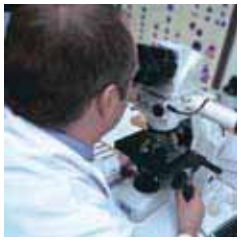
NHS
National Patient Safety Agency

The National Patient Safety Agency

Annual Report and Accounts 2007/08



The National Patient Safety Agency Annual Report and Accounts 2007/08

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 14 July 2008

HC 721 London: The Stationery Office £13.90

The National Patient Safety Agency Annual Report and Accounts 2007/08

Contents

Part 1: Annual Report

Part 2: Accounts 2007/08

Chairman's introduction

Under a revitalised management structure and with a more dynamic leadership approach, the National Patient Safety Agency has developed the way it works in partnership with the NHS and has made a real difference to improving safety in healthcare.

Lord Naren Patel, Chairman

Partnership working, both with the local NHS and national health organisations, including the royal colleges, has been a key theme for all our work this year. As resources for the service, each of the Agency's divisions have worked collaboratively with other relevant organisations to ensure all our work is relevant, useful and makes a difference.

Work on the Patient Safety Division's key initiatives for 2007-2009, aimed at four specialty areas is well underway, and has seen us working closely with relevant royal colleges, clinicians, advocacy groups and patients to achieve a broad spectrum of collective knowledge and experience, and clinical expertise. This approach will enable accurate identification of ways to improve safer practice in these areas and their wider outreach potential.

In setting up a dedicated action planning team to support the return of practitioners to safe and effective practice, the National Clinical Assessment Service (NCAS) has worked with deaneries and colleges to develop courses, educational advice and clinical placements that will support the remediation and rehabilitation of practitioners.

This collaborative approach is also demonstrated by the National Research Ethics Service (NRES) with the launch of the new Integrated Research Application System. Led by NRES and run under the auspices of the UK Clinical Research Collaboration, the initiative was supported by an extensive list of research and health organisations, and is an example of how partnership working can have a tangible impact on improving services.

The significant progress that has been made by the Patient Safety Division this year was demonstrated in *Safety First: one year on*, published in December 2007. The report set out the progress made in implementing the recommendations of *Safety First*, and demonstrated the extent to which many NHS organisations have accepted the critical importance of safer patient care and the different ways in which clinicians and health managers have worked together to improve their practices.

Patient safety, and in particular infection control, has been a major issue in health during the year, and our Agency has an important role to play in promoting and highlighting the tangible benefits of patient safety as a cultural norm.

NRES has continued to effectively profile the work of Research Ethics Committees throughout the UK and provide practical advice and assistance. Focusing on transparency, consistency and proportionality, NRES plays the key role in facilitating and promoting ethical research in the NHS.

Implementing the government's white paper, *Trust, Assurance and Safety*, has been a focal point for NCAS, most evident in the extension of its services to Scotland and other sectors of healthcare. The division has continued to assist the NHS in England, Wales and Northern Ireland in managing performance concerns about doctors and dentists.

The good work that has been achieved this year by the Agency is attributed to positive leadership, the professional expertise of our staff and the ongoing strength of governance by the Board.

I congratulate everyone on a successful year and look forward to continued energies being devoted to patient safety next year.

Lord Naren Patel of Dunkeld
Chairman
National Patient Safety Agency

Chief Executive's introduction

Martin Fletcher, Chief Executive

This has been a significant year for the National Patient Safety Agency. We have continued to build and strengthen our work in patient safety, research ethics and clinical assessment.

We have developed a new three year Corporate Plan and have undergone a significant organisational change process to ensure we can effectively deliver our corporate aims and objectives.

Our three operational divisions – Patient Safety, the National Clinical Assessment Service (NCAS) and the National Research Ethics Service (NRES) – have achieved much. Detailed explanations can be found in their individual sections of this report. Let me share some highlights:

The Patient Safety Division, led by Dr Kevin Cleary, has undertaken a significant re-organisation to respond to *Safety First* in England and the *Healthcare Quality Improvement Plan* in Wales. Changes include a greater emphasis on clinical involvement through specialist clinical teams, establishing Patient Safety Action Teams in partnership with each Strategic Health Authority in England, and new approaches to promoting quicker, actionable learning and feedback from the National Reporting and Learning System.

Through the clean**your**hands campaign, the Agency has worked closely with the World Alliance for Patient Safety Global Patient Safety Challenge: 'Clean Care is Safer Care'.

NRES, led by Dr Janet Wisely, has continued its important work to streamline and better design systems and processes to support the work of Research Ethics Committees.

In January 2008 a new integrated system for research applications in the UK was successfully launched. NRES took the lead on this project, which is proving to be a significant milestone in the push to reduce bureaucracy for researchers.

NCAS, led by Professor Alastair Scotland, has experienced its busiest year ever. Providing much needed support to the NHS to manage performance concerns in doctors and dentists, NCAS has responded to a growth in demand for its services, more complex referrals and an expansion of the scope of its work into new areas.

The Agency has also maintained its oversight of the three National Confidential Enquiries: maternal and child health, patient outcome and death, and suicide and homicide by people with mental illness.

In last year's Annual Report I talked about our intention to build a solid platform for the future. I believe we have made good progress this year. Through our corporate services, we have put in place new ways of working which provide the best possible support to frontline divisions. This includes our new Corporate Plan, new approaches to business planning and a revitalised Senior Management Group to lead the work of the Agency, complemented by Management Groups within each division.

We have placed a major emphasis on furthering our relationships with key sponsors, particularly the Department of Health in England and the Welsh Assembly Government.

It has been a busy and fulfilling year for the Agency. Of course, all of this has been achieved by the efforts of many. In particular, I want to acknowledge the support of the Chairman, Board and Senior Management Group colleagues over the past year.

Most importantly, I congratulate all of our staff for their continuing commitment, professionalism and expertise in leading and managing our many and varied portfolios of work. Together we can make a difference!

Martin Fletcher
Chief Executive
National Patient Safety Agency

Patient Safety Division

Safety First, a review of patient safety in England by the Chief Medical Officer, Sir Liam Donaldson (published in December 2006), formed the basis of much of the work achieved by the Patient Safety Division this year.

Several of the report's recommendations related directly to the division and the need for changed models of service delivery.

Rapid Response Reports 2007/08

1. **June 2007:** Risk of confusion between cytarabine and liposomal cytarabine (Depocyte®)
2. **September 2007:** Risk of confusion between non-lipid and lipid formulations of injectable amphotericin
3. **September 2007:** Emergency support in surgical units: dealing with haemorrhage
4. **November 2007:** Fire hazard with paraffin based skin products on dressings and clothing
5. **January 2008:** Risks of incorrect dosing of oral anti-cancer medicines

During the year, working closely with staff and stakeholders, we reshaped our work on patient safety. This was designed to ensure quicker action to analyse and address risks to patient safety identified through the National Reporting and Learning System (NRLS); a much stronger focus on specific clinical areas within the NHS; and the establishment of Patient Safety Action Teams (PSATs) in each of the 10 Strategic Health Authorities (SHAs) in England, while continuing the work of Patient Safety Managers in Wales.

The division was reshaped to bring the epidemiology and research aspects of patient safety together with the safer practice department in order to provide a more coherent structure and enable more energy to be devoted to the development and implementation of new projects.

National Reporting and Learning System

Reporting to the NRLS from the NHS in England and Wales continues to improve. There has been an increase over time in the number of reports each quarter and the proportion of organisations submitting reports.

The total number of patient safety incidents reported to the NRLS was 2,145,606, from its inception in November 2003 to the end of December 2007. In the first reporting quarter (October to December 2003) less than one per cent of trusts in England and Wales reported to the NRLS. During the last quarter of 2007, an average of 68 per cent of trusts reported every month.

800

stakeholders involved in the NRLS review through workshops and focus groups

The year's highlights

- Reporting to the National Reporting and Learning System
- Development of Rapid Response Reports
- New partnerships established with royal colleges
- Further implementation of the clean**your**hands campaign
- Establishment of Patient Safety Action Teams
- Scoping of Patient Safety Direct
- Supporting safety campaigns in England and Wales

A review of the NRLS was undertaken this year, with over 800 stakeholders involved through workshops and focus groups. An independent survey was carried out to gauge levels of understanding about the system by frontline staff and senior managers.

The review also considered the need to improve the core data held within the NRLS and analysis methods. Analysis of the acute care data was provided by Professor Peter Pronovost at the Johns Hopkins University School of Medicine in Baltimore, USA. They have produced detailed technical suggestions on new approaches to data analysis and improvement, and we continue to work closely with them on this.

One of the first recommendations of *Safety First* to be implemented was in relation to quicker action on reports associated with serious harm or death. Rapid response reporting is designed to respond to reports of serious patient safety incidents and to give NHS staff prompt and effective advice on specific patient safety issues. Since June 2007, five Rapid Response Reports have been issued (see box on the left).

Independent research to date suggests that the cleanyourhands campaign is effective in raising awareness and increasing use of alcohol handrub

Design guidance

New campaign materials

Projects and publications

Strengthening clinical engagement in all our work is a key priority. Four new initiatives began this year involving partnerships with royal colleges and other health organisations:

1. ***Anaesthesia: Improvement through partnership*** is a collaboration with the Royal College of Anaesthetists. Four areas of work have been identified – the development of a specialty-based reporting system as part of the NRLS, double-checking of injectable medicines, the management of throat packs and the introduction of anaesthetic work stations.
2. ***A collaborative approach to cancer care*** is being led by the Royal College of Radiologists. Three working parties are exploring the areas of radiotherapy, chemotherapy and missed/late diagnosis.
3. ***Safer practice in neonatal care*** is a partnership approach to improving neonatal care with the emphasis on developing care bundles in neonatal transport, medication errors and blood-born infection.
4. ***Improving patient safety in intra-partum care*** is being led by the Royal College of Obstetricians and Gynaecologists. Initiatives are being developed to improve safety for patients with placenta praevia following a previous caesarean section and fetal surveillance.

A report from our Patient Safety Observatory was published in July 2007: *Safer care for the acutely ill patient: learning from serious incidents* includes an analysis of 1,804 serious incidents and the potential for learning. A subsequent publication outlining recommendations resulting from analysis of these serious incidents was published in November 2007: *Recognising and responding appropriately to early signs of deterioration in hospitalised patients.*

Strengthening clinical engagement in all our work is a key priority. Four new initiatives began this year involving partnerships with royal colleges

Design for patient safety

The world of design has much to offer our efforts to improve safety and reliability in healthcare. Continuing the well-received series of publications on design for patient safety, this year we published a review of the internal design requirements for ambulances in England and Wales: *Future ambulances*.

In December 2007, the series continued with the launch of two booklets relating to dispensing: *A guide to the design of dispensed medicines* and *A guide to the design of the dispensing environment.* The reports were widely distributed to pharmacies across England and Wales.

Infection prevention

The clean**your**hands campaign has continued to emphasise the imperative of better hand hygiene to prevent the spread of infections. Independent evaluation to date suggests that the campaign is effective in raising awareness and increasing use of alcohol handrub. This year, the campaign began its third year in acute settings with a hard-hitting promotion supported

by a bank of new materials and information for hospitals.

In the middle of 2007, the non-acute campaign was launched with a group of early implementers from 19 health organisations. The first main group of non-acute NHS organisations began their start-up phase in February 2008.

Following recommendations from the Chief Medical Officer in his Annual Report, a feasibility study into ways to better involve patients in the campaign began in January 2008. Five hospitals are involved in this early work, which also includes a randomised survey of patients, the public and NHS staff. Analysis of the study will form the basis of the pilot project due to get underway in 2008/09.

Patient safety initiatives

The move to establish PSATs within SHAs was a key recommendation of *Safety First*; designed to embed patient safety in the local management of the NHS. Working in close partnership with the SHAs, the teams were in place by 1 October 2007 and detailed handover requirements were finalised by the end of the year. The work of the Patient Safety Managers in Wales is unchanged.

During the year, the NPSA hosted two meetings of a national network of PSATs to promote knowledge exchange and development.

Patient Safety Direct is a major new initiative that is being led by the NPSA. The initiative's aim is to make it easier for frontline staff to report patient safety incidents via a single portal. Currently, the main line of reporting incidents is through the NRLS. Patient Safety Direct will strengthen this reporting line by adding a new and more accessible portal for NHS staff and ultimately patients to use.

The NPSA is scoping the work with all the various organisations that need to be involved. Plans will be developed in phase two of Lord Darzi's NHS Next Stage Review.

In December 2007, the NPSA and the National Institute for Health and Clinical Excellence (NICE), as part of a pilot of commissioning patient safety solutions, jointly issued a set of technical guidance that recommends actions to ensure that inpatient medication is accurately reconciled.

Patient Safety Campaigns

A campaign to profile the importance of patient safety in the NHS in England was announced as part of the recommendations in *Safety First*. Planning for the campaign in England has been ongoing for several months, guided by the three main partners: the NPSA, the NHS Institute for Innovation and Improvement, and the Health Foundation.

The campaign aims to make the safety of patients everyone's highest priority. In the lead up to the campaign's official launch in late 2008, several major workshops for the NHS have been undertaken, the outcomes of which will help inform the shape and direction of the campaign. We are also working closely with the Patient Safety Campaign in Wales.

National Confidential Enquiries

The Agency continues to be responsible for funding and monitoring the three National Confidential Enquiries:

- National Confidential Enquiry into Patient Outcome and Death (NCEPOD)
- Confidential Enquiry into Maternal and Child Health (CEMACH)
- National Confidential Inquiry into Suicide and Homicide by people with mental illness (NCISH)

The Agency is looking into ways in which we can maximise the benefits of the Enquiries' in-depth research to better improve patient care.

For more information visit:
www.npsa.nhs.uk/patientsafety

National Clinical Assessment Service

The National Clinical Assessment Service (NCAS) has continued to provide much needed support to the NHS to manage performance concerns in doctors and dentists, aimed at restoring safe and valued practice.

NCAS' work has remained focused on casework, and efforts are being made to improve and extend the current, valued service.

Referrals to NCAS

This year has been the busiest for NCAS since it was established in 2001. The division has managed its highest ever number of referrals and the proportion of complex referrals has increased, suggesting even greater focus on the most urgent and needy cases.

NCAS has also expanded the scope of its service into many new areas.

During 2007/08, 866 referrals were managed through to case closure, of which 58 per cent were completed at advice stage, while 42 per cent were completed following further support or assessment. NCAS closed 41 assessment cases during 2007/08.

This increase in referrals, and in remit, indicates the continuing need and increasing demand for the service NCAS provides.

Preventing inappropriate suspensions and exclusions

NCAS continues to work with NHS employers and contractors to help them ensure that suspension and exclusion of practitioners from their work is used only where it is absolutely necessary and then only for the shortest time needed.

NCAS' work in this field in 2007/08 saw further evidence of a change in the use of exclusion in the NHS in England: a sustained reduction in the total number of exclusions commenced and completed within the year, and a further sharp fall in the average length of exclusions.

Support to NHS employers in England in the use of *Maintaining High Professional Standards* has also continued. NCAS has in place a comprehensive database of alert notices issued in England and Northern Ireland in respect of all healthcare professionals.

There has been a sustained reduction in the total number of exclusions commenced and completed within the year

The year's highlights

Further reductions in inappropriate suspensions and exclusions

Establishment of dedicated action planning team

Improvement of knowledge, experience and procedures

Implementation of new casework database

Production of DVD explaining assessment methods

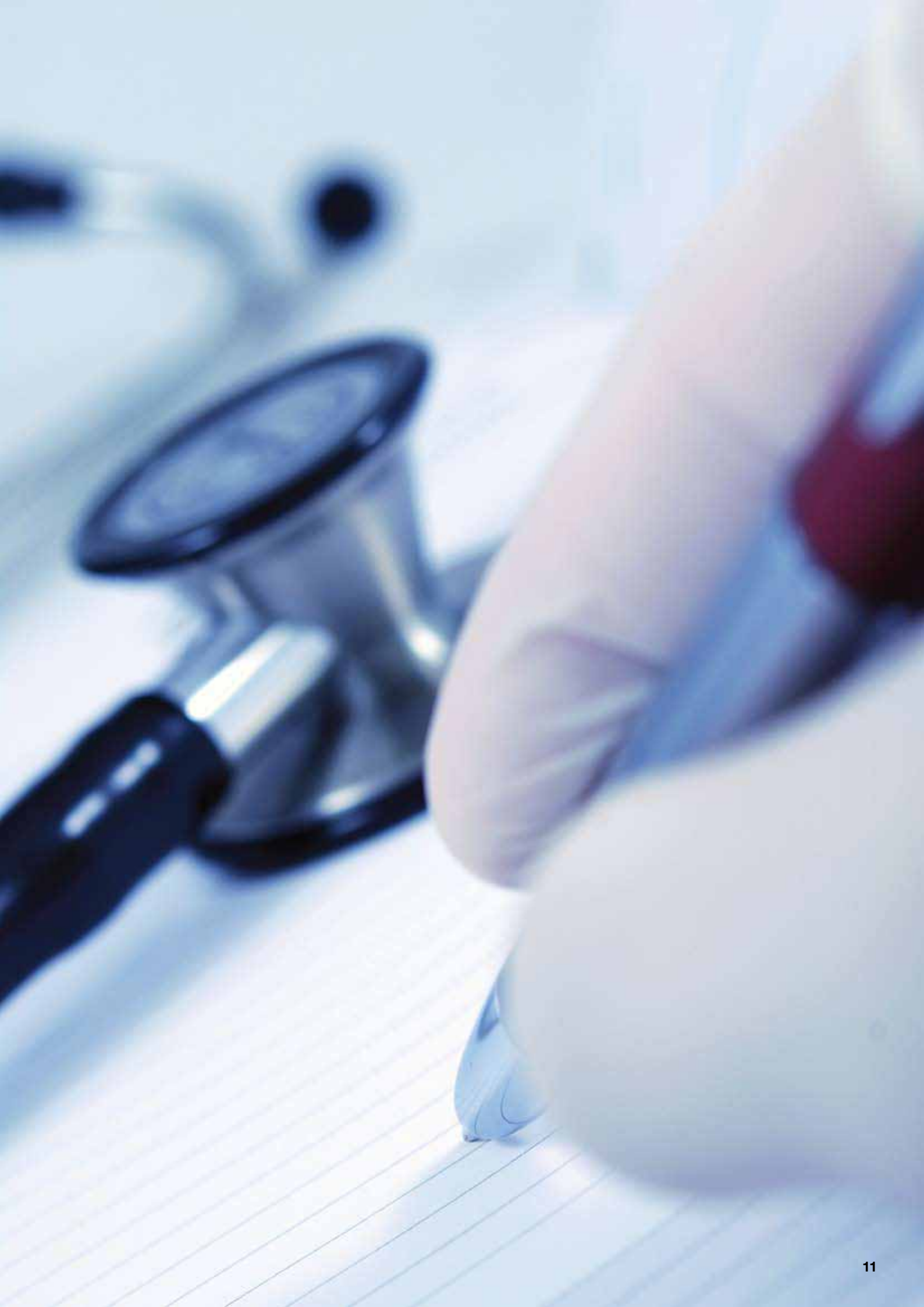
Busiest year to date in our external education and support programme

NCAS services extended across the UK and to the private sector

Establishment of action planning team

Following assessment, and in a proportion of support cases, NCAS works with referring bodies and practitioners to develop individual action plans which will support the return of practitioners to safe and effective practice where possible.

To do this, NCAS has set up a dedicated action planning team, developing resource materials to support the remediation and rehabilitation of practitioners, and working closely with deaneries and colleges to develop courses, educational advice and clinical placements. This addresses directly one of the Service's most challenging Statutory Directions.



The increase in referrals, and in remit, indicates the continuing need and increasing demand for the service NCAS provides

International survey

Improving knowledge, experience and procedures

NCAS has worked to ensure its methods and procedures represent international best practice, drawing on assessment method development and casework processes in North America and elsewhere.

This has led to the inclusion of screening for alcohol misuse and cognitive impairment in assessments, a review of the context of the practitioner's practice and the observation of surgical practice.

NCAS has worked to ensure its methods and procedures represent international best practice

A DVD has also been produced to explain NCAS assessments and help ensure that referred practitioners understand the various parts of the assessment.

The division completed in-depth analyses of 250 medical advice and support cases, and 50 dental cases, to identify the nature of the performance concerns. A new casework database was implemented which will both simplify the management of cases and provide NCAS with far more opportunities to analyse and learn from those cases.

NCAS also continued to seek feedback from trusts and practitioners who have used NCAS support and assessment services, using the findings to review the quality of the service and the extent to which it meets the needs of those seeking its help.

The division commissioned a project to review the experience of doctors and dentists who have undergone an NCAS assessment.

In December 2007 NCAS published, jointly with King's College London, the report *Provision of assessment and remediation for physicians about whom concerns have been expressed: an international survey.* The findings were presented at two international conferences.

Education events and conferences

One of the Service's key priorities and directions is to support the development of local expertise in predicting, preventing, identifying and managing performance concerns by sharing good practice and themes identified in casework.

To do this, NCAS runs an extensive external education and support programme. During the year 26 conferences, seminars and

NCAS currently has offices in London, Cardiff and Lisburn to provide services to the NHS in England, Wales and Northern Ireland

workshops were held across the country. The core of this programme focused on workshops for SHAs in England, attended by 577 delegates, two workshops in Northern Ireland (140 delegates) and a national conference focused on *Supporting the Health of Health Practitioners,* attended by over 350 delegates.

Two of NCAS' most challenging areas of responsibility came together with the programme of work on the *Network of Expertise.* This took forward the multi-sector collaboration which produced *Back on Track*, supporting expertise in the restoration of safe practice across the whole country by providing opportunities for networking, facilitated conversation and sharing good practice.

Extending NCAS services

NCAS currently has offices in London, Cardiff and Lisburn to provide services to the NHS in England, Wales and Northern Ireland.

During 2007/08, NCAS signed formal agreements to provide services to Scotland, the Isle of Man, the Defence Medical Services and the Independent Healthcare Advisory Service.

This means that from the start of 2008/09 NCAS will be providing services across the whole of the UK, both in the public and private sectors of healthcare.

To support this activity, NCAS has continued to ensure that it recruits, retains and trains the highest calibre of staff. This has included the expansion of the assessor panel to include specialists in adult psychiatry and older adult psychiatry; the completion of a series of internal training events and workshops; and the completion of mandatory competency-based training for its assessor panel.

Other work includes the submission of a report to the Department of Health, *Bridging the professional governance gap: a paper exploring the requirements for pharmacists and how they may be met,* that responds to the Department's request that NCAS should review the cost-effectiveness of extending its scope to other health professionals.

During 2007/08, NCAS signed formal agreements to provide services to:

- Scotland
- Isle of Man
- Defence Medical Services
- Independent Healthcare Advisory Service

For more information visit:
www.ncas.npsa.nhs.uk

National Research Ethics Service

The National Research Ethics Service works with colleagues to maintain a UK-wide system of ethical review that protects the safety, dignity and well-being of research participants, whilst facilitating and promoting ethical research within the NHS.

In its first full year under the name National Research Ethics Service, NRES has continued to maintain service and achieve a significant agenda of development and growth.

The year has seen a number of initiatives piloted, providing an excellent base on which to build in the future.

Collaboration

NRES has worked closely with the Research and Development Directorate at the Department of Health and the UK Health Departments.

Collaboration continues with INVOLVE (the national advisory group which aims to promote and support active public involvement in NHS, public health and social care research).

The diversity of Research Ethics Committee (REC) membership and perceptions of service users are key topics for an advisory group which has been set up, involving representatives from NRES, NHS service users, the NHS R&D Forum, INVOLVE and the REC community.

One project that involved significant collaboration was the development and launch of the Integrated Research Application System (IRAS). NRES took the lead on this project, the launch of which was a significant milestone for the research community in the push to reduce bureaucracy for researchers.

IRAS is designed to capture information that needs to be submitted by researchers for relevant permissions and approvals to enable the conduct of health and social care research in the UK. Rather than completing a number of separate application forms for each review body, researchers can now enter their information once – in IRAS. Initial feedback has been very positive.

Website and information systems

In August 2007, a new look website was launched which gave NRES the framework to further develop the site to ensure that it functions as the communication heart for the research ethics community and the general public interested in research ethics.

In February 2008, NRES commenced another key collaborative process to compare our information on ethics applications with the industry databases. This will establish the completeness of trial registration in the UK.

There is wide interest in this project. Sir Iain Chalmers, the Chair of the Advisory Group, UK Clinical Trials Gateway and Editor of the James Lind Initiative, Oxford, is "optimistic that rapid progress can be made, and that, by the end of the year, a UK Clinical Trials Gateway will provide access to information about all clinical trials being conducted in this country".

The system for ethical review and ethics database developed in the UK by NRES is also now being used in Australia.

The helpdesk function for UK users was extended considerably, including a 24/7 web-based help service.

The year's highlights

- **Launch of the Integrated Research Application System**
- **New look website launched**
- **Focus on transparency, consistency and proportionality**
- **'Ethics Behind Closed Doors?' workshop**
- **Quality Assurance initiatives**
- **Comprehensive training events including conferences held**

Business development

The new NRES divisional structure is now in place. This included establishment of the quality assurance team and changes for operational management. The transition included having shadow structures in place for some time, with many NRES staff taking on additional workloads during this phase. This flexibility and the commitment of the team has been greatly valued.

A Service Improvement Project Team was formed in December 2007. Made up of REC managers and co-ordinators, they will be taking forward the early provision of advice pilot, summary of opinions and other key strategies for service improvement.

In accordance with *Building on Improvement*, NRES has consulted and is implementing a consistent expenses payable system for REC members.

A pilot for the 'Early Provision of Advice' took place in May 2007. Established to develop consistency, this screening process identified

In its first full year under the name National Research Ethics Service, NRES has continued to maintain service and achieve a significant agenda of development and growth

The launch of IRAS was a significant milestone for the research community in the push to reduce bureaucracy for researchers

applications which benefited from early advice to applicants where the submission was unlikely to meet the requirements of the REC.

To answer the question of whether there is research going to RECs with minimal ethical issues, a pilot of fast track of those studies considered to have no material ethical issues commenced at the end of April 2007.

During July and August, seven committee meetings were covered, reviewing 52 applications within four RECs. Thirty three per cent of applications presented no material ethical issues according to the panel. NRES is continuing to develop some commensurate review processes. The fast track review pilot will move to a second phase in summer 2008.

A workshop entitled 'Ethics Behind Closed Doors?', held in October 2007, significantly developed the debate about open and fair ethical deliberation. Chaired by Professor Richard Ashcroft, Professor of Bioethics at Queen Mary University of London, an impressive line-up of speakers set the scene for a constructive debate and general consensus on the need for research ethics to be more transparent. Delegates at the workshop stressed that NRES take a proportionate response.

IRAS will play a key part in the drive for openness, as the application process includes a lay summary of research applications which is provided by applicants, and will be routinely published and available in public forum for studies submitted from April 2008. NRES commissioned the University of Leicester to analyse REC decisions and comments from letters and minutes. There have been some publications as a result and the findings are also being used to further develop the training programme for researchers and REC operations.

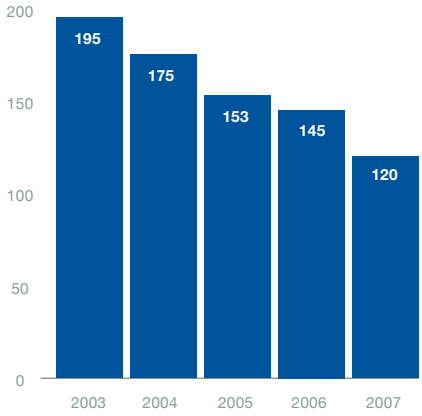
A series of well-attended roadshows were held to update the research ethics community on the business plans and progress. The ethical review booking system, Central Allocation System (CAS), was relocated to Manchester in February 2008.

There was a general consensus on the need for research to be more transparent

Legislation and regulation

The *Mental Capacity Act* (MCA) came into force in October 2007. As well as training workshops being run, Standard Operating Procedures were updated to assist ethics committees in dealing with research involving adults lacking capacity to consent for themselves. All applications falling under the Act are now directed to a

RECs in England



flagged REC with members having attended specific MCA training.

Quality assurance

A comprehensive programme of quality assurance was implemented this year. Twenty eight RECs have gone through the accreditation process since it began in September 2007.

A pilot for chairs' appraisals was run and will now be rolled out further.

Feedback from users of the research ethics service was also sought. While the response was not as high as hoped, the results were extremely positive and revealed that for most researchers, going through the ethics approval process was a daunting, but good experience. There is room for improvement on the clarification of decisions post-REC meetings.

Further work will be undertaken to encourage better participation in future feedback initiatives. Overall, for a first survey, it was a promising start.

Another quality initiative was the ethical debate exercise involving nine RECs. The findings from that exercise are being shared with the REC community.

Training

To support the extension of the quality assurance programme, a full and well-supported training programme was run, including workshops on accreditation, sharing ethical debate and appraisals. As well as quality, the focus for training for the year has been on the *Human Tissue Act*, the *Mental Capacity Act* and using NHS service users in research design. Further training on areas such as social science methodology, medical devices and chairing skills also featured.

Centrally-organised conferences were held, with the 'Annual Conference for Chairs and Co-ordinators' being a highlight. This was the first year of combining conferences for chairs and co-ordinators. The three key themes of the conference were proportionality, consistency and transparency.

The fully subscribed Southern and Northern REC Members Conferences were held in February and March 2008.

Successful training days for researchers have also been held. These have proved ideal opportunities for NRES to not only ensure that researchers are aware of the expectations of RECs and the ethical approval process, but also to update them on important advances in research ethics, including the launch of IRAS.

Ethics Behind Closed Doors?

For more information visit:
www.nres.npsa.nhs.uk

Management commentary

Operating and policy environment

The Agency operates within the healthcare systems in England, Wales, Scotland 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. In England, key examples of this 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.

In Wales, *Designed for Life* sets out a number of policies that impact on the Agency's work. In Northern Ireland, proposed changes to the structures within the Department of Health, Social Services and Public Safety (DHSSPS) and the wider health service have potentially wide-ranging impacts.

Patient Safety Division

The publication by the Department of Health of *Safety First* in December 2006 sets out the main policy direction in England, and reinforces the importance of building a safer NHS for patients.

In November 2006, the Welsh Assembly Government produced its Healthcare Quality Improvement Plan, *Designed to Deliver*, which outlines the way forward for the NHS in Wales.

These publications set the policy agenda for our patient safety work. Both publications acknowledge that clinicians, managers and policymakers need to be more aware of patient safety, that the pace of change must be stepped up, and that the safety of patients must be at the top of every agenda.

NCAS

The publication of the White Paper, *Trust, Assurance and Safety – The Regulation of Health Professionals in the 21st Century*, places additional demands on NCAS. The paper not only encompasses recommendations arising from the review of professional regulation, but also recommendations from the Public Accounts Committee, echoed by the Shipman, Kerr/Haslam, Ayling and Neale inquiries.

Collectively, these reports include a broad range of recommendations that stand to have a significant impact on NCAS' role, remit and responsibilities. The Service has identified a targeted programme for the next three years which includes significant additional effort in the areas of casework, evaluation, research and development.

NRES

Better Research for Better Health, the government's policy for research in the UK, sets out the development agenda for NRES. In August 2006, *Building on Improvement: Implementing the Recommendations of the ad hoc Advisory Group on the Operation of NHS Research Ethics Committees* was launched and established a strategic programme of work for NRES in the further improvement of research ethics in the UK. These reports, together with legislation at UK and EU levels, define the strategic direction for the development of NRES.

Extension of services to devolved administrations

From April 2008, NCAS will provide a service to all parts of the UK. The Patient Safety Division is in discussion with colleagues in Northern Ireland over providing certain of their services and functions.

Any expansion of service will form part of organisational development in the future.

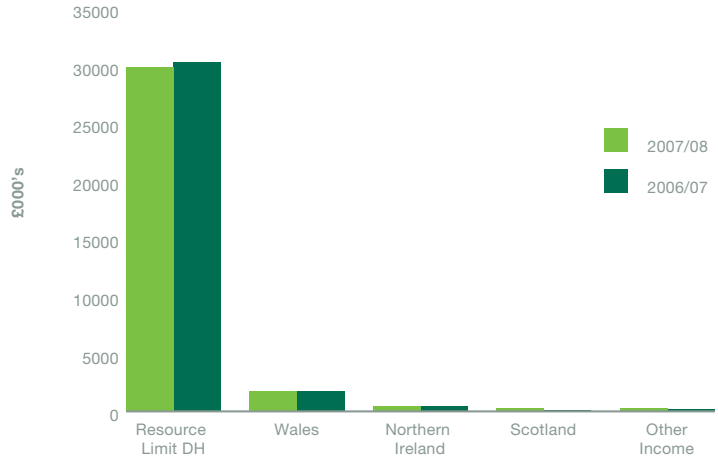
Resources

The Agency receives two resource limits from the Department of Health, one to cover revenue expenditure and one for capital. The allocations in 2007/08 included an additional sum specifically to cover the costs of organisational change.

The Agency met its financial duties in 2007/08 and spent within the resource limits set. Details of the Accounts of the Agency can be found at the end of this report.

The Agency's total available resources for the year were £32.332m (£32.478m in 2006/07). As the chart below shows, the vast majority of our income comes from the Department of Health (DH) by way of a resource limit, with

Income



the remainder from the devolved administrations of Wales, Northern Ireland, Scotland and miscellaneous other income. The resource limit represents the maximum the Agency was permitted to utilise.

The Agency under-spent this allocation in the year by £0.395m, as part of the allocation was specifically earmarked for redundancy costs and a re-organisation was successfully undertaken without the need to utilise all these funds.

The Agency's expenditure totalled £31.937m (£32.476m in 2006/07) and is analysed in the chart below, by type of expenditure, and by function in the chart on the following page. As can be seen, just over half of the total cost is on pay.

Contracted services include the work of the three Confidential Enquiries.
The chart on the following page shows the total expenditure for each of the Agency's divisions, with the costs of premises, central support departments and capital charges shown separately.

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 Senior Management Group 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 Framework is reviewed by our Senior Management Group 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

The NPSA's primary stakeholders are patients who receive NHS care, NHS staff and organisations, and research participants.

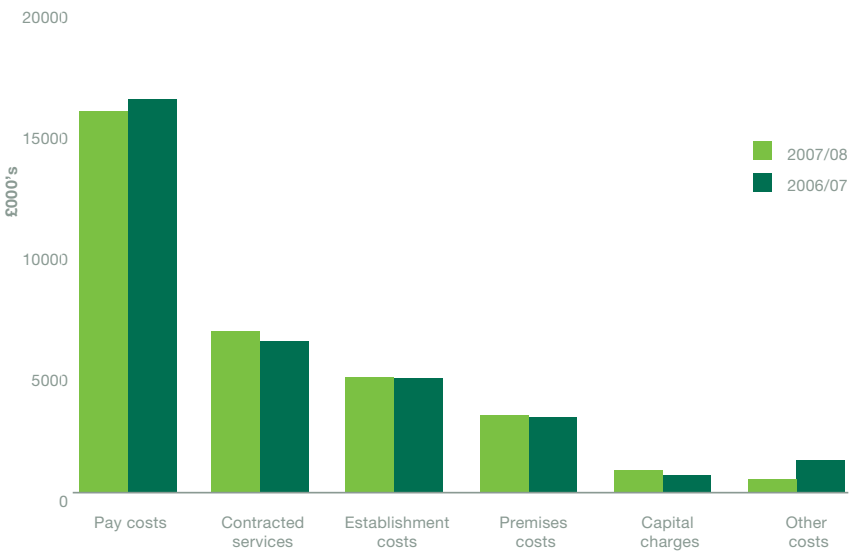
We have a Management Statement in place with the Department of Health and a Section 83 agreement with the Welsh Assembly Government as the organisations that provide primary funding for our work and hold us to account.

The three divisions of the Agency work in partnership with a wide variety of organisations. We have joint working agreements and memoranda of understanding with key partners such as the Healthcare Commission, Healthcare Inspectorate Wales, and the National Institute for Health and Clinical Excellence (NICE), and undertake 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, SHAs and NHS trusts.

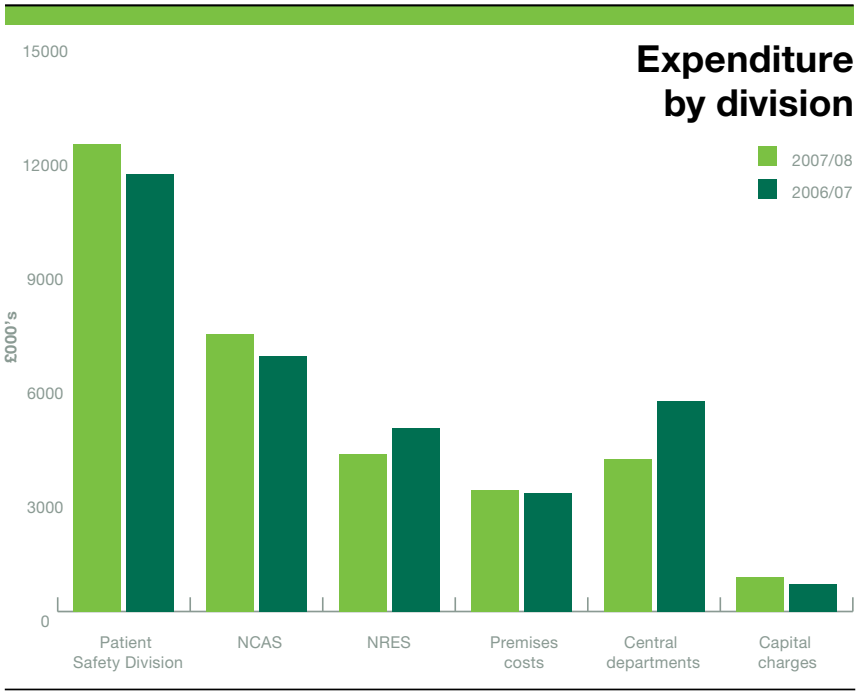
Across the divisions we also search out a wide range of inputs, including from representatives of the medical specialties, nursing, midwifery and allied health professionals via formal advisory groups and direct programmes of work with the royal colleges.

We have also adopted methodologies for patient involvement across a wide range of projects and programmes to ensure that our most important stakeholders can help shape what we do.

Expenditure by type



Management commentary (continued)



Corporate citizenship

We have assessed our operations against the NHS's good corporate citizenship self-assessment model, and are making improvements based on the areas identified.

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. Our Staff Council ensures staff have input into the development of the organisation's plans, policies and processes.

In addition to the above, we have developed a sustainable development plan for the organisation which recognises our responsibility to ensuring that what we do does not compromise the ability of future generations to meet their needs. The plan sets out the actions that we will take to make sure that the work we do reflects this.

Emergency preparedness

The NPSA has contingency plans in place to maintain continuous delivery of some core functions should disaster occur, and to restore other functionality as quickly as possible. We conduct an annual review of the robustness of these plans.

Equality and diversity

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

The Agency's three-year Equalities Strategy was approved by the Board in November 2006. Developments which will take place in 2008/09 are reconfiguring activities and oversight around new Agency structures, fully integrating the Race Equality and Gender Equality schemes and Human Rights legislation with our strategy and developing awareness training for staff.

Public interest

History and statutory background

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

As a result of the review of Arm's Length Bodies undertaken in 2004, the NPSA was reformed with responsibility for three separate divisions, each with distinct functions:

- Patient Safety (the former Agency)
- National Clinical Assessment Service (formerly the National Clinical Assessment Authority – established in 2001)
- National Research Ethics Service (formerly the Central Office for Research Ethics Committees – established in 2000).

At the same time, the Agency took on responsibility for the safety aspects of hospital design, cleanliness and food, and the management of the contracts with the three National Confidential Enquiries: the 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 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 and nominees should have had a contract with the NPSA for at least one year. The role of a Staff Council representative is to:

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

The NPSA is moving towards a trade union partnership agreement, which will come into place from September 2008.

Equal opportunities

The NPSA takes an integrated approach to equal opportunities, including disabled employees. The approach is that of 'reasonable adjustments', which is underlined in the Agency's Equalities Strategy (incorporating the Agency's Race Equality Scheme and Action Plan).

Complaints process

The NPSA's complaints policy complies with current legislation and requirements of the NHS, and has been reviewed against the Ombudsman's 'Principles for Remedy'.

Better Payments Practice Code

The Agency seeks to comply with the Better Payments Practice Code by paying our suppliers within 30 days of the receipt of goods or services, or within 30 days of receipt of an invoice. The performance in meeting this objective is disclosed in note 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 the cost of £45,000. The audit certificate can be found on page 28 to 29.

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.

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

Register of interests

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

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

Interests in land

The Agency values its assets, as shown on the Balance Sheet in the Accounts in accordance with prevailing accounting standards.

Pension liabilities

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

Remuneration report

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

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 below.

The following tables disclose the senior management remuneration and pension benefits during 2007/08, and have been subject to audit.

Salaries and allowances

	2007-08			2006-07		
	Salary (bands of £5,000) £000	Other remuneration £000	Benefits in kind £00	Salary (bands of £5,000) £000	Other remuneration £000	Benefits in kind £00
Non-Executive Directors						
Lord N Patel, Chairman (+)	60-65	0	0	55-60	0	0
R Pritchard, Non-Executive Director and Audit Chair (started 01/04/2007) (**)	10-15	0	0	N/A	N/A	N/A
T Jones, Non-Executive Director (started 01/04/2007) (**)	5-10	0	0	N/A	N/A	N/A
D Weir-Hughes, Non-Executive Director (started 01/04/2007) (+)	5-10	0	0	N/A	N/A	N/A
H Ghodse, Non-Executive Director (+)	5-10	0	0	5-10	0	0
G Edelman, Non-Executive Director (**)	5-10	0	0	5-10	0	0
L Patterson, Non-Executive Director	5-10	0	0	5-10	0	0
G Gardiner, Non-Executive Director (+)	5-10	0	0	5-10	0	0
Directors						
Martin Fletcher, Chief Executive (started 21/05/2007)	110-115	0	0	N/A	N/A	N/A
Helen Glenister, Deputy Chief Executive (Acting Chief Executive – ended 20/05/2007)	115-120	0	0	90-95	0	0
Kevin Cleary, Medical Director (started 23/07/2007)	65-70	0	0	N/A	N/A	N/A
Peter Mansell, Director for Patient Experience and Public Involvement	105-110	0	0	100-105	0	0
Alastair Scotland, Director, National Clinical Assessment Service (*)	140-145	55-60	0	130-135	55-60	0
Dave Bell, Director of Finance	110-115	0	0	105-110	0	0
Janet Wisely, National Research Ethics Service Director	85-90	0	0	85-90	0	0
Sarndrah Horsfall, Interim Chief Operating Officer (started 01/01/08)	20-25	0	0	N/A	N/A	N/A
Richard Thomson, Director of Epidemiology and Research (ended 31/08/2007)	50-55	0	0	105-110	0	0

(+) Pay and Remuneration Committee member (**) Audit Committee member

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

Pension benefits

	Real increase in pension at age 60 (bands of £2,500)	Lump sum at age 60 related to real increase in pension (bands of £2,500)	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2007	Real increase in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
Martin Fletcher, Chief Executive (started 21/05/2007)	10.0 - 12.5	7.5 - 10.0	5 - 10	20 - 25	114	63	30	0
Helen Glenister, Deputy Chief Executive (Acting Chief Executive – ended 20/05/2007)	15.0 - 17.5	10.0 - 12.5	25 - 30	80 - 85	409	332	49	0
Kevin Cleary, Medical Director (started 23/07/2007)	(5.0) - (2.5)	(5.0) - (2.5)	30 - 35	95 - 100	453	459	-9	0
Peter Mansell, Director for Patient Experience and Public Involvement	2.5 - 5.0	2.5 - 5.0	5-10	25 - 30	134	109	16	0
Alastair Scotland, Director, National Clinical Assessment Service	22.5 - 25.0	17.5 - 20.0	85 - 90	265 - 270	1459	1424	-1	0
Dave Bell, Director of Finance	7.5 -10	5.0 - 7.5	40 - 45	120 - 125	620	555	36	0
Janet Wisely, National Research Ethics Service Director	7.5 - 10.0	5.0 - 7.5	10 - 15	40 - 45	175	142	20	0
Sarndrah Horsfall, Interim Chief Operating Officer (started 01/01/08)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)
Richard Thomson, Director of Epidemiology and Research (ended 31/08/2007)	5.0 - 7.5	2.5 - 5.0	35 - 40	115 - 120	589	510	19	0

(A) Not in Pension Scheme

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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.

Mr Martin Fletcher
Chief Executive

Date: **23 June 2008**

Accounts 2007/08

Part 2: Annual Accounts

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, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

Statement on internal control 2007/08

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

During the year the Accounting Officer changed on one occasion. Helen Glenister was Accounting Officer from 1 April 2007 to 20 May 2007. I took this role on appointment on 21 May 2007.

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

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

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

The system of internal control has been in place in the National Patient Safety Agency for the year ended March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk
The Director of Finance, 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 Senior Management Group, led by myself, reviews and monitors progress with action plans and provides a resource group for department and teams to raise local risk management issues.

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

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

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.

The Head of Internal Audit reviewed the Corporate Assurance Framework recently and commented that it provided reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the Agency. A number of detailed recommendations for improving the system were made which I cover in the review of effectiveness below.

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 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. 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, including its publication on the NPSA's intranet site.

During the latter part of 2007/08, the profile of information and data security has been raised across Government. The Agency has responded to the guidance issued by the Cabinet Office and has undertaken a programme of hardware upgrades to ensure laptop PCs are encrypted. Guidance has also been issued to staff on data security. A group has been established to oversee further improvements in line with the guidance in 2008/09.

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

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

The effectiveness of the system of internal control has been subject to review by our internal auditors, who 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 is to be finalised with management to implement the recommendations. As part of these reviews I am aware of weaknesses in the System of IT Disaster Recovery and a plan is currently being formulated to address these issues.

The Agency has reviewed its corporate objectives during the year and has agreed revised objectives for 2008/09. Our Business Plan for 2008/09 flows from these objectives and our Controls Assurance and Risk Management processes are in the process of revision to ensure that our risks are more closely aligned to those keys objectives. The organisation will report on achievements and progress against the objectives and plans to the Board on a quarterly basis and this report will include risks and controls in place to mitigate them.

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

Mr Martin Fletcher
Chief Executive

Date: **23 June 2008**

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 2008 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow 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 the Accounting Officer'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, the information, which comprises the management commentary, the public interest disclosures and those parts of the remuneration report not subject to audit, included in the Annual Report 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 misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions
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 as Accounting Officer 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 misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions
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 National Patient Safety Agency's affairs as at 31 March 2008 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, which comprises the management commentary, the public interest disclosures and those parts of the remuneration report not subject to audit, included within the Annual Report, is consistent with the financial statements.

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.

Signed on 2 July 2008

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

Operating Cost Statement

For the year ended 31 March 2008

	Notes	2007-08 £000	2006-07 £000
Programme costs	2.1	**31,893**	32,465
Operating income	4	**(2,504)**	(2,209)
Net operating cost before interest		**29,389**	30,256
Interest payable		**0**	1
Loss on Disposal of Asset	5.4	**44**	10
Net operating cost		**29,433**	30,267
Net resource outturn	3.1	**29,433**	30,267

All income and expenditure is derived from continuing operations

Statement of Recognised Gains and Losses

For the year ended 31 March 2008

		2007-08 £000	2006-07 £000
Unrealised surplus on the indexation of fixed assets	12.2	**34**	38
Recognised gains for the financial year		**34**	38

The notes at pages 33 to 48 form part of these accounts.

Balance Sheet

As at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
Fixed assets:			
Intangible assets	*5.1*	**164**	219
Tangible assets	*5.2*	**3,329**	3,045
		3,493	3,264
Current assets:			
Stocks	*6*	**0**	68
Debtors	*7*	**3,684**	4,267
Cash at bank and in hand	*8*	**3**	0
		3,687	4,335
Creditors: amounts falling due within one year	*9.1*	**(3,542)**	(4,013)
Net current assets		**145**	322
Total assets less current liabilities		**3,638**	3,586
Provisions for liabilities and charges	*10*	**(40)**	(54)
		3,598	3,532
Taxpayers' equity			
General Fund	*12.1*	**3,517**	3,468
Revaluation reserve	*12.2*	**81**	64
		3,598	3,532

The financial statements on pages 30 to 48 were approved by the Board on 23 June 2008 and signed by

Signed:

Date: **23 June 2008**

Accounting Officer

Cash Flow Statement

For the year ended 31 March 2008

	Notes	2007-08 £000	2006-07 £000
Net cash (outflow) from operating activities	*13*	**(28,316)**	**(29,153)**
Servicing of finance			
Interest paid		**0**	(1)
Net cash (outflow) from servicing finance		**0**	(1)
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		**(177)**	(121)
(Payments) to acquire tangible fixed assets		**(844)**	(1,863)
Net cash (outflow) from investing activities		**(1,021)**	(1,984)
Net cash (outflow) before financing		**(29,337)**	(31,138)
Financing			
Net Parliamentary funding	*12.1*	**29,340**	31,133
Increase/(decrease) in cash in the period	*8*	**3**	**(5)**

The notes at pages 33 to 48 form part of these accounts.

Notes to the Accounts

For the year ended 31 March 2008

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 2007-08 was 3.5% (2006-07 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 esearch 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.

Accounting policies (continued)

Tangible Fixed Assets

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

i Land and buildings (including dwellings)

Valuations are carried out by the District Valuer of 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 indicies.

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 & Machinery	5
Information technology	5

1.6 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.

1.7 Losses and special payments

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

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 18 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.8 Pension costs

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

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

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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

Scheme provisions as at 31 March 2008

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

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

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

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/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.9 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It 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.

1.10 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.

1.11 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.

1.12 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	2007-08 £000	2006-07 £000
Non-executive members' remuneration				120	128
Other salaries and wages		*2.2*		**15,672**	16,131
Supplies and services - general				131	130
Establishment expenses				4,798	4,752
Transport and moveable plant				42	37
Premises and fixed plant				3,187	3,127
External contractors (*)				6,671	6,258
Capital:	Depreciation and amortisation	*5.1, 5.2*	**790**		627
	Capital charges interest		**125**		106
				915	733
Auditor's remuneration: Audit Fees (**)				45	45
Writing off Bad Debts				0	2
Miscellaneous				205	665
Redundancy				104	0
Early Retirement costs				3	457
				31,893	32,465

(*) This includes payments of £3,294k for the three Confidential Enquiries from 01/04/2007 (£3,054k 2006-07). The Confidential Enquiries carry out national audits of NHS care focusing on acute care, maternal and child health, and suicide and homicide.
(**) The Authority did not make any payments to Auditors for non-audit work.

2.2 Staff numbers and related costs

	2007-08 Total	Permanently employed staff	Other	2006-07
	£000	**£000**	**£000**	£000
Salaries and wages	**13,361**	10,312	3,049	13,721
Social security costs	**976**	976	0	1,040
Employer contributions to NHSPA	**1,335**	1,335	0	1,370
	15,672	**12,623**	**3,049**	16,131

The average number of employees during the year was:

	Total Number	Permanently employed staff Number	Other Number	2006-07 Number
Total	**292**	220	72	309

Expenditure on staff benefits
The amount spent on staff benefits, comprising of tax on Non-Executive Directors and staff travel and improving working lives for staff, during the year totalled £74,439 (2006-07: £70,091).

Retirements due to ill-health
During 2007-08 there were nil (2006-07: £nil) early retirements from the Special Health Authority on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £nil. The cost of these ill-health retirements will be borne by the NHS Pension Scheme.

Early retirements and redundancies
£2,871 has been charged to the revenue account in 2007-08 in respect of voluntary early retirement of the Joint Chief Executive during 2006-07. This was an additional amount notified to the Agency in November 2007. £103,743 has been charged to the revenue account in 2007-08 in respect of redundancies as a result of reorganisation.

2.3 Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2007-08	**9,892**	**19,832**
Total non NHS bills paid within target	**8,671**	**17,886**
Percentage of non NHS bills paid within target	**87.7%**	**90.2%**

	Number	£000
Total NHS bills paid 2007-08	**294**	**1,724**
Total NHS bills paid within target	**232**	**1,375**
Percentage of NHS bills paid within target	**78.9%**	**79.8%**

The Late Payment of Commercial Debts (Interest) Act 1998

	2007-08 £000	2006-07 £000
Amounts included within interest payable arising from claims made under this legislation	0	1
	0	1

3.1 Reconciliation of net operating cost to net resource outturn

	2007-08 £000	2006-07 £000
Net operating cost	**29,433**	30,267
Net resource outturn	**29,433**	30,267
Revenue resource limit	**29,828**	30,269
Under spend against revenue resource limit	**395**	2

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2007-08 £000	2006-07 £000
Gross capital expenditure	**1,030**	1,592
NBV of assets disposed	**(44)**	(10)
Net capital resource outturn	**986**	1,582
Capital resource limit	**1,033**	1,585
Under spend against limit	**47**	3

4 Operating income

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

	Appropriated in aid £000	Not appropriated in aid £000	Total £000	2006-07 £000
Programme income:				
Fees & charges to external customers	58	0	**58**	85
Income received from Scottish Parliament	187	0	**187**	30
Income received from National Assembly for Wales	1,691	0	**1,691**	1,661
Income received from Northern Ireland Assembly	392	0	**392**	376
Income received from other Departments	0	176	**176**	57
Total	**2,328**	**176**	**2,504**	2,209

5.1 Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 31 March 2007	549	**549**
Additions - purchased	33	**33**
Reclassification	25	**25**
Disposals	0	**0**
Gross cost at 31 March 2008	**607**	**607**
Accumulated amortisation at 31 March 2007	331	**331**
Charged during the year	112	**112**
Disposals	0	**0**
Accumulated amortisation at 31 March 2008	**443**	**443**
Net book value:		
Purchased at 31 March 2007	219	**219**
Total at 31 March 2007	**219**	**219**
Net book value:		
Purchased at 31 March 2008	164	**164**
Total at 31 March 2008	**164**	**164**

5.2 Tangible fixed assets

	Assets under construction	Buildings exc dwellings	Information technology	Furniture & Fixtures	Plant & Machinery	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation at 31 March 2007	826	741	2,569	0	33	**4,169**
Additions - purchased	666	0	297	24	10	**997**
Reclassification	(940)	0	915	0	0	**(25)**
Indexation	0	61	0	0	1	**62**
Disposals	0	(147)	0	0	0	**(147)**
Gross cost at 31 March 2008	**552**	**655**	**3,781**	**24**	**44**	**5,056**
Accumulated depreciation at 31 March 2007		337	785	0	2	**1,124**
Charged during the year		96	575	0	7	**678**
Indexation		28	0	0	0	**28**
Disposals		(103)	0	0	0	**(103)**
Accumulated depreciation at 31 March 2008		**358**	**1,360**	**0**	**9**	**1,727**
Net book value:						
Purchased at 31 March 2007	826	404	1,784	0	31	**3,045**
Total at 31 March 2007	826	404	1,784	0	31	**3,045**
Net book value:						
Purchased at 31 March 2008	**552**	**297**	**2,421**	**24**	**35**	**3,329**
Total at 31 March 2008	**552**	**297**	**2,421**	**24**	**35**	**3,329**

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 2008 comprises:

	31 March 2008	31 March 2007
	£000	£000
Short leasehold	**297**	404
	297	404

5.4 Profit/(loss) on disposal of fixed assets

	2007-08 £000	2006-07 £000
(Loss) on disposal of intangible fixed assets	**0**	(3)
(Loss) on disposal of land and buildings	**(44)**	0
(Loss) on disposal of plant and equipment	**0**	(7)
	(44)	(10)

6 Stocks and work in progress

	31 March 2008 £000	31 March 2007 £000
Raw materials and consumables	**0**	68
	0	68

7 Debtors

7.1 Amounts falling due within one year

	31 March 2008 £000	31 March 2007 £000
NHS debtors	**132**	32
Provision for irrecoverable debts	**0**	0
Prepayments	**2,350**	2,557
Accrued income	**0**	4
Other debtors	**1,202**	1,674
	3,684	4,267

8 Analysis of changes in cash

	At 31 March 2007 £000	**Change during the year £000**	**At 31 March 2008 £000**
Cash at OPG	(3)	**3**	**0**
Cash at commercial banks and in hand	3	**0**	**3**
	0	**3**	**3**

9 Creditors:

9.1 Amounts falling due within one year

	31 March 2008 £000	31 March 2007 £000
NHS creditors	495	636
Capital creditors	191	183
Tax and Social Security	330	377
Other creditors	1,088	1,336
Accruals	1,256	1,481
Deferred income	182	0
	3,542	4,013

10 Provisions for liabilities and charges

	Legal claims	**Other**	**Total**
	£000	**£000**	**£000**
At 31 March 2007	40	14	54
Utilised during the year	0	(2)	(2)
Reversed unused	0	(12)	(12)
At 31 March 2008	**40**	**0**	**40**
Expected timing of cash flows:			
Within 1 year	40	0	**40**

11 Movements in working capital other than cash

	2007-08 £000	2006-07 £000
Increase/(decrease) in stocks	(68)	68
Increase/(decrease) in debtors	(583)	(559)
(Increase)/decrease in creditors	479	(54)
	(172)	(545)

12 Movements on reserves

12.1 General Fund

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	3,468	2,486
Net operating costs for the year	**(29,433)**	(30,267)
Net Parliamentary funding	**29,340**	31,133
Transfer of realised profits/losses from revaluation reserve	**17**	10
Non-cash items: Capital charge interest	**125**	106
Balance at 31 March 2008	**3,517**	3,468

12.2 Revaluation reserve

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	64	36
Indexation of fixed assets	**34**	38
Transfer to general fund of realised elements of revaluation reserve	**(17)**	(10)
Balance at 31 March 2008	**81**	64

13 Reconciliation of operating costs to operating cash flows

		2007-08 £000	2006-07 £000
Net operating cost before interest for the year		**29,389**	30,256
Adjust for non-cash transactions	2.1	**(915)**	(733)
Adjust for movements in working capital other than cash	11	**(172)**	(545)
(Increase)/decrease in provisions	10	**14**	175
Net cash outflow from operating activities		**28,316**	29,153

14 Contingent liabilities

At 31 March 2008, there were no known contingent liabilities (2006-07: £nil).

15 Capital commitments

At 31 March 2008 the value of contracted capital commitments was £7,200 (2006-07: £165,795).

16 Commitments under operating leases

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

	2007-08 £000	2006-07 £000
Hire of plant and machinery	**32**	41
Other operating leases	**1,085**	1,187
	1,117	1,228

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		2007-08 £000	2006-07 £000
Operating leases which expire:	within 1 year	**0**	17
	between 1 and 5 years	**190**	406
	after 5 years	**676**	676
		866	1,099
Other leases			
Operating leases which expire:	within 1 year	**7**	17
	between 1 and 5 years	**51**	45
		58	62

17 Other commitments

The National Patient Safety Agency has entered into a contract to the value of £844,855 with the University of Manchester for one of the three confidential enquiries for 2008-09. The two other confidential enquiry contracts for 2008-09 were paid on the 31st March 2008 and have been included within prepayments. (2008-09 £868,791)

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

18 Losses and special payments

There were 13 cases of losses and special payments (Prior year: 14 cases) totalling £13,753 (Prior year £317,022) approved during 2007-08.

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 (£50k) and income and expenditure balances (£100k).

	Payment in Year 07/08 £000	Receipts in year 07/08 £000	Debtor @ 31.03.08 £000	Creditor @ 31.03.08 £000
Department of Health	361	127	25	40
Gloucestershire Hospitals NHS Foundation Trust	0	0	0	51
NHS Connecting for Health	0	0	67	0
North East Strategic Health Authority	5	0	0	52

20 Post balance sheet events

The 2007-08 financial statements were authorised for issue on 2 July 2008 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	Debtors: Amounts falling due after more than one year	Creditors Amounts falling due within one year	Creditors Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	806	0	705	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	17	0	227	0
Balances with public corporations and trading funds	0	0	11	0
Balances with bodies external to government	2,861	0	2,599	0
At 31 March 2008	**3,684**	0	**3,542**	0
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

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5847460 07/08
Printed on Paper containing 75% recycled fibre content minimum.

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

Online
www.tsoshop.co.uk

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

TSO Shops
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX

TSO@Blackwell and other Accredited Agents

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

T 020 7927 9500
F 020 7927 9501

Reference: 0712 July 2008

www.npsa.nhs.uk

ISBN 978-0-10-295632-0
9 780102 956320