionals were trained on measurement and prevention and an independent economic evaluation estimates that the potential cost savings to the NHS are likely to be £10,849,337 per annum.

## Patient Safety First

Patient Safety First was an ambitious venture with relatively modest resources ensuring creative approaches to engaging huge numbers of NHS staff, harnessing tools still new to many parts of the NHS. The campaign regularly engaged nearly 10 thousand frontline staff; it created energy and momentum through a series of focused activities, such as Patient Safety First week. Evidence clearly suggests a shift in board level and clinical engagement. By the end of the campaign 61 per cent of acute trusts had patient safety as their first agenda item; an increase from 18 per cent in 2009. Over 20,000 doctors participated in the mini-campaign and over 26,000 people downloaded the practical 'how-to' guides. A number of Trusts demonstrated sustained improvement in the interventions implemented.

# The National Clinical Assessment Service

2010/11 has seen the National Clinical Assessment Service (NCAS) meeting the requirements of the Department of Health review of Arm's Length Bodies – *Liberating the NHS: Report of the arms-length bodies review*, examining our structure and establishing plans for the transition from functioning as cash limited Arm's Length Body to raising our own income through contracts for its services.

During this time, NCAS also said 'farewell' to two of its senior management team – Deputy Director Dr Rosemary Field and HR Adviser Ian Stone. Both retired during the year and will be much missed, as they led between them a number of crucial aspects of our work, making an enormous difference to the benefits of our services to the professions and organisations we serve, and through them patients and the public across the UK.

## Case management activity

2010/11 has seen NCAS' busiest year ever, with the division seeing a significant rise in requests for help. During the year, NCAS received 960 referrals and 60 general enquiries, bringing total requests for help to a record 1,020 for the year. In addition, 362 support cases were completed within the 12 month period. At the same time all of our business targets for responding to referrals and issuing advice were met.

## Assessment activity

2010/11 has also seen an active programme of assessment work. We continue to handle approximately 100 cases annually where an assessment has been considered. We completed 41 assessment cases this year, with an ongoing reduction in time taken for assessment completion and report production. This year we undertook our first hospital pharmacy assessment. We are also working closely with the service to develop new methods of assessment to support emerging needs such as revalidation.

## Service development

We have taken forward some key complex policy work. We have refreshed and updated our *Back on Track good practice guide*. This describes how NCAS approaches work with practitioners for whom further training is proposed as a way of resolving concerns about their practice or where a return to work is proposed following a break from practice.

A separate good practice guide – *Handling concerns about practitioners' health* has also been produced and is now used across the service. This guide provides background information to help managers and others in healthcare organisations who may have to deal with concerns about a practitioner's health. Both are available to download from [www.ncas.nhs.uk](http://www.ncas.nhs.uk)

In December 2010 NCAS published its *Review of the extension of NCAS to pharmacists*, describing 63 referrals received by NCAS between April 2009 and June 2010 and involving performance concerns about individual pharmacists. Fifty two were working within community pharmacy settings and 11 were in hospital pharmacy.

NCAS has also continued to work on developing the Healthcare Practitioners Alert Notice (HPAN) database with systems ready for roll out by the end of the financial year.

## **Professional governance - support for responsible officers**

NCAS believes that the focus of activity in professional governance should be at the front line of services so far as possible. NCAS has been providing specialist expertise to support local activity so that local governance systems involve national systems only where absolutely necessary.

NCAS has carried forward a review of its services so they can fit with the new world of professional governance as the arrangements for medical revalidation are built and taken forward across health services. NCAS' proposed support services include:

- expert general and specific advice to responsible officers when handling performance concerns;
- a method for a local review of areas of a practitioner's performance to clarify concerns;
- remediation support ranging from general advice to bespoke local structured programmes;
- education programmes for responsible officers and senior clinicians on tackling performance concerns locally.

## **Education services**

We have maintained our relationships with key stakeholders and delivered 28 external education events in Trusts or at NCAS offices throughout the UK; 42 awareness raising events and our annual conference, was attended by over 600 delegates.

We have also realised some work we have wanted to complete for some time – two studies aimed at an objective review of our stakeholders views and the value they place on services to deal with concerns about professional practice. Those studies were undertaken respectively by the Central Office for Information, and by a consortium of the Office of Health Economics and the Health Economics Research Unit. As we move towards our new role, these studies will be central to informing our work.

# 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;
- promoting and supporting transparency in research;
- 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 decisions. One of our key successes has been completing the programme of REC mergers and closures which, as a result of efficiency improvements, has reduced the number of RECs in England to 80.

We have also moved forward with planned developments such as the proportionate review service. Following a successful pilot, we introduced this new service to review low-risk studies, such as simple questionnaire studies, through subcommittee rather than full committee. Benefits include a faster process for applicants and efficient use of reviewers' time. The service also ensures that full committees can focus on reviewing more complex studies and studies with clinical intervention.

## Extranet

In March 2011, the newly-expanded staff and members' extranet area went 'live'. This resource has been developed to enhance staff and members' online presence and to provide a central repository for documents and information. The extranet is intended to provide staff and members with quick and easy access to up-to-date core business information. This tool will be invaluable for enhancing consistency of communication and practice, improving efficiency and increasing flexibility for staff and members. The extranet features a section called *Staying Informed* which is designed to alert members and staff to a range of pertinent news items and papers published in the biomedical literature. The introduction of a discussion forum exclusive to committee members is the final area of the extranet to be developed. This will increase interaction between committee members by providing a platform to pose questions, share comments and exchange information and references between each other. It is hoped that the forum will generate interesting and diverse ethical debates, and prove to be a valuable asset for members.

## Training

NRES remains committed to its training programme. The review of research must command the respect of the public, patients and researchers if it is to be effective. That respect will rest on consistent and appropriate process and the skills of the members. Training is therefore central and crucial. A new initiative is to develop training material to enable those who attend meetings to take the information back to their RECs. In this way we hope that all REC members can share the learning. NRES will also shortly have a 'Research Ethics' CD

that will be available to members and which it is hoped will link into another initiative to foster local, committee-based, training. Similarly, 'topic based' training and chairs' training continues, but while repeating the programme with relevant modifications and providing many similar training days, NRES continues to innovate.

## **Shared Ethical Debate**

NRES has continued to develop the Shared Ethical Debate (ShED) exercise, with the support of Quality Assurance. A single application is reviewed by a number of RECs with the purpose of reviewing consistency in decision-making and issues raised. The findings are collated and this has proved to be an effective way to share views and experience and also to develop consistent review that matches current guidance. This year NRES has run successful ShEDs on prison research, phase 1 research and qualitative research.

## **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. We have also maintained and developed our support and training programme, which provides advice, guidance and training on improving standards of ethical review.

## **Improving efficiency**

NRES continues to provide the Integrated Research Application System (IRAS), the single, online system for applying for permissions and approvals of research in the UK. It has been widely acknowledged that this system has made a significant contribution to reducing the bureaucracy associated with research regulation and governance. Developments this year include the provision to upload documents through IRAS to facilitate full electronic submission.

## **Acknowledging success**

In January 2011, the Academy of Medical Sciences (AMS) published its review of research regulation. The report welcomed the progress that had been made by NRES and urged that the momentum for further improvement should not be lost. The achievements of the service are to the credit of the staff and volunteer members, and the endorsement from the AMS is a welcome acknowledgement of the contributions of all within the service.

## **Announcement of the new research regulator**

In the Budget on 23 March 2011, the Chancellor announced the publication of the Government's *Plan for Growth*.

The Healthcare and Life Sciences section of the *Plan for Growth* highlights that health research has a key role in the national economy, as well as in improving health and care. The Plan refers to the complexity of health research regulation and governance and references the Academy of Medical Sciences (AMS) report which found that: "UK health research activities are being seriously undermined by an overly complex regulatory and governance environment".

As a first step, this year the Government will establish a Special Health Authority with the NRES as its core. The new agency will work closely with the Medicines and Healthcare products Regulatory Agency to create a unified approval process and promote proportionate standards for compliance and inspection within a consistent national system of research governance.

# 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 before 1 April 2012. This has subsequently been deferred by three months as a result of further consultation on the NHS Bill. Over the course of the next year, some of the organisation's Patient safety functions will become part of the newly established NHS Commissioning Board. Our National Clinical Assessment Service and National Research Ethics Service will continue to deliver and develop existing services but will be transferred to other places in the wider health system. Once all these changes have taken place, the Agency will be abolished.

## 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 2010/11 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 £33.276m. Its capital allocation was £2.213m. The vast majority of our income comes from DH by way of a resource limit, with the remainder from the devolved administrations of Wales, Northern Ireland, Scotland 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 £2.783m and the capital allocation by £2.195m, due to operations being revised to take account of the decision to close the Agency by the end of 2011/12.

The Agency's revenue expenditure totalled £30.545m however £52k of this related to the creation of new provisions and this element does not score against the Resource Limit. Capital expenditure was £0.018m

The underspend was a result of a review of activities following the announcements in the Arm's Length Bodies Review coupled with the effect of controls introduced by Government on all spending by Public Bodies which restricted new spend on consultancy, communications and staff recruitment.

## **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 2010/11, the Agency has refocused its risk assessments to include 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 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**

The NPSA's primary stakeholders are patients who receive NHS care, NHS staff and organisations, and research participants and we work with these groups in developing our plans, products and services.

We have a Management Statement in place with the DH 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, Scotland, the Channel Islands, the Isle of Man, the Defence Medical Services and the independent sector throughout the UK.

The three 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.

## **Corporate citizenship**

Throughout 2010/11, the NPSA has continued to implement a sustainability strategy and action plan which incorporates the social aspects of corporate citizenship. The plan addresses a number of areas of importance including climate change and energy, sustainable resourcing, ethical issues, employee and community engagement, and business relationships.

Key developments in 2010/11 have been the introduction of a staff 'green' day, improved recycling arrangements and increased staff communications about corporate citizenship activities. Over the course of the year we have improved our performance against a number of resource consumption and output metrics.

## **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 two-year 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 will continue to monitor progress against the Equality Action Plan, taking into consideration any new developments and changes in legislation.

During 2010/11 an e-learning programme in equality and diversity was launched for all staff, building on the major programme implemented during 2009/10.

*'We value the differences that exist among people and we have a strong culture of involvement in the development of our vision: To be inclusive to all people - regardless of their background. This vision applies to our staff and the organisations and individuals we provide a service to.'*

NPSA Equality Scheme

## **Sickness absence data**

Sickness absence rates for the NPSA for the year 1 January 2010 to 31 December 2010 was 1.8 per cent. During 2010/11, the Agency has focused on the implementation of the Sickness and Absence Policy, continuing to work in partnership with Occupational Health. A confidential counselling service was implemented in 2010/11 to provide additional support to staff.

## **Freedom of Information**

The NPSA complies with the Freedom of Information Act.

## **Personal data related incidents**

During 2010/11 there were no personal data related incidents that required reporting to the Information Commissioner. The only personal data related incidents in the year 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).

## Staff survey

An annual survey of staff is conducted in line with the national NHS Staff Survey framework so as to gain a full understanding of the experience of staff working within 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.

## 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 £45,500. The audit certificate can be found on page 24.

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 three non-executive directors: Mr Robin Pritchard, Chairman of the committee, Ms Gill Edelman (left on 10/11/2010) 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.

## 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.

| <b>Salaries and allowances</b>  |                                 |                           |                                 |                           |
|---|---------------------------------|---------------------------|---------------------------------|---------------------------|
| <b>Name and title</b>   | <b>2010-11</b>                  |                           | <b>2009-10</b>                  |                           |
|   | <b>Salary (bands of £5,000)</b> | <b>Other Remuneration</b> | <b>Salary (bands of £5,000)</b> | <b>Other Remuneration</b> |
|   | <b>£000</b>                     | <b>£000</b>               | <b>£000</b>                     | <b>£000</b>               |
| <b>Non-Executive Directors</b>  |                                 |                           |                                 |                           |
| Lord N Patel Chairman (left 30 June 2010)   | 15-20                           | 0                         | 60-65                           | 0                         |
| Sir Liam Donaldson (start date 1 July 2010)   | 25-30                           | 0                         | 0                               | 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)  | 0-5                             | 0                         | 5-10                            | 0                         |
| L Patterson Non-Executive Director  | 5-10                            | 0                         | 5-10                            | 0                         |
| G Gardiner Non-Executive Director   | 5-10                            | 0                         | 5-10                            | 0                         |
| <b>Directors</b>  |                                 |                           |                                 |                           |
| Sarndrah Horsfall Chief Executive ( <i>Chief Operating Officer until 18<sup>th</sup> December 2009</i> )                                  | 135-140                         | 0                         | 115-120                         | 0                         |
| Kevin Cleary Medical Director (left 2 September 2010)   | 45-50                           | 0                         | 85-90                           | 0                         |
| Alastair Scotland Director, National Clinical Assessment Service (*) (Retiring 31 August 2011)  | 145-150                         | 55-60                     | 145-150                         | 55-60                     |
| Dave Bell Director of Finance   | 110-115                         | 0                         | 110-115                         | 0                         |
| Janet Wisely National Research Ethics Service Director  | 90-95                           | 0                         | 90-95                           | 0                         |
| Suzette Woodward Director of Patient Safety Strategy and Nursing Lead for Patient Safety  | 95-100                          | 0                         | 95-100                          | 0                         |
| (*) 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

| <b>Pension Benefits</b>  |   |  |   |   |
|--|---|--|---|---|
| <b>Name and title</b>  | <b>Real increase in pension at age 60 (bands of £2,500)</b> | <b>Lump sum at aged 60 related to real increase in pension (bands of £2,500)</b> | <b>Total accrued pension at age 60 at 31 March 2011 (bands of £5,000)</b> | <b>Lump sum at age 60 related to accrued pension at 31 March 2011 (bands of £5,000)</b> |
|  | <b>£000</b>   | <b>£000</b>  | <b>£000</b>   | <b>£000</b>   |
| Samdrah Horsfall Chief Executive   | (A)   | (A)  | (A)   | (A)   |
| Kevin Cleary Medical Director (left 2 September 2010)                                      | -12.5-15.0  | -10.0-12.5   | 25-30   | 75-80   |
| Alastair Scotland Director, National Clinical Assessment Service (Retiring 31 August 2011) | 10.0-12.5   | 7.5-10.0   | 100-105   | 300-305   |
| Dave Bell Director of Finance  | 5.0-7.5   | 2.5-5.0  | 45-50   | 135-140   |
| Janet Wisely National Research Ethics Service Director                                     | 2.5-5.0   | 2.5-5.0  | 15-20   | 55-60   |
| Suzette Woodward Director of Patient Safety Strategy and Nursing Lead for Patient Safety   | 2.5-5.0   | 2.5-5.0  | 35-40   | 105-110   |

| <b>Pension Benefits (continued)</b>  |  |  |  |   |
|--|--|--|--|---|
| <b>Name and title</b>  | <b>Cash Equivalent Transfer Value at 31 March 2011</b> | <b>Cash Equivalent Transfer Value at 31 March 2010</b> | <b>Real increase in Cash Equivalent Transfer Value</b> | <b>Employer's contribution to stakeholder pension</b> |
|  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>   |
| Samdrah Horsfall Chief Executive   | (A)  | (A)  | (A)  | (A)   |
| Kevin Cleary Medical Director (left 2 September 2010)  | 416  | 626  | -90  | 0   |
| Alastair Scotland Director, National Clinical Assessment Service (Retiring 31 August 2011)   | 2,364  | 2,434  | -71  | 0   |
| Dave Bell Director of Finance  | 834  | 885  | -51  | 0   |
| Janet Wisely National Research Ethics Service Director   | 260  | 281  | -21  | 0   |
| Suzette Woodward Director of Patient Safety Strategy and Nursing Lead for Patient Safety   | 626  | 677  | -51  | 0   |
| (A) Not in Pension Scheme  |  |  |  |   |
| 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. The new CETV factors have been used in our calculations and are lower than the previous factors we used. You will therefore find that the value of the CETVs for members has fallen since 31 March 2010.



**Sarndrah Horsfall**

Chief Executive

Date: 8<sup>th</sup> June 2011

# 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.

## Statement on Internal Control 2010/11

### 1. Scope of responsibility

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 2011.

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.

## **2. The purpose of the system of internal control**

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

- Identify and prioritise the risks to achieving the Agency's policies, aims and objectives
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the National Patient Safety Agency for the year ended March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance

## **3. Capacity to handle risk**

The Director of Finance and Facilities 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 Associate Director, Corporate Services.

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. This has involved establishing a Disaggregation Group with representation from each part of the Agency, devoting one meeting per month of the Senior Management group to disaggregation and dissolution issues and compiling and maintaining a Transition risk register. A transition work plan has been drawn up for each Division, including Corporate Services and the original Business Plan reviewed and recast to accommodate transition issues.

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

The Audit Committee has the role of overseeing the Governance process and has reviewed the overall Corporate Assurance Framework and the Transition Assurance Framework 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.

The Head of Internal Audit reviewed the Corporate Assurance Framework during the year and commented that it provided reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the Agency.

## 4. 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, which comprises three Non Executive Directors (with one vacancy for part of the year), 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. The key elements of the risk management strategy are:

- As an integral part of the annual planning process, and throughout the year, the NPSA identifies and evaluates financial and non-financial risk that may threaten the achievement of its strategic objectives, and any gaps in the mechanisms for control and assurance of those risks.
- The management and development of the Corporate Assurance Framework and the Transition Assurance Framework which is monitored and regularly updated.
- The management and development of departmental risk registers which are monitored by Directors.
- The integration of risk management into the overall NPSA planning and performance management activities.
- The development of staff to fulfil their specific responsibilities in a manner which minimises risk.
- The regular review of risk management policy, which includes the processes of identifying risks, maintaining progress and monitoring the assurance framework, departmental risk registers and plans.
- Communication of its risk management policy and strategy to staff, including its publication on the NPSA's intranet site.

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 as mentioned above 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. This group has met on a monthly basis throughout 2010/11. All of the Agency's Divisions are represented on this group. A full suite of policies and procedures are now in place including incident reporting processes and all staff have undertaken Information Security training.

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 and approved by the Board.

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.

## 5. Review of effectiveness

As Accounting Officer, I have responsibility, for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of 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 is one of significant 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, as mentioned above, completely reviewed its Business Plan for 2010/11 in the light of the announcement that it would be abolished and reset activities in order that only those relating to ongoing and enduring processes were continued together with the activities in required relation to the transfer of functions to new hosts and the ultimate 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 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. However, there are still issues to be resolved regarding the future hosting arrangements for NCAS which may expose the Agency to service delivery risks.

I am not aware of any significant internal control issues.

## **6. 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.



**Sarndrah Horsfall**

Chief Executive

Date: 8<sup>th</sup> June 2011

# **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 2011 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.

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

## **Opinion on Regularity**

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

## **Opinion on 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 2011 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. This is subject to legislation and there is therefore uncertainty over the National Patient Safety Agency's ability to continue to operate in its current form and with its current functions.

## **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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Date 27 June 2011*

# The Accounts for 2010/11

## Account of National Patient Safety Agency 2010-11

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

|                               | Notes | 2010-11       | Restated<br>2009-10 |
|-------------------------------|-------|---------------|---------------------|
|                               |       | £000          | £000                |
| <b>Expenditure</b>            |       |               |                     |
| Staff Costs                   | 3     | 22,145        | 19,686              |
| Depreciation and amortisation | 4.2   | 2,217         | 1,042               |
| Other Expenditure             | 4.2   | 11,453        | 18,036              |
|                               |       | <u>35,815</u> | <u>38,764</u>       |
| <b>Income</b>                 |       |               |                     |
| Income from Activities        | 6     | 5,270         | 5,737               |
|                               |       | <u>5,270</u>  | <u>5,737</u>        |
| <b>Net Expenditure</b>        |       | <u>30,545</u> | <u>33,027</u>       |
| <b>Net Resource outturn</b>   |       | <u>30,545</u> | <u>33,027</u>       |

The notes on pages 30 to 48 form part of these accounts.

Under the Financial Reporting Manual for 2010-11, the cost of capital calculation has been removed, (2009-10: £127,000) therefore the 2009-10 accounts have been restated to reflect this change.

## Statement of Financial Position as at 31 March 2011

|  | Notes | 31<br>March<br>2011<br>£000 | 31<br>March<br>2010<br>£000 |
|--|-------|-----------------------------|-----------------------------|
| <b>Non Current Assets</b>                              |       |                             |                             |
| Property, Plant & Equipment                            | 7.1   | 1,133                       | 3,095                       |
| Intangible Assets                                      | 7.2   | <u>905</u>                  | <u>1,142</u>                |
| <b>Total non-current assets</b>                        |       | <u>2,038</u>                | <u>4,237</u>                |
| <b>Current assets</b>                                  |       |                             |                             |
| Trade and other receivables                            | 8.1   | 1,679                       | 3,452                       |
| Cash and cash equivalents                              | 9     | <u>7,946</u>                | <u>375</u>                  |
| <b>Total current assets</b>                            |       | <u>9,625</u>                | <u>3,827</u>                |
| <b>Total Assets</b>                                    |       | <u>11,663</u>               | <u>8,064</u>                |
| <b>Current Liabilities</b>                             |       |                             |                             |
| Trade and other payables                               | 10.1  | 6,152                       | 3,918                       |
| Provisions for liabilities and charges                 | 11    | 52                          | 0                           |
| Other liabilities                                      | 10.1  | <u>7</u>                    | <u>0</u>                    |
| <b>Total current liabilities</b>                       |       | <u>6,211</u>                | <u>3,918</u>                |
| <b>Non-current assets less net current liabilities</b> |       | <u>5,452</u>                | <u>4,146</u>                |
| <b>Assets less liabilities</b>                         |       | <u>5,452</u>                | <u>4,146</u>                |
| <b>Taxpayers' Equity</b>                               |       |                             |                             |
| General Fund   |       | 5,433                       | 4,108                       |
| Revaluation Reserve                                    |       | 19                          | 38                          |
| <b>Total Taxpayers' Equity</b>                         |       | <u>5,452</u>                | <u>4,146</u>                |

The financial statements on pages 26 to 29 were signed on behalf of the National Patient Safety Agency by:



**Sarndrah Horsfall**  
Chief Executive:

Date: 8th June 2011

## Statement of Cash Flows for the year ended 31 March 2011

|  | Notes | 2010-11<br>£000 | Restated<br>2009-10<br>£000 |
|--|-------|-----------------|-----------------------------|
| <b>Cash flows from operating activities</b>  |       |                 |                             |
| Net Surplus after interest   |       | (30,545)        | (33,027)                    |
| Adjustments for amortisation and depreciation charge                                   |       | 2,217           | 1,042                       |
| (Increase)/Decrease in trade and other receivables                                     |       | 1,772           | 1,402                       |
| Increase/(Decrease) in trade payables  |       | 2,241           | (1,040)                     |
| Increase in provisions   |       | 52              | 0                           |
| Less: trade payables not passing through Statement of<br>Comprehensive Net Expenditure |       | 66              | 156                         |
| Add: write off of non current assets   |       | 222             | 166                         |
| <b>Net cash (outflow) from operating activities</b>                                    |       | <u>(23,975)</u> | <u>(31,301)</u>             |
| <b>Cash flows from investing activities</b>  |       |                 |                             |
| Purchase of plant, property and equipment  |       | (148)           | (1,271)                     |
| Purchase of intangible assets  |       | (157)           | (760)                       |
| <b>Net cash inflow/(outflow) from investing activities</b>                             |       | <u>(305)</u>    | <u>(2,031)</u>              |
| <b>Cash flows from financing activities</b>  |       |                 |                             |
| Net Parliamentary funding  |       | 31,851          | 33,700                      |
| <b>Net financing</b>   |       | <u>31,851</u>   | <u>33,700</u>               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                            |       | 7,571           | 368                         |
| <b>Cash and cash equivalents at 31 March 2010</b>                                      |       | 375             | 7                           |
| <b>Cash and cash equivalents at 31 March 2011</b>                                      | 9     | <u>7,946</u>    | <u>375</u>                  |

*The notes at pages 30 to 48 form part of these accounts.*

Under the Financial Reporting Manual for 2010-11, the cost of capital calculation has been removed, (2009-10: £127,000) therefore the 2009-10 accounts have been restated to reflect this change.

**Statement of Changes in Taxpayers' Equity**  
**For the year ended 31 March 2011**

|  | <b>General<br/>Fund<br/>£000</b> | <b>Revaluation<br/>Reserve<br/>£000</b> | <b>Total<br/>Reserves<br/>£000</b> |
|--|----------------------------------|---|------------------------------------|
| <b>Balance at 1 April 2009</b>                             | 3,416                            | 57                                      | 3,473                              |
| <b>Changes in reserves 2009/10</b>                         |                                  |   |                                    |
| Transfers of realised elements of revaluation reserve      | 19                               | (19)                                    | 0                                  |
| Retained deficit   | (33,027)                         | 0                                       | (33,027)                           |
| <b>Total recognised income and expenditure for 2009-10</b> | <u>(33,008)</u>                  | <u>(19)</u>                             | <u>(33,027)</u>                    |
| <b>Parliamentary Funding from Department of Health</b>     | 33,700                           | 0                                       | 33,700                             |
| <b>Balance as at 31 March 2010</b>                         | <u>4,108</u>                     | <u>38</u>                               | <u>4,146</u>                       |
|  |                                  |   |                                    |
|  | <b>General<br/>Fund<br/>£000</b> | <b>Revaluation<br/>Reserve<br/>£000</b> | <b>Total<br/>Reserves<br/>£000</b> |
| <b>Balance at 1 April 2010</b>                             | 4,108                            | 38                                      | 4,146                              |
| <b>Changes in reserves 2010/11</b>                         |                                  |   |                                    |
| Transfers of realised elements of revaluation reserve      | 19                               | (19)                                    | 0                                  |
| Retained deficit   | (30,545)                         | 0                                       | (30,545)                           |
| <b>Total recognised income and expenditure for 2010-11</b> | <u>(30,526)</u>                  | <u>(19)</u>                             | <u>(30,545)</u>                    |
| <b>Parliamentary Funding from Department of Health</b>     | 31,851                           | 0                                       | 31,851                             |
| <b>Balance as at 31 March 2011</b>                         | <u>5,433</u>                     | <u>19</u>                               | <u>5,452</u>                       |

Under the Financial Reporting Manual for 2010-11, the cost of capital calculation has been removed, therefore the 2009-10 accounts have been restated to reflect this change

# Account of National Patient Safety Agency 2010-11

## Notes to the Accounts

### 1. Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FRoM) issued by HM Treasury. From the current year, the accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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. The financial statements have been prepared on a going concern basis.

In July 2010, the Government announced its intention to close the Agency and to transfer its functions. The closure is dependent on the passage of legislation and therefore whether the Agency will close, and any resulting timetable for closure has yet to be decided. After the closure it is proposed that the National Patient Safety Agency's functions will continue.

At the point of closure it is proposed that the Agency, in its current legal form, will be abolished. As abolition arrangements have yet to be confirmed there is an uncertainty that casts doubt upon the Agency's continuing to operate in its current form and with its current functions.

Having considered the circumstances described above, and from discussion with the Department for Health, management's expectation is that the Agency will continue to operate in its current form for at least the next 12 months. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

#### 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 Capital Charges

In line with the Government Financial Reporting Manual 2010-11 (FReM), the notional cost of capital charge is not included for the year ended 31 March 2011. Per HM Treasury's guidance, this is considered to be a change that is material by nature and, in line with International Accounting Standard 1 (IAS1), this requires retrospective restatement of prior year comparative figures. As the notional cost was reversed directly through the Statement of Comprehensive Net Expenditure and had no impact on the reserves, only this primary statement and relevant related notes have been restated

## 1.5 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.

## 1.6 Inventories

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

## 1.7 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.

## 1.8 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.

## 1.9 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.

## 1.10 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the 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.

## 1.11 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.

## 1.12 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.

## 1.13 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.

## 1.14 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 (£1,560k, 2009-10: £1,705k) and Northern Ireland (£296k, 2009-10: £385k) 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.

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

|                    | <b>National Reporting Learning Service (*)</b> | <b>National Clinical Assessment Service</b> | <b>National Research Ethics Service</b> | <b>Corporate (**)</b>                | <b>Total</b>                         |
|--------------------|--|---|---|--------------------------------------|--------------------------------------|
|                    | <b>Restated<br/>2009-10<br/>£000</b>           | <b>Restated<br/>2009-10<br/>£000</b>        | <b>Restated<br/>2009-10<br/>£000</b>    | <b>Restated<br/>2009-10<br/>£000</b> | <b>Restated<br/>2009-10<br/>£000</b> |
| Gross Expenditure  | 14,351   | 10,198                                      | 4,139                                   | 10,076                               | 38,764                               |
| Income             | (1,273)  | (2,095)                                     | (227)                                   | (52)                                 | (3,647)                              |
| Net Expenditure    | <b>13,078</b>                                  | <b>8,103</b>                                | <b>3,912</b>                            | <b>10,024</b>                        | <b>35,117</b>                        |
| Segment net assets | <b>0</b>                                       | <b>0</b>                                    | <b>0</b>                                | <b>0</b>                             | <b>4,146</b>                         |

(\*) The costs of the 3 Confidential Enquiry contracts are included within the costs reported under NRLS.

(\*\*) 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 does not report by Division the costs of depreciation, amortisation and reserves, the full costs of these are included within 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 2009/10 costs have been restated to include a cost centre that was transferred from the corporate division in 2010/11 to the National Clinical Assessment Service division.

The costs associated with the transfer of the cost centre is £403k

Under the FReM for 2010-11, the cost of capital calculation has been removed (2009-10:£127,000), therefore the 2009-10 gross expenditure figure for Corporate has been restated to reflect the removal of the capital charges.

### 3. Staff numbers and related costs

#### Executive members and staff costs:

|                                 | <b>Total</b>   | <b>Permanently</b> | <b>Other</b> | <b>Total</b>  | <b>Permanently</b> | <b>Other</b> |
|---------------------------------|----------------|--------------------|--------------|---------------|--------------------|--------------|
|                                 | <b>2010-11</b> | <b>employed</b>    |              | <b>2009-</b>  | <b>employed</b>    |              |
|                                 | <b>£000</b>    | <b>£000</b>        | <b>£000</b>  | <b>10</b>     | <b>£000</b>        | <b>£000</b>  |
|                                 |                |                    |              | <b>£000</b>   |                    |              |
| Salaries and wages              | 15,197         | 12,583             | 2,614        | 16,813        | 12,233             | 4,580        |
| Social security costs           | 1,035          | 1,035              | 0            | 1,143         | 1,143              | 0            |
| Employer contributions to NHSPA | 1,558          | 1,558              | 0            | 1,558         | 1,558              | 0            |
| Redundancies/notice             | 4,355          | 4,355              | 0            | 172           | 172                | 0            |
| <b>Total</b>                    | <b>22,145</b>  | <b>19,531</b>      | <b>2,614</b> | <b>19,686</b> | <b>15,106</b>      | <b>4,580</b> |

The average number of persons employed during the year was :

|              | <b>Total</b>  | <b>2010-11</b>     | <b>Other</b>  | <b>Total</b>  | <b>2009-10</b>     | <b>Other</b>  |
|--------------|---------------|--------------------|---------------|---------------|--------------------|---------------|
|              | <b>Number</b> | <b>Permanently</b> | <b>Number</b> | <b>Number</b> | <b>Permanently</b> | <b>Number</b> |
|              |               | <b>employed</b>    |               |               | <b>employed</b>    |               |
|              |               | <b>Number</b>      |               |               | <b>Number</b>      |               |
| <b>Total</b> | <b>300</b>    | <b>256</b>         | <b>44</b>     | <b>344</b>    | <b>264</b>         | <b>80</b>     |

#### 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 2011 totalled £17,178 (2009-10 :£46,734)

## 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 were no retirements during 2010-11 (2009-10: £85,888.02).

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  | 34 (...)                          | 157 (...)  |
| £20,001 - £40,000   | 11                                | 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 | 63 (4)                            | 2,583 (172)                                      |

Where number of redundancies are less than five this is shown as "...". Figures in brackets relate to 2009/10.

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.

## 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](http://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. 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 2008-09 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       | 2010-11<br>£000      | 2009-10<br>£000      |
|---|------------|----------------------|----------------------|
| Non-executive members' remuneration       |            | 104                  | 123                  |
| Other salaries and wages                  | 3          | 17,790               | 19,514               |
| Redundancies and notice worked in 2011/12 |            | 4,355                | 172                  |
| Total Staff Costs                         |            | <u>22,249</u>        | <u>19,809</u>        |
| Rentals under operating leases            |            | 1,138                | 1,102                |
| Supplies and Services - general           |            | 148                  | 128                  |
| Establishment expenses                    |            | 2,551                | 5,173                |
| Transport and moveable plant              |            | 32                   | 42                   |
| Premises and fixed plant                  |            | 2,310                | 3,107                |
| External contractors (*)                  |            | 4,670                | 7,916                |
| Capital: Depreciation                     | 1,607      |                      | 662                  |
| Amortisation                              | 610        |                      | 380                  |
| Loss on disposal of non current assets    | 7.3        | <u>222</u>           | <u>166</u>           |
|   |            | 2,439                | 1,208                |
| Auditors' remuneration: (**)              | Audit fees | 46                   | 46                   |
| Miscellaneous                             |            | 232                  | 233                  |
| <b>Total programme costs</b>              |            | <u><b>35,815</b></u> | <u><b>38,764</b></u> |

(\*) This includes payments of £2,901k for the three Confidential Enquiries from 01/04/2010 (2009-10: £3,180k)

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.

### 4.3 Better Payment Practice Code - measure of compliance

|   | 2010-11<br>Number | 2009-10<br>Number | 2010-11<br>£000 | 2009-10<br>£000 |
|---|-------------------|-------------------|-----------------|-----------------|
| Total Non-NHS trade invoices paid in the year           | 9,070             | 12,528            | 15,675          | 22,639          |
| Total Non-NHS trade invoices paid within target         | 8,542             | 11,050            | 14,310          | 20,066          |
| Percentage of Non-NHS trade invoices paid within target | 94.2%             | 88.2%             | 91.3%           | 88.6%           |
| <br>  |                   |                   |                 |                 |
| Total NHS trade invoices in the year                    | 406               | 423               | 1,694           | 1,791           |
| Total NHS trade invoices paid within target             | 361               | 338               | 1,536           | 1,446           |
| Percentage of NHS trade invoices paid within target     | 88.9%             | 79.9%             | 90.7%           | 80.7%           |

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

There were no interest payments from claims from small business under this legislation in 2010/11 or 2009/10

### 5.1 Reconciliation of net operating cost to net resource outturn

|  | 2010-11<br>£000 | 2009-10<br>£000 |
|--|-----------------|-----------------|
| Net operating costs for the financial year       | 30,545          | 33,027          |
| Less provisions                                  | (52)            | 0               |
| Charge Against Revenue Resource Limit            | 30,493          | 33,027          |
| Revenue Resource Limit                           | 33,276          | 33,234          |
| <b>Underspend against Revenue Resource Limit</b> | <b>2,783</b>    | <b>207</b>      |

### 5.2 Reconciliation of gross capital expenditure to capital resource limit

|  | 2010-11<br>£000 | 2009-10<br>£000 |
|--|-----------------|-----------------|
| Gross Capital Expenditure                        | 240             | 1,876           |
| Less: Net Book Value of assets disposed of       | (222)           | (166)           |
| <b>Charge against the Capital Resource Limit</b> | <b>18</b>       | <b>1,710</b>    |
| Capital Resource Limit                           | 2,213           | 1,876           |
| <b>Underspend Against Capital Resource Limit</b> | <b>2,195</b>    | <b>166</b>      |

## 6. Operating revenue

|   | Appropriated<br>in Aid<br>£000 | Not<br>Appropriated<br>in Aid<br>£000 | 2010-11<br>£000 | 2009-10<br>£000 |
|---|--------------------------------|---------------------------------------|-----------------|-----------------|
| Fees & charges to external customers                | 351                            | 0                                     | 351             | 848             |
| Income received from Scottish Parliament            | 0                              | 961                                   | 961             | 948             |
| Income received from National Assembly for<br>Wales | 0                              | 1,689                                 | 1,689           | 1,771           |
| Income received from Northern Ireland Assembly      | 0                              | 334                                   | 334             | 423             |
| Income received from other Departments              | 0                              | 1,935                                 | 1,935           | 1,747           |
| <b>Total Operating revenue</b>                      | <b>351</b>                     | <b>4,919</b>                          | <b>5,270</b>    | <b>5,737</b>    |

£4,907k (2009-10: £5,680k) of the total operating income for the Agency is funding that was received for the provision of specific services rather than under income generation powers. This income therefore is equal to the expenditure incurred directly on the service including appropriate overheads.

## 7.1 Property, Plant and Equipment

|  | Assets<br>under<br>construction<br>& payments<br>on account<br>£000 | Plant &<br>machinery<br>£000 | Information<br>technology<br>£000 | Furniture<br>& fittings<br>£000 | Total<br>£000 |
|--|---|------------------------------|-----------------------------------|---------------------------------|---------------|
| Cost or Valuation at 1 April 2010                | 544   | 76                           | 4,292                             | 679                             | 5,591         |
| Additions - purchased                            | 40  | 34                           | 28                                | 0                               | 102           |
| Transfers  | (281)   | 0                            | 35                                | 0                               | (246)         |
| Disposals  | (8)   | (10)                         | (824)                             | 0                               | (842)         |
| <b>Gross cost at 31 March 2011</b>               | <b>295</b>  | <b>100</b>                   | <b>3,531</b>                      | <b>679</b>                      | <b>4,605</b>  |
| <b>Depreciation</b>                              |   |                              |                                   |                                 |               |
| 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)         |
| <b>Accumulated depreciation at 31 March 2011</b> | <b>0</b>  | <b>52</b>                    | <b>2,821</b>                      | <b>599</b>                      | <b>3,472</b>  |
| Net book value at 31 March 2010                  | 544   | 46                           | 2,341                             | 164                             | 3,095         |
| <b>Net book value at 31 March 2011</b>           | <b>295</b>  | <b>48</b>                    | <b>710</b>                        | <b>80</b>                       | <b>1,133</b>  |

|  | Assets<br>under<br>construction<br>& payments<br>on account<br>£000 | Plant &<br>machinery<br>£000 | Information<br>technology<br>£000 | Furniture<br>& fittings<br>£000 | Total<br>£000 |
|--|---|------------------------------|-----------------------------------|---------------------------------|---------------|
| Cost or Valuation at 1 April 2009                | 862   | 50                           | 3,105                             | 679                             | 4,696         |
| Additions - purchased                            | 915   | 26                           | 620                               | 0                               | 1,561         |
| Transfers  | (1,233)   | 0                            | 865                               | 0                               | (368)         |
| Disposals  | 0   | 0                            | (298)                             | 0                               | (298)         |
| <b>Gross cost at 31 March 2010</b>               | <b>544</b>  | <b>76</b>                    | <b>4,292</b>                      | <b>679</b>                      | <b>5,591</b>  |
| <b>Depreciation</b>                              |   |                              |                                   |                                 |               |
| Accumulated depreciation at 1 April 2009         | 0   | 19                           | 1,605                             | 437                             | 2,061         |
| Charged during the year                          | 0   | 11                           | 573                               | 78                              | 662           |
| Disposals  | 0   | 0                            | (227)                             | 0                               | (227)         |
| <b>Accumulated depreciation at 31 March 2010</b> | <b>0</b>  | <b>30</b>                    | <b>1,951</b>                      | <b>515</b>                      | <b>2,496</b>  |
| Net book value at 31 March 2009                  | 862   | 31                           | 1,500                             | 242                             | 2,635         |
| <b>Net book value at 31 March 2010</b>           | <b>544</b>  | <b>46</b>                    | <b>2,341</b>                      | <b>164</b>                      | <b>3,095</b>  |

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 (2009-10 £0)

## 7.2 Intangible assets

|  | Software<br>licences<br>£000          | Information<br>Technology<br>£000          | Total<br>£000         |
|--|---------------------------------------|--|-----------------------|
| Gross cost at 1 April 2010                       | 613                                   | 1,732                                      | 2,345                 |
| Additions - purchased                            | 22                                    | 116  | 138                   |
| Transfers  | 0                                     | 246  | 246                   |
| Disposals  | 0                                     | (20)                                       | (20)                  |
| <b>Gross cost at 31 March 2011</b>               | <b>635</b>                            | <b>2,074</b>                               | <b>2,709</b>          |
| <b>Amortisation</b>                              |                                       |  |                       |
| Accumulated amortisation at 1 April 2010         | 459                                   | 744  | 1,203                 |
| Charged during the year                          | 95                                    | 515  | 610                   |
| Disposals  | 0                                     | (9)  | (9)                   |
| <b>Accumulated amortisation at 31 March 2011</b> | <b>554</b>                            | <b>1,250</b>                               | <b>1,804</b>          |
| Net book value at 31 March 2010                  | 154                                   | 988  | 1,142                 |
| <b>Net book value at 31 March 2011</b>           | <b>81</b>                             | <b>824</b>                                 | <b>905</b>            |
|  | <b>Software<br/>licences<br/>£000</b> | <b>Information<br/>Technology<br/>£000</b> | <b>Total<br/>£000</b> |
| Gross cost at 1 April 2009                       | 595                                   | 1,295                                      | 1,890                 |
| Additions - purchased                            | 113                                   | 201  | 314                   |
| Transfers  | 0                                     | 368  | 368                   |
| Disposals  | (95)                                  | (132)                                      | (227)                 |
| <b>Gross cost at 31 March 2010</b>               | <b>613</b>                            | <b>1,732</b>                               | <b>2,345</b>          |
| <b>Amortisation</b>                              |                                       |  |                       |
| Accumulated amortisation at 1 April 2009         | 438                                   | 517  | 955                   |
| Charged during the year                          | 76                                    | 304  | 380                   |
| Disposals  | (55)                                  | (77)                                       | (132)                 |
| <b>Accumulated amortisation at 31 March 2010</b> | <b>459</b>                            | <b>744</b>                                 | <b>1,203</b>          |
| Net book value at 31 March 2009                  | 157                                   | 778  | 935                   |
| <b>Net book value at 31 March 2010</b>           | <b>154</b>                            | <b>988</b>                                 | <b>1,142</b>          |

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 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.

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

|  | 2010-11      | 2009-10      |
|--|--------------|--------------|
|  | £000         | £000         |
| (Loss) on disposal of intangible assets                    | (12)         | (95)         |
| (Loss) on disposal of property, plant and equipment assets | (210)        | (71)         |
|  | <u>(222)</u> | <u>(166)</u> |

## 8 Trade Receivables

### 8.1 Amounts falling due within one year

|                                    | 31st<br>March<br>2011<br>£000 | 31st March<br>2010<br>£000 |
|------------------------------------|-------------------------------|----------------------------|
| Trade Receivables                  | 341                           | 679                        |
| Other receivables                  | 250                           | 718                        |
| Prepayments and accrued income     | <u>1,088</u>                  | <u>2,055</u>               |
| <b>Trade and other receivables</b> | <u>1,679</u>                  | <u>3,452</u>               |

## 9 Cash and Cash equivalents

|  | As at 1<br>April<br>2010<br>£000 | Change<br>in year<br>£000 | As at 31<br>March<br>2011<br>£000 |
|--|----------------------------------|---------------------------|-----------------------------------|
| GBS cash at bank                               | 372                              | 7,573                     | 7,945                             |
| Commercial cash at bank and in hand            | <u>3</u>                         | <u>(2)</u>                | <u>1</u>                          |
| <b>Total</b>                                   | <u>375</u>                       | <u>7,571</u>              | <u>7,946</u>                      |
| <b>Comprising:</b>                             |                                  |                           |                                   |
| Held with office of Government Banking Service | 7,945                            |                           |                                   |
| Commercial banks and cash in hand              | <u>1</u>                         |                           |                                   |
| Balance at 31st March 2011                     | <u>7,946</u>                     |                           |                                   |

## 10 Trade Payables and other current liabilities

### 10.1 Amounts falling due within one year

|   | <b>31st<br/>March<br/>2011<br/>£000</b> | 31st<br>March<br>2010<br>£000 |
|---|---|-------------------------------|
| Trade payables  | 650                                     | 436                           |
| Accruals and deferred income                              | 5,502                                   | 3,482                         |
| <b>Trade and other payables</b>                           | <b>6,152</b>                            | <b>3,918</b>                  |
| Other taxation and social security                        | <u>7</u>                                | <u>0</u>                      |
| <b>Other Current Liabilities</b>                          | <u>7</u>                                | <u>0</u>                      |
| <b>Total Trade Payables and other current liabilities</b> | <b><u>6,159</u></b>                     | <b><u>3,918</u></b>           |

£4,355k is included in accruals and deferred income in respect of redundancies and the cost of notice worked in the new year (2009-10 £172k).

## 11 Provisions for liabilities and charges

|   | <b>Legal<br/>claims<br/>£000</b> | <b>Other<br/>£000</b> | <b>Total<br/>£000</b> | 31 March<br>2010<br>£000 |
|---|----------------------------------|-----------------------|-----------------------|--------------------------|
| At 1 April 2010   | 0                                | 0                     | 0                     | 0                        |
| Arising during the year (rent liability on closed office in Scotland) | 0                                | 52                    | 52                    | 0                        |
| Reversed unused   | 0                                | 0                     | 0                     | 0                        |
| <b>At 31 March 2011</b>   | <b><u>0</u></b>                  | <b><u>52</u></b>      | <b><u>52</u></b>      | <b><u>0</u></b>          |

## 12 Contingent Liabilities

At 31 March 2011, there were no known contingent liabilities (2009-10: £0).

## 13 Capital commitments

At 31 March 2011 the value of contracted capital commitments was £0 (2009-10 £3,500).

## 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. The sum included in the period later than one year comprises the future rent of a building which is expected to transfer to another DH organisation on the closure of the Agency.

|   | 2010-11      | 2009-10     |
|---|--------------|-------------|
|   | £000         | £000        |
| <b>Obligations under operating leases comprise:</b> |              |             |
| <b>Buildings</b>                                    |              |             |
| Not later than one year                             | 911          | 961         |
| Later than one year and not later than five years   | 1,540        | 2380        |
| Later than five years                               | 0            | 0           |
|   | <b>2,451</b> | <b>3341</b> |
| <b>Other Leases</b>                                 |              |             |
| Not later than one year                             | 2            | 45          |
| Later than one year and not later than five years   | 0            | 0           |
|   | <u>2</u>     | <u>45</u>   |

## 15 Other financial commitments

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

|   | 2010-11   | 2009-10   |
|---|-----------|-----------|
|   | £000      | £000      |
| Not later than one year                           | 39        | 45        |
| Later than one year and not later than five years | 10        | 49        |
|   | <u>49</u> | <u>94</u> |

## 16. Losses and special payments

There were 11 cases of losses (2009-10: 3 cases) totalling £3,582 (2009-10: £647) approved to the 31st March 2011 and 1 special payment (2009-10: 1 case) totalling £2,000 (2009-10: £27,900)

## 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).

|   | <b>Payments<br/>in Year<br/>10/11<br/>£000</b> | <b>Receipts<br/>in year<br/>10/11<br/>£000</b> | <b>Debtor<br/>@<br/>31.03.11<br/>£000</b> | <b>Creditor @<br/>31.03.11<br/>£000</b> |
|---|--|--|---|---|
| Department of Health                          | 321  | 1,701  | 59  | 30                                      |
| NHS Croydon                                   | 350  | 0  | 0   | 0                                       |
| University Hospital of Leicester NHS<br>Trust | 140  | 0  | 0   | 25                                      |

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

There are no events after the reporting period to report.

## 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         | 300  |
| Past due 0-30 days   | 6    |
| Past due 31-120 days | 1    |
| More than 121 days   | 6    |

The NPSA has made a provision for £4,769 relating to 4 invoices over 121 days old.

The NPSA does not believe that any provisions required in respect of the other trade debtors past 31 days due to the majority relating to NHS Customers.

## 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         | 227  |
| Past due 0-30 days   | 79   |
| Past due 31-120 days | 9    |
| More than 121 days   | -16  |

## 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<br>receivables<br>£000s | Non-<br>current<br>receivables<br>£000s | Current<br>payables<br>£000s | Non-<br>current<br>payables<br>£000s |
|---|---------------------------------|---|------------------------------|--------------------------------------|
| 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                                    |
|   | <b>377</b>                      | <b>0</b>                                | <b>544</b>                   | <b>0</b>                             |
| Balances with bodies external to government         | 1,302                           | 0                                       | 5,615                        | 0                                    |
| <b>At 31 March 2011</b>                             | <b>1,679</b>                    | <b>0</b>                                | <b>6,159</b>                 | <b>0</b>                             |

|   |              |          |              |          |
|---|--------------|----------|--------------|----------|
| Balances with other central government bodies       | 253          | 0        | 55           | 0        |
| Balances with local authorities                     | 0            | 0        | 0            | 0        |
| Balances with NHS Trusts                            | 33           | 0        | 338          | 0        |
| Balances with public corporations and trading funds | 0            | 0        | 0            | 0        |
|   | 286          | 0        | 393          | 0        |
| Balances with bodies external to government         | 3,166        | 0        | 3,525        | 0        |
| <b>At 31 March 2010</b>                             | <b>3,452</b> | <b>0</b> | <b>3,918</b> | <b>0</b> |



information & publishing solutions

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

**Online**

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

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto: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](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

**Customers can also order publications from:**

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-297236-8

