NHS
National Patient
Safety Agency

Putting patient safety first

The National Patient Safety Agency Annual Report and Accounts 2006/07

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Presented to Parliament pursuant to Paragraph 6(3), Section 232, Schedule 15 of the National Health Service Act 2006

Ordered by the House of Commons to be printed 17 July 2007

HC 724 London: The Stationery Office £13.50

Chairman's introduction

This year has been a challenge for the National Patient Safety Agency (NPSA) – one that it has readily accepted. The Board is pleased to note the work that the organisation has achieved in safer practice, in the areas of research and ethics, and in clinical assessment. Across the agency generally, there has been a concerted and continued effort to promote patient safety to the NHS.

This is the second year of the NPSA's wider agenda with the integration of the National Clinical Assessment Service (NCAS) and the National Research Ethics Service (NRES, formerly COREC) into the business. The individual and collective progress by each of these enterprises is outlined in this annual report. The NPSA has also continued its oversight of the Confidential Enquiry into Maternal and Child Health, the National Confidential Enquiry into Patient Outcome and Death, and the National Inquiry into Suicide and Homicide by people with mental illness.

The business plan that the NPSA has worked within has encompassed a wide range of initiatives, all of which will contribute to the improvement of patient care across the NHS. At the same time, the NPSA has completed a successful year financially.

Towards the end of 2006, the Department of Health released *Safety First* which is, in essence, a blueprint for taking patient safety to the heart of the NHS. It is an invitation for all parts of the NHS to work together to explore the best ways of moving forward on the patient safety agenda. It is an opportunity for the NPSA to take the lead in highlighting ways in which partnerships can be developed with royal colleges, educational institutes and other national health bodies.

As Chairman of the NPSA, I commend the work that has been done to date and, on behalf of the Board, thank the staff for their ongoing commitment to putting patient safety first.

Lord Naren Patel of Dunkeld
Chairman, National Patient Safety Agency

Chief Executive's introduction

I am pleased to present this annual report. Having only recently joined the agency, I am impressed with the commitment of all staff to improving patient safety across the NHS. Significantly, the NPSA has worked hard in partnership with other national health agencies to give greater emphasis to patient safety.

By way of example, on 22 February 2007, the Chairs and Chief Executives of more than 25 key healthcare organisations attended a Patient Safety Summit, jointly organised by the NPSA and the Healthcare Commission, to sign a charter of commitment and action on patient safety. The Summit reinforced the message that the safety of patients is at the heart of healthcare, and that all organisations involved in the provision of care have a role to play in achieving this.

There are many benefits of the NPSA's wider patient safety agenda involving the National Clinical Assessment Service and the National Research Ethics Service. This has presented opportunities to work with the NHS to take forward a broader governance agenda incorporating concerns about practitioner performance and research ethics.

This annual report highlights the achievements of the NPSA during the past financial year as the organisation has worked to meet agreements with its sponsors at the Department of Health, the Welsh Assembly Government and other key organisations.

I congratulate the agency's staff in their many and diverse roles for the work achieved to date and look forward to building on these strong foundations in the coming year.

Martin Fletcher
Chief Executive, National Patient Safety Agency

Safer practice

The National Reporting and Learning System (NRLS) is the cornerstone of the NPSA's patient safety work. The NRLS aggregates and analyses local incident reports on a national basis to inform patient safety learning, action and priority-setting across the NHS. Through the Patient Safety Observatory, the NPSA also draws on other sources of data and knowledge to help interpret incident reports.

IMPROVING REPORTING SYSTEMS

Reports to the NRLS have continued to rise month-by-month. Up to the end of March 2007, 1,406,416 patient safety incidents had been reported; the majority of which came from acute care settings (74.3 per cent of incidents reported between January and March 2007 came from acute care settings).

This year, the NPSA has initiated a project to evaluate and identify ways to improve reporting and learning. To ensure that the NRLS is fit-for-purpose, the project will look at the ease and speed of reporting and the provision of rapid learning to frontline staff. Determining how the data it captures can be used to maximum benefit for the NHS as a whole is a major goal.

IMPROVING MEDICATION SAFETY

This year, the NPSA announced an ambitious initiative in partnership with the Department of Health in England and the Welsh Assembly Government. The *Safe medication practice work programme for 2007/08* aims to improve the safe use of medicines in the NHS and recognises the crucial role that all healthcare professionals, both clinical and non-clinical, have in delivering high quality care and services to patients.

The programme consists of five patient safety alerts and a wide range of practical resources to support NHS organisations and independent healthcare providers in its implementation. The alerts relate to five distinct areas of medicines management: anticoagulant medicines; liquid medicines administered via oral and other enteral routes; injectable medicines; epidural injections and infusions; and paediatric intravenous infusions. The programme has been well received.

THE PATIENT SAFETY OBSERVATORY

- *Slips trips and falls in hospital* – this report provides analysis of patient falls in hospital. It was launched to much acclaim at York Hospital in recognition of the excellent work the local trust has done to reduce falls.
- *With safety in mind: mental health services and patient safety* – this report provided an analysis of almost 45,000 mental health incidents reported via the NRLS between November 2003 and the end of September 2005.
- *Safety in doses: improving the use of medicines in the NHS* was published in March 2007.

FEEDING BACK DETAILS OF REPORTS

Following a successful pilot, since May 2006 all reporting organisations in England and Wales have been able to access their incident data and compare their profile of incidents reported to the NRLS with the profile of incidents reported by other similar NHS organisations. The reports are available to download from a secure extranet website, and hard copies have been distributed to the organisations' chief executives, medical directors and nursing directors.

Evaluation showed that these had been read by the chief executives, board members and senior management in the majority of trusts and had lead to reviews of data quality and completeness, with more accurate recording of incident data. The evaluation will also lead to changes in the content and presentation of the reports to significantly enhance their value to recipients.

OTHER PATIENT SAFETY TOOLS AND ADVICE

Key patient safety initiatives this year include:

- The *Healthcare risk assessment made easy* document. This is an easy-to-use risk assessment tool to help promote vigilance in identifying risk and the ways in which risk can be minimised. The guidance was designed to encourage greater consistency in the way risk assessment is applied across the NHS and is intended to be used by frontline staff.
- The *Seven steps self-assessment tool* allows trusts to assess themselves against a series of patient and staff safety actions that directly relate to the criteria and assurance statements published by the Healthcare Commission.
- New measures to improve the safety of blood transfusions, advice on reducing risks with high dose morphine and diamorphine injections, and work to identify and prevent the failure to act on radiological imaging, such as x-rays.
- Work on a guide to help prevent medication errors due to poor packaging design and the start of a project on ambulance design. Specifically aimed at stimulating discussion and informing decision making by NHS ambulance trusts in England and Wales and other relevant bodies, this work will be concluded early in the next financial year.

IMPROVING HAND HYGIENE

All acute NHS trusts in England and Wales have now implemented the NPSA's clean**your**hands campaign. The second year of the campaign started in June 2006. The campaign is a four-year programme that aims to address some of the complex reasons behind low compliance with hand hygiene amongst healthcare staff and help the NHS in England and Wales tackle healthcare associated infections. Work was also undertaken on scoping the extension of the campaign to other care settings.

The first results from the National Observational Study to Evaluate clean**your**hands (NOSEC), an independent ongoing evaluation of the campaign, were published in September 2006. These showed that near patient alcohol handrub was available on over 75 per cent of wards in hospitals and that the clean**your**hands posters were displayed in over 75 per cent of wards in 90 per cent of trusts. The evaluation also revealed that median usage of alcohol handrub per patient bed day had risen from 1ml in June 2004 to almost 14ml in December 2006.

CLEANER HOSPITALS

This year, the NPSA launched a national colour-coding scheme for cleaning materials. Infection control, hospital cleanliness and cross-infection are areas of concern for NHS staff and the public. The approach was designed to help hospitals in England and Wales reduce the risk of cross-infection. Colour-coding of hospital cleaning materials and equipment, for example red for bathrooms and yellow for isolation areas, ensures that they are not used in multiple areas and reduces the risk of cross-contamination.

NUTRITION

The focus of the NPSA is on the delivery of safer patient care; meeting the nutritional requirements of hospital patients is an important part of this. Failure to recognise and appropriately cater for malnourished patients is a patient safety issue. The NPSA's Nutrition Lead has been working towards embedding nutrition as a patient safety issue by working with key stakeholders, frontline staff, and patients and the public to promote reporting of patient safety incidents to the NRLS. At the end of last year, the NPSA undertook a review of the Protected Mealtimes initiative with frontline staff to identify barriers to implementation and examples of best practice.

National Clinical Assessment Service

This has been a year of further development and continuing success for the National Clinical Assessment Service (NCAS). It has seen an increase in the extent of its services, most notably in its work to help avoid inappropriate suspension and exclusion of doctors and dentists. The year has also brought the opportunity to influence national policy.

The development and delivery of NCAS' services in Wales and Northern Ireland have been led by Dr Bob Broughton since their inception. He retired at the end of this year and we thank him for his commitment and expert knowledge.

Reflecting NCAS' pattern of assessment referrals, the panel of expert assessors has been expanded with the selection, training and appointment of 18 new assessors in the fields of general practice, child and adolescent psychiatry, oral and maxillofacial surgery, and restorative dentistry. A range of new and revised operational guidance and policies has been successfully implemented to improve consistency and efficiency in casework delivery.

During the year, 691 new advice cases were opened and 608 cases were closed. Fifty-six per cent were closed at the advice stage and the remaining 44 per cent were closed following further support to the referring organisation or assessment of the practitioner.

BACK ON TRACK

NCAS' report *Back on Track* was launched in October 2006, concluding a two year programme to build a framework guiding the restoration, where possible, to safe practice of doctors and dentists about whom concerns are raised. The next phase of work in this field was heralded by the appointment of Professor Aly Rashid as Associate Director to take forward NCAS' work in post-assessment action planning and to bring this together with the *Back on Track* programme.

NCAS' work to support the NHS in preventing inappropriate suspensions and exclusions continued to show steady progress and success over the year. Figures have continued to fall whilst data collection has considerably improved with excellent information links established with all Strategic Health Authorities. This work is now firmly underpinned by the requirement, under the new national disciplinary framework *Maintaining High Professional Standards,* that NHS trusts in England discuss a proposed exclusion with NCAS.

Amongst employed medical and dental staff, the number of new exclusions in England for 2006/07 was 69 compared to 96 in the previous year. The number of exclusion episodes closed in these two years equalled or exceeded the number of cases open at the start of each year. In each year, about two thirds of exclusions in existence at the start of the year are concluded by the end of the year.

In March 2007, NCAS produced an updated version of its guide to *General Practitioner Local Performance Procedures*. This provides advice to

primary care trusts (PCTs) on handling concerns about the practice of general practitioners and sets out structures and procedures that have been developed by PCTs over the last five years.

We are keen to share our experience with key partners and stakeholders. This not only focuses on publishing information setting out our work, but also a comprehensive programme of analysis and evaluation of our casework to ensure we continue to learn from our work, to improve our working methods and to share knowledge about the causes and the management of performance concerns.

ANALYSIS OF REFERRAL DATA

In July 2006, NCAS published a detailed analysis of the first four years' referral data. It completed an analysis of 50 support cases, which mirrors its earlier analysis of the 50 assessment cases. NCAS also commissioned a project to interview practitioners who had been assessed to seek their detailed feedback on the process. Content analysis of 120 behavioural assessments was undertaken and attracted considerable interest at the biennial conference of International Medical Regulatory Authorities. NCAS has led an international collaborative project to review and compare assessment and remediation programmes for doctors in the English speaking world.

Two interactive national conferences – one for doctors, the other for dentists – were hosted with the theme of Achieving Professional Governance, with programmes supporting the reviews of professional regulation published in July 2006.

September 2006 saw the publication of *Handling Concerns about the Performance of Health Care Professionals: Principles of good practice*. NCAS led an expert multi-professional working group with the Department of Health to explore experience and share good practice across all health professionals. This document is the output of the group and demonstrates that common principles can be applied across the whole range of healthcare.

Finally, in February 2007, *Trust, Assurance and Safety*, the White Paper on professional regulation, was launched by the Department of Health. This followed consultation on the reviews of professional regulation led by Sir Liam Donaldson, Chief Medical Officer and Christine Beasley, Chief Nursing Officer at the Department of Health. NCAS looks forward to continuing to play its part in the reform programme proposed in the White Paper.

National Research Ethics Service

This year, the National Research Ethics Service (NRES), formerly the Central Office for Research Ethics Committees (COREC), has delivered a substantial agenda of improvement and growth. The relaunch of COREC as NRES in March 2007 provided an opportunity to celebrate achievements to date and the improvements and efficiencies delivered in the preceding year, as well as the positive approach to moving forward taken by staff and volunteers in the wider Research Ethics Committee (REC) community.

NRES has worked closely with stakeholders on a variety of issues during the year. These include the Department of Health, the Medicines and Healthcare products Regulatory Agency (MHRA), the Human Tissue Authority, the Gene Therapy Advisory Committee (GTAC) and INVOLVE (the national advisory group, funded by the National Institute for Health Research, which aims to promote and support active public involvement in NHS, public health and social care research).

This collaboration has led to significant developments within NRES, including updated standard operating procedures to meet implementation of the 2004 Human Tissue Act, new guidance on the ethical review of medical devices, and a memorandum of understanding with MHRA and GTAC to facilitate communications and address the recommendations from enquiries into the TGN1412 trial.

QUALITY AND LEARNING

Work has begun to develop a quality assurance framework, building on the current accreditation scheme, including appraisal and performance management structures for Chairs and members; applicant feedback; learning from complaints; and review of decision-making including appeals. This work called for a reduction in the number of RECs in England. An NRES-led programme of closures and mergers has reduced the number of RECs from 155 to 121 in England along with the establishment of a number of REC centres to provide effective administrative support to clusters of committees, providing increased effectiveness and efficiency – hand in hand with reduced costs and less bureaucracy.

An ongoing training programme is a critical part of NRES' business, with a formal reporting system for the extensive locally delivered training introduced during the year. Nationally, topics covered included medical devices, the Human Tissue and Mental Capacity Acts, and chairing skills. In addition, NRES hosted four conferences – one for REC Chairs and one for REC co-ordinators – in addition to northern and southern conferences for the REC community.

The national training programme was linked to a system of flagging for RECs so that applications can be appropriately managed and allocated to a committee with the training and expertise best fitted to the subject of the research. The NRES central allocation service moved to the REC centre in Birmingham in October 2006.

Training events have also been developed and provided for researchers to ensure they are aware of the expectations and requirements of RECs before they make an application. A programme of 20 roadshow events took place during the year to support and facilitate implementation of the change agenda. These were primarily aimed at the REC community and were well attended by a range of stakeholders.

NRES has developed its communications, building on the established framework of newsletters and policy advice, to produce and disseminate leaflets to wider stakeholders to further improve its standard of service. The email based queries line provides a service to applicants and wider stakeholders on REC policy and applications. The line responded to an average of 450 queries each month, achieving an appropriate response time of three days for 95 per cent of these.

Two events have been hosted jointly with INVOLVE to explore how lay members of RECs see their role, how they view themselves – as service users or research participants – and what the expectation is of NHS service users. This work will help to extend the diversity of REC membership and training for RECs, and support performance management and development for committee Chairs and members.

The time taken for RECs to make decisions improved dramatically with the introduction of standard operating procedures in 2004; an average of 40 calendar days, well within the 60 days required by the Clinical Trials Directive, has been maintained during the year.

NRES continues to monitor the delivery of business plan objectives against performance indicators, including: timelines; number of items per REC meeting; researcher attendance at meetings; provisional opinion rates; appeals and resubmission rates; and feedback from applicants. All identified targets were met in 2006/07.

REGULATION AND GUIDANCE

A key component of every REC review is an assessment of the patient information sheet, which is designed to ensure that patients taking part in studies fully understand the implications. This is an aspect of review which attracts a great deal of comment and feedback from RECs and accounts for many provisional opinions.

Working groups were established to develop guidance on the patient information sheet and the outcomes collated, updated and issued for use and consultation in November 2006. Consultation events were held in London, Manchester and Edinburgh. NRES continues to monitor the guidance and will amend and update it as required.

NRES is committed to working with stakeholders to facilitate improvements in the wider regulatory framework in the wider regulatory environment. NRES is leading on one key element of a national programme to develop IT systems to support the approval and management of research in the NHS through an integrated electronic application form for ethics, research and development, PIAG, GTAC and the MHRA. The system will use the platform developed by NRES for the ethics form and will be launched in early 2008.

A firm foundation for improvement has been laid in 2006/07, and NRES is looking forward with enthusiasm to building on this in the coming year, to support robust, timely and proportionate ethical review to further facilitate ethical research in the UK.

Management commentary

OPERATING ENVIRONMENT

The NPSA operates primarily within the healthcare systems in England, Wales and Northern Ireland. Our work must be responsive to changes in the policy environment and healthcare systems in these countries and there are a number of current and future developments that are likely to impact on our work. The healthcare systems within which we operate continue to undergo development. Key examples are the choice agenda, where incentives to improve safety can be introduced by making safety a decision making-criterion, and the Connecting for Health programme, which opens up a myriad of opportunities to embed safety into the fabric of the NHS and to reduce clinical risk. We continue to work in support of these agendas, for example, through assisting Connecting for Health to establish formal mechanisms for assessing patient safety risks prior to releasing new systems.

In December 2006, the Chief Medical Officer, Sir Liam Donaldson, released *Safety First*, which reviewed the organisation and delivery of patient safety across the NHS. The report set out a series of recommendations which will result in changes to NPSA functions. Also published during 2006/07 was *Trust, Assurance and Safety*, a White Paper setting out a programme of reform to the UK's system for the regulation of health professionals. Under this reform programme, the National Clinical Assessment Service will take on a number of new responsibilities. Additionally, the National Research Ethics Service is implementing *Building on Improvement*, a programme of change for the research ethics system in England. Implementation of all of these changes will be a key focus for the organisation over the coming years.

The Welsh Assembly Government's *Healthcare Quality Improvement Plan* was published in 2006/07. It sets out the policy direction for quality and safety in Wales. The NPSA will need work with the Welsh Assembly Government over the next year to play our part in responding to these needs.

The NPSA currently provides some of its services and functions in Northern Ireland and Scotland, and we are in discussion with both administrations to widen the range that we offer. Any expansion of service will form part of organisational development in future.

RESOURCES

The NPSA has strengthened its governance processes during the year, revising and updating its standing orders, standing financial instructions and scheme of delegation. Procurement practices and procedures were also reviewed and strengthened.

The agency's resource limit was reduced in 2006/07 as part of the Department of Health's policy to generate savings to be diverted to frontline services. Despite this, the agency delivered its work plan within the reduced allocation and agreed with the Department of Health that £500,000 of its resources would be transferred to 2007/08.

Resources are proactively managed throughout the year with monthly reporting to budget holders and the Management Team that includes forward forecasts as well as the position to date. The Board receives a financial report at each meeting.

The agency has invested nearly £1.6m during the year in order to improve and update its IT hardware and software and to undertake improvements to buildings.

RISKS

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. The Board has nominated the Director of Finance as the director responsible for risk management. Directors lead on the objectives of the agency as agreed in the business plan and, as such, also manage the risks at the workstream, day-to-day operational and project levels, and are recorded in departmental risk registers.

Risks are identified, monitored and managed at departmental level but escalated for monitoring by the Management Team and entered into the Corporate Assurance Framework. The Corporate Assurance Framework reports the escalated risks and risk scores, along with the key controls and assurances put in place to mitigate the risks. The Corporate Assurance Framework is reviewed by our Management Team and Board to monitor the effective management of risks.

The Audit Committee is the Board sub-committee that 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

Our primary stakeholders are the patients who receive care within the NHS system, and the staff who deliver that care.

To help those staff ensure patients are treated safely at all times, we need to work in partnership with a wide variety of organisations.

We have therefore developed (or are in the process of agreeing) joint working agreements and memoranda of understanding which set out how we work with key partners such as the Healthcare Commission, Healthcare Inspectorate Wales, and the National Institute for Health and Clinical Excellence (NICE).

Following the publication of *Safety First* and *Trust, Assurance and Safety*, we are undertaking programmes of work with, amongst others, NICE, the NHS Institute for Innovation and Improvement, the Healthcare Commission, the British Medical Association, the General Medical Council, and with Strategic Health Authorities and NHS trusts.

We have also put in place a Management Agreement with the Department of Health and the Welsh Assembly Government as the organisations which provide primary funding for our work and hold us to account.

We seek input from representatives of the medical specialties, nursing, midwifery and allied health professionals via formal advisory groups and direct programmes of work with the royal colleges.

Contributing to and learning from international work on patient safety is also important. We do this through participation in World Health Organization programmes, including playing a lead role for England and Wales in the High 5s initiative of the World Alliance for Patient Safety.

Last but not least, we have adopted methodologies for patient involvement across all projects and programmes to ensure that our most important stakeholders can help shape what we do.

CORPORATE CITIZENSHIP

We have assessed our operations against the NHS's good corporate citizenship self-assessment model, and are making improvements in the areas of transport and procurement practice, and the ways in which we manage our staff and infrastructure responsibly.

Our procurement policies and decision making in relation to our key suppliers acknowledge the impact our business has on the environment and sustainability.

Our people are our most important asset, and we recognise the need to invest in them.

We are working towards *Improving Working Lives* accreditation and our Staff Council ensures staff have input into the development of the organisation's plans, policies and processes.

The NPSA provides staff with a number of benefits including supporting learning and development and providing gym membership, massage sessions, a free confidential counselling service, active health promotion initiatives and season ticket loans.

EMERGENCY PREPAREDNESS

The NPSA maintains a business continuity strategy that will allow us to continue operations in the event of an emergency. Our business continuity strategy includes plans of how to respond to major incidents. We conduct an annual review of the robustness of these plans and report this to the NPSA Board.

EQUALITY AND DIVERSITY

The NPSA has, from its inception, had a commitment to be an inclusive organisation: committed to involving the widest range of stakeholders in its work; making the best of stakeholder knowledge, skills and perspectives; and promoting equality and diversity. Much of the equalities work staff have carried out this year has been on reviewing policies and assessing activities in terms of their possible equalities impact, and making adjustments where necessary. For example, staff have analysed and reported on the level of patient safety incident reports received by ethnic category, and this has stimulated various workstreams.

The agency's Equalities Strategy was approved by the Board in November 2006. The strategy brings together the various strands of work into one integrated place and should help staff promote equality and embed it in their work. Participants in its development have included: the NPSA's Equality and Diversity Group, whose members include two non-executive directors, one of whom chairs the group; staff nominated as equality leads by directors from each of the business plan's strategic areas; staff with a declared interest in the area; the NPSA's Staff Council; and the NHS Appointments Commission's Disability Advisory Group. The Equalities Strategy was also subject to consultation, which took take place in the autumn of 2006.

Current work includes revising the strategy to take account of *Safety First* and to fully embed the issues raised in the Equality Act (Sexual Orientation) Regulations 2007 and the Gender Equality Duty (GED), as well as continuing to review and assess all policies for equality impact and to continue to monitor existing and new workstreams.

Our organisation

All parts of the NPSA have been the subject of national reviews this year. This has created a change environment across the organisation and it is notable and commendable, therefore, that the high level of work achieved has been maintained.

The publication of *Safety First* will fundamentally shift the way the NPSA works and interacts with the wider NHS, which will impact on our resource requirements. For example, work is already underway to enable our Patient Safety Managers to better connect with the Strategic Health Authorities.

In February 2007, the Department of Health's White Paper, *Assurance and Safety, the Regulation of Health Professionals in the 21st Century,* set out the third phase of the programme of reform to clinical governance in the NHS. The key aim is to bring professional regulation and the quality and safety of patient care much closer together, and provide the opportunity to work alongside key colleagues to make these proposals a practical reality. This has a direct impact on the work at NCAS, and initial work has started on the development of the service, which will impact on staffing structures in the near future.

The publication of *Building on Improvement* initiated a wider agenda for the Central Office for Research Ethics Committee and the development of the National Research Ethics Service. Implementation of this led to a revised staffing structure which considered the needs of the service and took into account the distribution of the Research Ethics Committees.

The Human Resources team were involved in facilitating different ways of working to meet the new challenges in implementing the reviews. This included consultation through the Staff Council, supporting the restructuring process, and ensuring staff moved quickly into both substantive and interim roles.

Data collected by the Human Resources team have shown that our staff continued to be committed to the organisation during this time, as both turnover and sickness rates remained low.

Also, the Appraisal and Personal Development system was rolled out across the organisation during the year and all staff received a Knowledge and Skills profile relating to their job, as nationally required.

Remuneration report

Chairman	**Lord Naren Patel**	
Non-Executive Board Members		
	Prof Hamid Ghodse	
	Ms Gill Edelman	From 1 April 2006
	Miss Gina Gardiner	From 1 April 2006
	Dr Linda Patterson	From 1 April 2006
	Dr Tony Butler	Until 31 March 2007
	Mr Jeremy Butler	Until 31 March 2007
	Mr Laurence Goldberg	Until 31 March 2007
	Mr Andrew Probert	Until 31 March 2007
	Mr Arnold Simanowitz	Until 31 March 2007
	Mr Trevor Jones	From 1 April 2007
	Mr Robin Pritchard	From 1 April 2007
	Prof Dickon Weir-Hughes	From 1 April 2007
Chief Executive		
Chief Executive*	Mr Martin Fletcher	From 21 May 2007
Acting Chief Executive	Dr Helen Glenister	1 March 2007 to 20 May 2007
Acting Chief Executive	Mr Bill Murray	31 July 2006 to 28 February 2007
Joint Chief Executive	Ms Sue Osborn/Ms Susan Williams	1 April 2006 to 7 July 2006
Directors		
Deputy Chief Exec/Safer Practice & Nursing*	Dr Helen Glenister	
Finance, Facilities & IT*	Mrs Vanessa Perry	Until 9 April 2006
	Mr David Bell	From 10 April 2006
Epidemiology & Research*	Prof Richard Thomson	
National Clinical Assessment Service*	Prof Alastair Scotland	
Medical Director	Prof Sir John Lilleyman	From 1 May 2006 to 31 March 2007
Communications	Ms Sandra Phillips	17 January 2007 to 31 March 2007
	Ms Ruth Davison	17 July 2006 to 16 January 2007
	Ms Jenny Grey	1 April 2006 to 7 July 2006
Patient Experience	Mr Peter Mansell	
Corporate Planning & Strategy	Ms Susan Burnett	
** Voting members*		
Audit Committee		
Chairman	Dr Tony Butler	Until 31 March 2007
NED	Mr Andrew Probert	Until 31 March 2007
NED	Ms Gill Edelman	From July 2006
Pay & Remuneration Committee		
Chairman	Lord Naren Patel	
NED	Dr Tony Butler	Until June 2006
NED	Mr Arnold Simanowitz	Until June 2006
NED	Miss Gina Gardiner	From July 2006
NED	Prof Hamid Ghodse	From July 2006
Management Team		
Chief Executive & Directors plus the following:		
National Research Ethics Service (COREC)	Dr Janet Wisely	
Head of Human Resources (Joint)	Ms Carola Nunns /Ms Bernadette El-Hadidy	From October 2006

Statutory Committees:
There are two statutory sub-committees of the NPSA Board:
- Audit Committee
- Pay & Remuneration Committee

Appointment of Executive Directors
In July 2006, the Joint Chief Executives started a period of extended leave and were granted employer assisted voluntary early retirement with effect from 31 March 2007. These arrangements were subject to scrutiny by the Department of Health and HM Treasury. The associated costs are disclosed in note 18 of the Annual Accounts.

On 31 July 2006, Bill Murray became Accounting Officer until 28 February 2007, and Helen Glenister took this role on 1 March 2007. Martin Fletcher took up post on 21 May 2007.

Appointment of Non-Executive Board Members
Appointments Commission appointed three new members from 1 April 2007: Trevor Jones, Robin Pritchard and Dickon Weir-Hughes.

Pay and remuneration
The Chairman and Non-Executive Board Members are remunerated in line with Department of Health guidance that applies to all NHS bodies. Details of senior managers' remuneration are given on the following page.

The following tables disclose the senior management remuneration and pension benefits during 2006/07, and have been subject to audit.

Name and title	2006/07			2005/06		
	Salary (bands of £5,000)	Other remuneration	Benefits in kind	Salary (bands of £5,000)	Other remuneration	Benefits in kind
	£000	£000	£00	£000	£000	£00
Non-Executive Directors						
Lord N Patel, Chairman	55-60	0	0	20-25	0	0
AJ Butler, Non-Executive Director (Ended 31/03/2007)	5-10	0	0	5-10	0	0
A Simanowitz, Non-Executive Director (Ended 31/03/2007)	5-10	0	0	5-10	0	0
A Butler, Non-Executive Director (Ended 31/03/2007)	5-10	0	0	5-10	0	0
AW Probert, Non-Executive Director (Ended 31/03/2007)	5-10	0	0	5-10	0	0
L Goldberg, Non-Executive Director (Ended 31/03/2007)	5-10	0	0	5-10	0	0
H Ghodse, Non-Executive Director	5-10	0	0	0-5	0	0
G Edelman, Non-Executive Director (Started 01/04/2006)	5-10	0	0	N/A	N/A	N/A
L Patterson, Non-Executive Director (Started 01/04/2006)	5-10	0	0	N/A	N/A	N/A
G Gardiner, Non-Executive Director (Started 01/04/2006)	5-10	0	0	N/A	N/A	N/A
Directors						
Sue Osborn, Joint Chief Executive (Ended 31/03/2007)	90-95	0	0	90-95	0	0
Susan Williams, Joint Chief Executive (Ended 31/03/2007)	90-95	0	0	90-95	0	0
Bill Murray, Acting Chief Executive (Started 31/07/2006 Ended 28/02/2007)	100-105	0	0	N/A	N/A	N/A
Helen Glenister, Deputy Chief Executive (Acting Chief Executive Started 01/03/2007)	90-95	0	0	90-95	0	0
Susan Burnett, Director of Corporate Planning & Strategy	100-105	0	0	70-75	0	0
Peter Mansell, Director for Patient Experience	100-105	0	0	100-105	0	0
Jenny Grey, Director of Communications (Ended 07/07/2006)	25-30	0	0	90-95	0	0
Ruth Davison, Acting Director of Communications (Started 17/07/2006 Ended 16/01/2007)	35-40	0	0	N/A	N/A	N/A
Sandra Phillips, Acting Director of Communications (Started 17/01/2007 Ended 31/03/2007)	15-20	0	0	N/A	N/A	N/A
John Lilleyman, Medical Director (Started 01/05/2006)	70-75	0	0	90-95	0	0
Richard Thomson, Director of Epidemiology & Research	105-110	0	0	105-110	0	0
Alastair Scotland, Director, National Clinical Assessment Service (*)	130-135	55-60	0	125-130	50-55	0
Vanessa Perry, Acting Director of Finance, Facilities and IT (Ended 09/04/2006)	0-5	0	0	40-45	0	0
Dave Bell, Director of Finance (Started 10/04/2006)	105-110	0	0	N/A	N/A	N/A
Janet Wisely, Operations Director, Central Office for Research Ethics Committees	85-90	0	0	70-75	0	0
Catherine Guelbert, Director of Change (**) (Started 02/10/2006 Ended 31/03/2007)	0	0	0	N/A	N/A	N/A

Three new Non-Executive Directors were appointed on 1 April 2007.

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

(**) The salary for this person was paid directly by her employing organisation during her time at the Agency.

Pension benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Lump sum at aged 60 related to real increase in pension (bands of £2,500)	Total accrued pension at age 60 at 31 March 2007 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2007 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2007	Cash Equivalent Transfer Value at 31 March 2006	Real increase in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
Sue Osborn, Joint Chief Executive (Ended 31/03/2007) Retired (*)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Susan Williams, Joint Chief Executive (Ended 31/03/2007) Retired (*)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bill Murray, Acting Chief Executive (Started 31/07/2006 Ended 28/02/2007) Retired (*)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Helen Glenister, Deputy Chief Executive (Acting Chief Executive Started 01/03/2007)	10.0-12.5	7.5-10.0	20-25	70-75	332	278	33	0
Susan Burnett, Director of Corporate Planning & Strategy	12.5-15.0	10.0-12.5	30-35	90-95	421	351	43	0
Peter Mansell, Director for Patient Experience	7.5-10	5.0-7.5	0-5	20-25	109	71	25	0
Jenny Grey, Director of Communications (Ended 07/07/2006)	0-2.5	0-2.5	0-5	10-15	41	36	1	0
Ruth Davison, Acting Director of Communications (Started 17/07/2006 Ended 16/01/2007)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)
Sandra Phillips, Acting Director of Communications (Started 17/01/2007 Ended 31/03/2007)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)
John Lilleyman, Medical Director (Retired) (*)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Thomson, Director of Epidemiology & Research	5.0-7.5	2.5-5.0	35-40	105-110	510	466	23	0
Alastair Scotland, Director, National Clinical Assessment Service	15.0-17.5	12.5-15.0	80-85	245-250	1424	1291	71	0
Vanessa Perry, Acting Director of Finance, Facilities and IT (Ended 09/04/2006)	0	0	5-10	25-30	149	143	0	0
Dave Bell, Director of Finance (Started 10/04/2006)	7.5-10	5-7.5	35-40	110-115	555	501	28	0
Janet Wisely, Operations Director, Central Office for Research Ethics Committees	0-2.5	0-2.5	10-15	35-40	142	133	4	0

(*) NHS Pensions have advised that the pension benefits for these employees at 31 March 2007 are nil as they were retired at this date.
(A) Information not available.
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.

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

Public interest

HISTORY AND STATUTORY BACKGROUND

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

From 1 April 2005 the NPSA was given additional functions:

- the National Clinical Assessment Service (previously the National Clinical Assessment Authority);
- the Central Office for Research Ethics Committees (National Research Ethics Service from April 2007);
- safety aspects of hospital design, cleanliness and food;
- management of the contracts with the three National Confidential Enquiries: the Confidential Enquiry into Maternal and Child Health (CEMACH), 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).

CONSULTATION WITH EMPLOYEES

The Staff Council was set up 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.

Representatives are elected for a maximum period of two years, with four representatives being re-elected after one year. This allows for continuity and experience to remain within the Staff Council. The nomination process is open to all staff. However, in the interests of continuity, nominees should have a contract with the NPSA for at least one year.

The role of a 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.

DISABLED EMPLOYEES

The NPSA was awarded the Disability Symbol (two ticks) in January 2003. This symbol is awarded by Jobcentre Plus to employers who make five commitments to the employment, retention, training and career development of people with disabilities, including mental health difficulties.

EQUAL OPPORTUNITIES

Our Equalities Strategy (incorporating the Agency's Race Equality Scheme and Action Plan, and Disability Scheme and Action Plan) is used to monitor and improve the NPSA's work, both at a strategic and operational level.

BETTER PAYMENT PRACTICE CODE

The NPSA is required to pay its non-NHS trade creditors in accordance with the Better Payment Practice Code. The target is to pay non-NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed with the supplier. Details of compliance with the code are given in note 2.3 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 Audit General in accordance with the National Health Service Act 2006 at a cost of £45,000. The audit certificate can be found on pages 27 to 28.

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 he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

REGISTER OF INTERESTS

In line with other NHS organisations, the NPSA holds a register of interests with information provided by Board members and other NPSA staff. A statement to the effect that 'all Board members should declare interests which are relevant and material to the NHS Board of which they are a member' is contained in the NPSA Board agenda and members are expected to declare any interests on any agenda item before discussion commences.

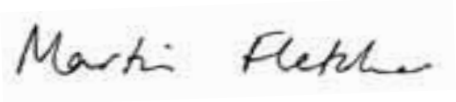
INTERESTS IN LAND

Not applicable.

PENSION LIABILITIES

NPSA past and present employees are covered by the provision of the NHS Pension Scheme. Details of the Scheme are given in note 1.9 of the Accounts. The senior managers' pension liabilities are disclosed within the remuneration report.

Signed



Mr Martin Fletcher
Chief Executive & Accounting Officer

Dated: 29 June 2007

Accounts 06/07

Statement of the 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 financial year a statement of accounts in the form and on the basis directed by the Secretary of State, with the approval of HM Treasury. 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 at the year end and of its net operating cost, 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 suitable accounting policies on a consistent basis;
- make judgments 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the National Patient Safety Agency will continue in operation; and

The Accounting Officer for the Department of Health has appointed 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, and for the keeping of proper records and for safeguarding the National Patient Safety Agency's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Statement on internal control 2006/07

1. SCOPE OF RESPONSIBILITY

As Accounting Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding public funds and the organisation's assets for which I am personally responsible, as set out in the Accounting Officer Memorandum.

During the year the Accounting Officer changed on two occasions. Susan Williams and Sue Osborn were Joint Accounting Officers from 1 April 2006 until 28 June 2006. On 30 July 2006, Bill Murray became Accounting Officer until 28 February 2007 and Helen Glenister took this role on 1 March 2007. I, Martin Fletcher, took up post on 21 May 2007.

During the period 28 June 2006 until 29 July 2006 there was no Accounting Officer in place and the Department of Health (DH) therefore rescinded delegated authority during this period. Temporary arrangements were made to allow the Agency to continue operating, which were administered on behalf of DH by the Deputy Chief Medical Officer working closely with the Agency's Director of Finance.

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

The system of internal control has been in place in the National Patient Safety Agency for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

3. CAPACITY TO HANDLE RISK

The Director of Finance, Facilities and IT is the designated executive with operational responsibility for maintaining and developing the organisation-wide system of internal control encompassing governance, financial management and risk management and for reporting to the Board.

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

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

The Audit Committee took on the role of overseeing the Governance process during the year, and has reviewed the departmental risk registers and their relationships to the overall Corporate Assurance Framework.

Within each Department there is a Risk Champion who drives and coordinates activity. These Champions meet regularly to share knowledge and provide mutual support and understanding.

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, 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 Board has regularly overviewed the risks identified and their management to ensure effective risk management action has been taken.

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, which is monitored and regularly updated by the Management Team and Board to reflect the current situation. This is an integral part of performance reviews and ongoing management activities.
- The management and development of department 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 fulfill 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, department risk registers and plans.
- Communication of its risk management policy and strategy to staff. This includes staff induction, briefings at staff meetings and publication on the NPSA's intranet site.

5. REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility, for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. 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. My review is also informed by the work of our external auditors, the National Audit Office. Particular aspects of the Agency's activities are from time to time the subject of external review.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and the Board. 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.

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's contributions and payments in to 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 the Regulations.

7. SIGNIFICANT INTERNAL CONTROL ISSUES

There are no issues in the year that are considered to represent a significant internal control issue.

In view of the fact that I have only taken up post very recently, in drawing up this statement I have drawn on assurances supplied by senior staff in the Agency. I have also relied on the reviews of Governance Arrangements undertaken by Mr Bill Murray during his period of office.

Mr Martin Fletcher
Chief Executive & Accounting Officer

Date: 29 June 2007

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 2007 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses 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 CHIEF EXECUTIVE AND AUDITOR

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the operational review, management commentary and those parts of the remuneration report not subject to audit, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Patient Safety Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the National Patient Safety Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the National Patient Safety Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Patient Safety Agency's circumstances, consistently applied and adequately disclosed.

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

OPINIONS

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of the National Patient Safety Agency's affairs as at 31 March 2007 and of its net resource outturn, recognised gains and losses, and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- information given within the Annual Report, which comprises the operational review, management commentary and those parts of the remuneration report not subject to audit, is consistent with the financial statements.

Audit 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.

REPORT

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

3 July 2007

Operating cost statement FOR THE YEAR ENDED 31 MARCH 2007

	Notes	**2006-07 £000**	2005-06 £000
Programme costs	2.1	**32,465**	33,748
Operating income	4	**(2,209)**	(2,836)
Net operating cost before interest		**30,256**	30,912
Interest payable		**1**	3
Loss on Disposal of Asset	5.4	**10**	507
Net operating cost		**30,267**	31,422
Less: Expenditure not counting against Resource Limit (*)		**0**	(147)
Net resource outturn	3.1	**30,267**	31,275

All income and expenditure is derived from continuing operations

* The net operating cost in 2005-06 was reduced by expenditure undertaken from April 2005- August 2005 by NHS Estates. Under merger accounting, the National Patient Safety Agency was required to report the full year costs of organisations assimilated during the year. However, the NHS Estates net operating cost from April 2005 to August 2005 was funded by a grant from the Department of Health. This amount was not subject to resource limit control and the net operating cost was therefore removed.

Statement of Recognised Gains and Losses FOR THE YEAR ENDED 31 MARCH 2007

	Notes	**2006-07 £000**	2005-06 £000
Unrealised surplus on the indexation of fixed assets	12.2	**38**	21
Recognised gains for the financial year		**38**	21

The notes at pages 32 to 47 form part of these accounts.

Balance Sheet AS AT 31 MARCH 2007

	Notes	31 March 2007 £000	31 March 2006 £000
Fixed assets:			
Intangible assets	5.1	**219**	300
Tangible assets	5.2	**3,045**	1,971
		3,264	2,271
Current assets:			
Stocks	6	**68**	0
Debtors	7	**4,267**	4,826
Cash at bank and in hand	8	**0**	5
		4,335	4,831
Creditors: amounts falling due within one year	9.1	**(4,013)**	(4,350)
Net current assets		**322**	481
Total assets less current liabilities		**3,586**	2,751
Provisions for liabilities and charges	10	**(54)**	(229)
		3,532	2,522
Taxpayers' equity			
General Fund	12.1	**3,468**	2,486
Revaluation reserve	12.2	**64**	36
		3,532	2,522

The financial statements on pages 29 to 47 were approved by the Board on 25 June 2007 and signed by

Signed:

Mr Martin Fletcher
Chief Executive & Accounting Officer

Date: 29 June 2007

	Notes	2006-07 £000	2005-06 £000
Net cash (outflow) from operating activities	13	**(29,153)**	(32,276)
Servicing of finance			
Interest paid		**(1)**	(3)
Net cash (outflow) from servicing finance		**(1)**	(3)
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		**(121)**	(325)
(Payments) to acquire tangible fixed assets		**(1,863)**	(328)
Net cash (outflow) from investing activities		**(1,984)**	(653)
Net cash (outflow) before financing		**(31,138)**	(32,932)
Financing			
Net Parliamentary funding	12.1	**31,133**	32,935
Increase/(decrease) in cash in the period	8	**(5)**	3

The notes at pages 32 to 47 form part of these accounts.

1 Accounting policies

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

1.1 Accounting Conventions

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

Acquisitions and Discontinued Operations

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

1.2 Income

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

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2006-2007 was 3.5% (2005-06 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General (OPG), where the charge is nil.

1.5 Fixed Assets

a. Capitalisation

All assets falling into the following categories are capitalised:

i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.

ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

iii Tangible assets which are capable of being used for more than one year, and they:
- individually have a cost equal to or greater than £5,000;
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

iv Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b. Valuation

Intangible Fixed Assets

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

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

Tangible Fixed Assets

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

i Land and buildings (including dwellings)

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

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

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

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

ii Operational equipment, other than IT equipment which is considered to have nil inflation, is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

iii Assets in the course of construction are valued at current cost, using the relevant indices.

iv Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.

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

c. Depreciation and Amortisation

Depreciation is charged on each individual fixed asset as follows:

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

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

	Years
Software licences	3
Bespoke software licences	7
Bespoke database	7

iii Land and assets in the course of construction are not depreciated.

iv Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

v Each equipment asset is depreciated evenly over the expected useful life:

	Years
Plant and machinery	5
Information technology	5

1.6 Donated Fixed Assets

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

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work in progress comprises goods in intermediate stages of production.

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 18 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.9 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the Special Health Authority to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

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

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

The Scheme is a final salary scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the 12 months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

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

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

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

1.10 Research and Development

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

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

1.12 Leases

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

1.13 Provisions

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

2.1 Authority programme expenditure

		Notes	£000	2006-07 £000	2005-06 £000
Non-executive members' remuneration				128	101
Other salaries and wages		2.2		**16,131**	16,262
Supplies and services - general				130	235
Establishment expenses				4,752	5,442
Transport and moveable plant				37	43
Premises and fixed plant				3,127	3,177
External contractors (*)				6,258	7,382
Capital:	Depreciation and amortisation	5.1, 5.2	**627**		421
	Capital charges interest		**106**		58
				733	479
Auditor's remuneration: Audit Fees (**)				45	50
Writing off bad debts				2	2
Miscellaneous				665	575
Early retirement costs				457	0
				32,465	33,748

(*) This includes payments of £3,054k for the three Confidential Enquiries from 01/04/2006 (£3,034k 2005-06)
(**) The Authority did not make any payments to Auditors for non-audit work.

2.2 Staff numbers and related costs

	2006-07 Total £000	Permanently employed staff £000	Other £000	2005-06 £000
Salaries and wages	**13,721**	10,717	3,004	13,885
Social security costs	**1,040**	1,040	0	1,012
Employer contributions to NHSPA	**1,370**	1,370	0	1,365
	16,131	**13,127**	**3,004**	16,262

The average number of employees during the year was:

	Total Number	Permanently employed staff Number	Other Number	2005-06 Number
Total	309	235	74	304

Expenditure on staff benefits
The amount spent on staff benefits during the year totalled £70,091 (2005-06: £83,471).

Retirements due to ill-health
During 2006-07 there were no early retirements from the Special Health Authority on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £nil.

Early Retirements and redundancies
£504,457 has been charged to the revenue account in 2006-07 in respect of voluntary early retirement of the Joint Chief Executive. Of this amount, £47,473 relates to salary to the date of departure and has been included in staff costs for the year. The remainder, £456,984 has been included in the authority programme expenditure under the early retirement heading. More details can be found at note 18.

2.3 Better Payment Practice Code – measure of compliance

	Number	£000
Total non-NHS bills paid 2006-07	**9,737**	**19,323**
Total non-NHS bills paid within target	**7,501**	**15,590**
Percentage of non-NHS bills paid within target	**77.0%**	**80.7%**

	Number	£000
Total NHS bills paid 2006-07	**462**	**6,134**
Total NHS bills paid within target	**280**	**5,309**
Percentage of NHS bills paid within target	**60.6%**	**86.6%**

The Late Payment of Commercial Debts (Interest) Act 1998

	2006-07 £000	2005-06 £000
Amounts included within interest payable arising from claims made under this legislation	1	3
	1	3

3.1 Reconciliation of net operating cost to net resource outturn

	2006-07 £000	2005-06 £000
Net operating cost	**30,267**	31,275
Net resource outturn	**30,267**	**31,275**
Revenue resource limit	**30,269**	31,326
Under spend against revenue resource limit	**2**	51

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2006-07 £000	2005-06 £000
Gross capital expenditure	**1,592**	1,143
NBV of assets disposed	**(10)**	(507)
Net capital resource outturn	**1,582**	636
Capital resource limit	**1,585**	1,056
Under spend against limit	**3**	420
Less: Payment to acquire fixed assets (COREC)*		(308)
Under spend against limit		112

* Under merger accounting rules, as per FRS6, the fixed assets transferred from COREC on 1 April 2005 were included in the NPSA's opening balances for 2005-06. The payment of £308k made for these assets was not therefore included in the gross capital expenditure for the year.

4 Operating income

Operating income analysed by classification and activity, is as follows:

	Appropriated in aid £000	Not Appropriated in aid £000	Total £000	2005-06 £000
Programme income:				
Fees & charges to external customers	85	**0**	**85**	335
Income received from Scottish Parliament	30	**0**	**30**	0
Income received from National Assembly for Wales	1,661	**0**	**1,661**	1,631
Income received from Northern Ireland Assembly	376	**0**	**376**	350
Income received from other Departments	0	**57**	**57**	520
Total	**2,152**	**57**	**2,209**	2,836

5.1 Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 31 March 2006	507	**507**
Additions - purchased	**17**	**17**
Reclassification	**30**	**30**
Disposals	**(4)**	**(4)**
Gross cost at 31 March 2007	**550**	**550**
Accumulated amortisation at 31 March 2006	207	**207**
Charged during the year	**125**	**125**
Disposals	**(1)**	**(1)**
Accumulated amortisation at 31 March 2007	**331**	**331**
Net book value:		
Purchased at 31 March 2006	300	**300**
Total at 31 March 2006	300	300
Net book value:		
Purchased at 31 March 2007	**219**	**219**
Total at 31 March 2007	**219**	**219**

5.2 Tangible fixed assets

	Assets under construction £000	Buildings exc dwellings £000	Information technology £000	Plant & machinery £000	Total £000
Cost or Valuation at 31 March 2006	641	686	1,263	0	**2,590**
Additions – purchased	**826**	**0**	**716**	**33**	**1,575**
Reclassification	**(641)**	**0**	**611**	**0**	**(30)**
Indexation	**0**	**55**	**0**	**0**	**55**
Disposals	**0**	**0**	**(21)**	**0**	**(21)**
Gross cost at 31 March 2007	**826**	**741**	**2,569**	**33**	**4,169**
Accumulated depreciation at 31 March 2006		223	396	0	**619**
Charged during the year		96	404	2	**502**
Indexation		18	0	0	**18**
Disposals		0	(15)	0	**(15)**
Accumulated depreciation at 31 March 2007		**337**	**785**	**2**	**1,124**
Net book value:					
Purchased at 31 March 2006	641	463	867	0	**1,971**
Total at 31 March 2006	641	463	867	0	1,971
Net book value:					
Purchased at 31 March 2007	**826**	**404**	**1,784**	**31**	**3,045**
Total at 31 March 2007	**826**	**404**	**1,784**	**31**	**3,045**

The National Patient Safety Agency held no assets under finance leases or hire purchase contracts at the balance sheet date.

5.3 Net Book Value of land and buildings

The net book value of land, buildings and dwellings as at 31 March 2007 comprises:

	31 March 2007 £000	31 March 2006 £000
Short leasehold	**404**	463
	404	463

5.4 Profit/(loss) on disposal of fixed assets

	2006-07	2005-06
	£000	£000
(Loss) on disposal of intangible fixed assets	**(3)**	0
(Loss) on disposal of land and buildings	**0**	(507)
(Loss) on disposal of information technology	**(7)**	0
	(10)	(507)

6 Stocks and work in progress

	31 March 2007	31 March 2006
	£000	£000
Raw materials and consumables	**68**	0
	68	0

7 Debtors

7.1 Amounts falling due within one year

	31 March 2007	31 March 2006
	£000	£000
NHS debtors	**32**	274
Provision for irrecoverable debts	**0**	(1)
Prepayments	**2,557**	2,839
Accrued income	**4**	41
Other debtors	**1,674**	1,673
	4,267	4,826

8 Analysis of changes in cash

	At 31 March 2006 £000	**Change during the year £000**	**At 31 March 2007 £000**
Cash at OPG	4	**(7)**	**(3)**
Cash at commercial banks and in hand	1	**2**	**3**
	5	**(5)**	**0**

9 Creditors:

9.1 Amounts falling due within one year

	31 March 2007 £000	31 March 2006 £000
NHS creditors	636	1,056
Capital creditors	183	574
Tax & Social Security	377	316
Other creditors	1,336	1,247
Accruals	1,481	1,142
Deferred income	0	15
	4,013	4,350

10 Provisions for liabilities and charges

	Legal claims £000	Other £000	Total £000
At 31 March 2006	211	18	229
Arising during the year	**40**	**0**	**40**
Utilised during the year	**(211)**	**(4)**	**(215)**
Reversed unused	**0**	**0**	**0**
At 31 March 2007	**40**	**14**	**54**
Expected timing of cash flows:			
Within 1 year	40	14	**54**

£nil is included in the provisions of the NHS Litigation Authority at 31.3.2007 in respect of clinical negligence liabilities of the Special Health Authority. The provision of £14,000 included in the 'Other' category relates to the back payment of staff that will be required as a result of Agenda for Change.

11 Movements in working capital other than cash

	2006-07 £000	2005-06 £000
Increase/(decrease) in stocks	68	(8)
Increase/(decrease) in debtors	(559)	1,548
(Increase)/decrease in creditors	(54)	476
	(545)	2,016

12 Movements on reserves

12.1 General Fund

	2006-07	2005-06
	£000	£000
Balance at 31 March 2006	2,486	530
Net operating costs for the year	**(30,267)**	(31,275)
Net Parliamentary funding	**31,133**	32,935
Transfer of realised profits/losses from revaluation reserve	**10**	238
Non-cash items: Capital charge interest	**106**	58
Balance at 31 March 2007	**3,468**	2,486

12.2 Revaluation reserve

	2006-07	2005-06
	£000	£000
Balance at 31 March 2006	36	253
Indexation of fixed assets	**38**	21
Transfer to general fund of realised elements of revaluation reserve	**(10)**	(238)
Balance at 31 March 2007	**64**	36

13 Reconciliation of operating costs to operating cash flows

		2006-07	2005-06
		£000	£000
Net operating cost before interest for the year		**30,256**	30,912
Expenditure not counting against Resource Limit		**0**	(147)
Adjust for non-cash transactions	2.1	**(733)**	(479)
Adjust for movements in working capital other than cash	11	**(545)**	2,016
(Increase)/decrease in provisions	10	**175**	(26)
Net cash outflow from operating activities		**29,153**	32,276

14 Contingent liabilities

At 31 March 2007, there were no known contingent liabilities. (2005-06: £365,000).

15 Capital commitments

At 31 March 2007 the value of contracted capital commitments was £165,795. (2005-06: £518,442).

16 Commitments under operating leases

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

	2006-07	2005-06
	£000	£000
Hire of plant and machinery	**41**	37
Other operating leases	**1,187**	1,154
	1,228	1,191

Commitments under non-cancellable operating leases:

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Land and buildings

		2006-07	2005-06
		£000	£000
Operating leases which expire:	within 1 year	**17**	40
	between 1 and 5 years	**406**	163
	after 5 years	**676**	919
		1,099	1,122

Other leases

Operating leases which expire:	within 1 year	**17**	41
	between 1 and 5 years	**45**	46
		62	87

17 Other commitments

The National Patient Safety Agency has entered into a contract to the value of £868,791 with the University of Manchester for one of the three confidential enquiries for 2007-08. The two other confidential enquiry contracts for 2007-08 were paid on the 30 March 2007 and have been included within prepayments. (2006-07 £839,412).

The Agency also entered into a contract with NHS Shared Business Services for the provision of payroll services commencing on 1 April 2007. The cost of the contract over 6 years is £94,330.

18 Losses and special payments

There were 13 cases of losses and special payments (prior year: 14 cases) totalling £516,276 (prior year: £317,022) approved during 2006-07.

In July 2006 the Joint Chief Executives started a period of extended leave and were granted employer assisted voluntary early retirement with effect from 31 March 2007. These arrangements were subject to scrutiny by the Department of Health and HM Treasury.

The cost to the Authority, that is disclosed here, comprises the salary of the Joint Chief Executive from the date that the agreement to support early retirement was made, that is January 2007 to the date of retirement plus the costs recharged to the Agency by the NHS Pensions Agency (PA)

These costs represent the additional cost to the PA of the pension arrangements. The costs were as follows:-

Susan Williams:
Salary January to March 2007 £23,736
Contribution to Pensions Agency £225,248

Susan Osborn:
Salary January to March 2007 £23,736
Contribution to Pensions Agency £231,736

The total value of the special payment is therefore £504,457 which has been approved by HM Treasury.

A payment of £276,869 with a supplier disclosed in the 2005-06 accounts was also paid during 2006-07, of which £184,869 related to a special payment.

19 Related parties

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 (£20k) and income and expenditure balances (£50k).

	Payment in Year 06/07 £000	Creditor @ 31.03.07 £000
Barnet, Enfield & Haringey Mental Health NHS Trust	74	21
Berkshire West PCT	9	32
Devon PCT	14	26
East Midlands Strategic Health Authority	47	45
Knowsley PCT	50	0
North East Strategic Health Authority	157	34
North West London Hospitals NHS Trust	108	6
North West Strategic Health Authority	26	59
Oxfordshire Mental Healthcare NHS Trust	58	0
Papworth Hospitals NHS Foundation Trust	75	1
Plymouth Hospitals NHS Trust	57	29
Reading Primary Care Trust	58	0
Sheffield Childrens Hospital NHS Trust	10	23
Stockport PCT	0	77
South East Coast Strategic Health Authority	96	14
The Pennine Acute Hospital NHS Trust	57	12
University Hospital of North Staffordshire NHS Trust	41	25
West Midlands Strategic Health Authority	69	92
Yorkshire Strategic Health Authority	0	49

20 Post balance sheet events

The 2006-07 financial statements were authorised for issue on 17 July 2007 by the Accounting Officer.

21 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the National Patient Safety Agency is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The 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 National Patient Safety Agency in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

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.

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.

Foreign currency risk

The National Patient Safety Agency has negligible foreign currency income.

Fair values

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

22 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	765	0	585	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	31	0	636	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	3,471	0	2,792	0
At 31 March 2007	**4,267**	**0**	**4,013**	**0**
Balances with other central government bodies	875	0	461	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	240	0	851	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	3,711	0	3,038	0
At 31 March 2006	4,826	0	4,350	0

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5560521 07/07

Printed on paper containing 75% fibre content minimum

The National Patient Safety Agency
4 - 8 Maple Street
London
W1T 5HD

T 020 7927 9500
F 020 7927 9501

www.npsa.nhs.uk

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