NHS
National Patient Safety Agency

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Annual Report and Accounts 2008/09

National Reporting and Learning Service

National Clinical Assessment Service

National Research Ethics Service

The National Patient Safety Agency

Annual Report and Accounts 2008/09

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Annual Report and Accounts 2008/09

Annual Report

Accounts

"The Agency has achieved a great deal this year, which is a testament to the professional approach and expertise of our staff and their understanding of the NHS and wider landscape."

Chairman's introduction

The National Patient Safety Agency (NPSA) has worked with the wider NHS to understand and support its ever-changing needs and become a more responsive and agile organisation.

With an increased profile comes increased expectations of our services across all divisions. The Agency has risen to this challenge by expanding its remit where needed; it has continued to streamline its research ethics service, it increased its capacity to deal with greater numbers of referrals to its clinical assessment service and has assisted NHS organisations in local decision-making and learning about patient safety through publishing data about incidents reported to the National Reporting and Learning Service (NRLS).

The Agency has continued to strengthen its links with the NHS, both locally and nationally. It works closely with regional partners such as the newly-formed Patient Safety Action Teams in Strategic Health Authorities in England, and with the Welsh Assembly Government, as well as its work with local Research Ethics Committees (RECs) and the National Clinical Assessment Service's (NCAS) policy work in Scotland and Wales. I am also happy to report that we are increasing our work to engage patients through our links with the Action against Medical Accidents and recruitment of Patient Safety Champions across England and Wales.

Implementation and co-ordination of patient safety issues by promoting a culture of reporting and learning has come on apace in the last year as we continue to provide tools to help the local NHS take responsibility. This has seen increased reporting of patient safety incidents across the board, which is something we welcome – an open and fair culture that promotes reporting should be the goal for all. A commitment to reporting and learning demonstrates a commitment to patients and their safety. This culture shift has created a very strong platform for us to support national learning.

After a year-long international pilot of the World Health Organization's (WHO) Surgical Safety Checklist, including St Mary's Hospital, London, the Agency launched the Checklist nationally. It is a series of 24 simple checks proven to reduce complications and deaths in surgery. This is a significant yet simple initiative that in the international pilot showed significant reductions in complications and deaths.

Lord Darzi's *High Quality Care for All*, in June 2008, brought quality and patient safety to the heart of the NHS. The NPSA was tasked with developing a framework for discussion and monitoring of Serious Untoward Incidents, termed Never Events, that commissioners could use to support safer care by their providers. The Never Events Framework was launched by the NPSA in time for commissioners in primary care trusts to use from April 2009, and was one of the first tangible signs that recommendations from Darzi's report are embedding in the NHS.

NCAS, having previously focused its advice and support services solely on concerns about doctors and dentists, has responded to the White Paper, *Trust, Assurance and Safety – The Regulation of Health Professionals in the 21st Century* by preparing the groundwork for extension of its service to pharmacists from April 2009. It has worked with the Department of Health on a national framework aimed at supporting the health of professional healthcare staff and has worked with the General Medical Council (GMC) on shared emerging policy issues.

The National Research Ethics Service (NRES) has been busy revising and implementing policy changes as a result of the *Ad Hoc Advisory Group Report on the Operation of the REC System* (2005) and *Building on Improvement* (2006) consultations, which will enable NRES to move forward with key projects arising from the expected Governance Arrangements for Research Ethics Committees (GAfREC) policy due out in 2009/10.

The Agency has achieved a great deal this year, which is a testament to the professional approach and expertise of our staff and their understanding of the NHS and wider landscape.

I would like to thank Martin Fletcher, the Chief Executive, for his outstanding leadership of such a dedicated, hard working group of individuals. I deeply appreciate their dedication to service that will support the Agency to continue to lead and implement improvements across the NHS over the next year.

Lord Naren Patel of Dunkeld
Chairman, National Patient Safety Agency

"We have sought to be more responsive and innovative in the services we deliver, work in closer partnership with NHS organisations and create new opportunities to better respond to the needs of our customers."

Chief Executive's introduction

This has been an important year for the NPSA. We have had a clear corporate focus on building a sustainable Agency that is responsive to a changing healthcare environment.

We have sought to be more responsive and innovative in the services we deliver, work in closer partnership with NHS organisations and create new opportunities to better respond to the needs of our customers. It has been an incredibly busy year and I would like to draw attention to some of the key achievements:

The NRLS, led by Dr Kevin Cleary, launched some key initiatives this year. Better systems for analysing and taking action on serious incidents has meant the dissemination of more effective and timely learning through Rapid Response Reports.

There is growing stakeholder interest in using the data in the national Reporting and Learning System, as the importance of these data for national learning is increasingly recognised. The trend in reporting is upward, which is testament to the growing culture of reporting and learning across all NHS-funded care.

We are part of a triumvirate of bodies: the NPSA, the Health Foundation and the NHS Institute for Innovation and Improvement, which have joined forces in England to implement an ambitious 'Patient Safety First Campaign'. The aim is simple – to help all NHS organisations ensure that patient safety is their top priority. In Wales, the NPSA is supporting the '1000 Lives Campaign', which aims to prevent 1,000 avoidable deaths and 50,000 episodes of harm across Wales over the next two years.

The NRLS has also worked in close partnership with each of the 10 Strategic Health Authorities in England to establish Patient Safety Action Teams (PSATs).

Our clean**your**hands campaign, now in its fourth year, has continued to be recognised for its innovative social marketing approach to improving hand hygiene among all healthcare staff. All acute trusts are now signed up to the campaign, as are the majority of primary care, mental health, ambulance and care trusts.

The Agency has also continued to oversee the three National Confidential Enquiries: maternal and child health, patient outcome and death, and suicide and homicide by people with mental illness.

NRES, led by Dr Janet Wisely, has had a busy year embedding new governance arrangements for RECs. Work has continued to ensure the best and most efficient use of committees through streamlining and introducing a proportionate review pilot.

The Integrated Research Application System (IRAS) goes from strength to strength. NRES has worked in collaboration with other regulatory and review bodies to reduce bureaucracy and make it more user-friendly.

As a key step towards greater public awareness and transparency of both the service and of the research community as a whole, NRES has worked with applicants to publish summaries of their research on our website.

NCAS, led by Professor Alastair Scotland, had its busiest year to date, with referrals continuing to increase. The division has met this increased demand through the continued training and recruitment of high calibre staff.

Alastair and the team continue to work with NHS employers and contractors to address the issue of suspensions and exclusions. NCAS also oversaw the launch of a free pilot health service for professionals (the Practitioner Health Programme). It is a credit to the team at NCAS that so many workstreams were successfully adopted, whilst their core service responded to increased demands.

I would like to extend my thanks to the Chairman, the Board and the Senior Management Group for their support in making the last year such a significant one for the Agency. I would also like to thank Corporate Services for their huge contribution to ensuring the continued success of the Agency.

These are just the highlights of our work. There is much more which the Agency has achieved, as outlined in this report. I would like to acknowledge, congratulate and thank all of our staff for their unrelenting commitment, professionalism and hard work, without whom none of this progress would have been possible.

Martin Fletcher
Chief Executive, National Patient Safety Agency

The NRLS works to identify and reduce risks to patients receiving NHS care; leading national initiatives to improve patient safety.

At the heart of our work is the Reporting and Learning System (RLS), a confidential, national reporting system for patient safety incidents. The way the RLS collects, reviews, analyses and feeds back data, learning and action to NHS staff is unique. All NHS staff are encouraged to report all incidents to it, whether they result in harm to patients or not.

National Reporting and Learning Service

Highlights 2008/09

Launch of WHO Surgical Safety Checklist in England and Wales
A series of 24 simple checks that are proven to reduce complications and deaths in surgery by improving communication in surgical teams.

Establishment of Never Events Framework
Never Events will help to focus comissioning for the safest services for patients.

Launch of Patient Safety First and 1000 Lives campaigns
Campaigns to reduce risks to patient safety by implementing life-saving interventions developed by clinicians.

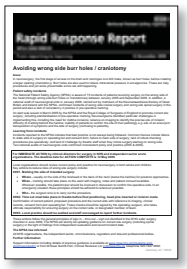
cleanyourhands campaign gains ground
In its fourth year, the campaign covers nearly all healthcare settings in England and Wales.

Release of Organisation Patient Safety Incident Reports
Publication of incident reports for each NHS trust or local health board in England and Wales.

Our clean**your**hands campaign won Strategic Communication Campaign of the year at the fourth annual Good Communication Awards.

Working with the University of Nottingham and the Royal College of General Practitioners, we produced Significant Event Audit guidance for primary care teams.

12 Rapid Response Reports



12 Rapid Response Reports were issued in 2008/09, alerting the NHS to issues that could jeopardise patient safety.

National Reporting and Learning Service

Improving reporting
There is an emerging evidence base that organisations with a higher rate of reporting have a stronger safety culture. High reporters aim to learn from incident reporting to make patient care safer.

The more reports the NRLS receives, the more we can understand about where patients may, can and do come to harm. This year the total cumulative number of reports received by the RLS reached three million. When the system started in 2003 we received just a few hundred reports per month; today we receive nearly a quarter of a million a month, and that number is rising. In the last quarter of 2008, 94 per cent of NHS organisations in England and 77 per cent in Wales reported to us at least once.

We work with staff across NHS-funded care to encourage reporting and learning. In partnership with the NHS Confederation we gathered more than 20 high reporting organisations from England and Wales together to discuss what good reporting looks like. Strong messages emerged about what it is and how it can be achieved by all organisations through five key changes:

1. Give feedback to staff
2. Focus on learning
3. Engage frontline staff
4. Make it easy to report
5. Make reporting matter

In March 2009 we published the first Organisation Patient Safety Incident Reports for each NHS trust or local health board in England and Wales, and released this information for the public to see on our website. These show what sorts of incidents are being reported and how they compare to similar organisations. By publishing these reports we hope to encourage greater awareness of patient safety and improve the quality of local and national reporting and learning from all healthcare staff.

We have also published regular quarterly data summaries from the RLS and provide regular feedback to NHS organisations.

Advice and guidance for local improvement
Of course, reporting is only useful if we learn from the data and take action to reduce risks to patients.

We support healthcare organisations in improving patient safety, feeding back information and offering guidance. These include alerts to address risks, tools to build a strong safety culture and national initiatives in areas including hand hygiene, nutrition and cleaning.

From analysis of serious incident reports made to the RLS in 2008/09, a series of specific safety issues were identified, prioritised and solutions thoroughly researched in order to advise providers of NHS care on how to reduce risk to patients. Twelve Rapid Response Reports were issued in 2008/09, alerting the NHS to issues that could jeopardise patient safety.

Rapid Response Reports: Learning from reporting
Mitigating surgical risk in patients undergoing hip arthroplasty for fractures of the proximal femur
Reducing risk of harm from oral bowel cleansing solutions
Reducing risk of overdose with midazolam injection in adults
Resuscitation in mental health and learning disability settings
Avoiding wrong side burr holes/craniotomy
Risks of omitting Hib when administering Infanrix-IPV+Hib
Risks to haemodialysis patients from water supply (hydrogen peroxide)
Using Vinca Alkaloid Minibags (adult/adolescent units)
Problems with infusions and sampling from arterial lines
Reducing dosing errors with opioid medicines
Risks of chest drain insertion
Risks with intravenous heparin flush solutions

Supporting NHS staff
Over the year we have worked closely with royal colleges, frontline staff and organisations, patient groups, strategic health authorities, other NHS bodies, academic centres and sectors beyond healthcare to promote patient safety.

In January 2009, we launched the WHO Surgical Safety Checklist: a series of 24 simple checks that are proven to reduce complications and deaths in surgery by improving communication in surgical teams.

By February 2010 all trusts carrying out surgical procedures will be required to use the Checklist. The launch of the Checklist in England and Wales follows dramatic results from a global pilot of the Checklist in eight countries, including St Mary's Hospital in London.

This year saw the NRLS's *Design for patient safety* series receive international acclaim as it won the public sector category at the Design Management Europe Awards

There is an emerging evidence base that organisations with a higher rate of reporting have a stronger safety culture. High reporters aim to learn from incident reporting to make patient care safer.

Working with the University of Nottingham and the Royal College of General Practitioners, we produced Significant Event Audit (SEA) guidance for primary care teams. Significant events can be anything from examples of excellent clinical practice to clinical or administrative errors. The audit helps teams look at what happened and why, and how to learn from their experiences.

This year saw the NRLS's *Design for patient safety* series receive international acclaim as it won the public sector category at the Design Management Europe Awards.

Design for patient safety looks at how improvements in the design of the processes and environments can help minimise risks and errors. This year we added to this series with a guide to labelling and packaging of injectable medicines – a well recognised high-risk area. Research had shown that a third of reported medication incidents may be caused by confusion over packaging and labelling. Our guidance look at how graphic design can be used to change and improve medication packaging design.

Towards a safety culture

Our clean**your**hands campaign won Strategic Communication Campaign of the year at the fourth annual Good Communication Awards. It was judged to be delivering significant changes in public awareness and customer behaviour in the last year.

Now in its fourth year, the campaign still continues to gain ground, covering nearly all healthcare settings in England and Wales. The campaign aims to improve the hand hygiene of healthcare staff at the point of patient/service user care. All acute trusts are now signed up to the campaign, as are the majority of primary care, mental health, ambulance and care trusts. In December 2008, we signed a Memorandum of Understanding with independent healthcare providers, giving them access to the campaign's expert guidance and materials.

In July 2008, we launched our campaign to reduce harm and save lives in the NHS in England: Patient Safety First. The campaign is led by a team of NHS staff and is supported by the NPSA, the Health Foundation and the NHS Institute for Innovation and Improvement.

In response to the worldwide aim of improving patient safety, the campaign seeks to provide NHS staff with the knowledge and support they need to take simple steps to improve the safety of patients in their care. The campaign is unique in its aim and approach towards achieving those goals as:

- it seeks to create a movement;
- sign-up to the campaign is voluntary and asks for participation from individuals, trust Boards and other health organisations;
- it is led by a team of dedicated clinicians and managers from across England;
- it proposes an improvement, or transformational, approach to work with existing approaches.

In Wales we have worked collaboratively with the Welsh Assembly Government on the 1000 Lives Campaign. This aims to reduce risks to patient safety by implementing life-saving interventions developed by clinicians. These include better management of medicines, reducing healthcare associated infections and surgical complications.

In March 2009, the NRLS launched the Never Events policy for the NHS in England. Set out in Lord Darzi's *High Quality Care for All*, Never Events are serious patient safety incidents that should not occur if preventative measures have been put in place. From April 2009, Never Events will shape policy for primary care trusts, helping to focus commissioning for the safest services for their patients.

Eight core Never Events have been identified, including: wrong site surgery, inpatient suicide using non-collapsible rails and wrong route administration of chemotherapy. Drawing on experience in the US, we worked closely with primary care trusts, particularly the PSAT in NHS North West, to test the implementation of Never Events in the NHS to make further gains for patient safety.

In the past year, we have also seen continued progress on PSATs in England. Working in partnership with Strategic Health Authorities, the NRLS is helping to ensure PSATs place patient safety at the heart of the local management of the NHS. Over the coming year, as patient safety continues to rise up the healthcare agenda, the NRLS will be at the forefront of this movement; playing a key role in leading and contributing to improved, safer patient care in England and Wales. We will continue to help NHS staff and organisations implement safer practices and instil a culture of safety.

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

NCAS continues to provide support to healthcare organisations where they are faced with concerns about the performance of an individual practitioner.

This service is provided to the NHS in England, Northern Ireland, Scotland and Wales, as well as the Isle of Man, the States of Guernsey, Defence Medical Services, and Independent Healthcare Advisory Services. NCAS also provides specialist clinical performance assessments for the General Dental Council.

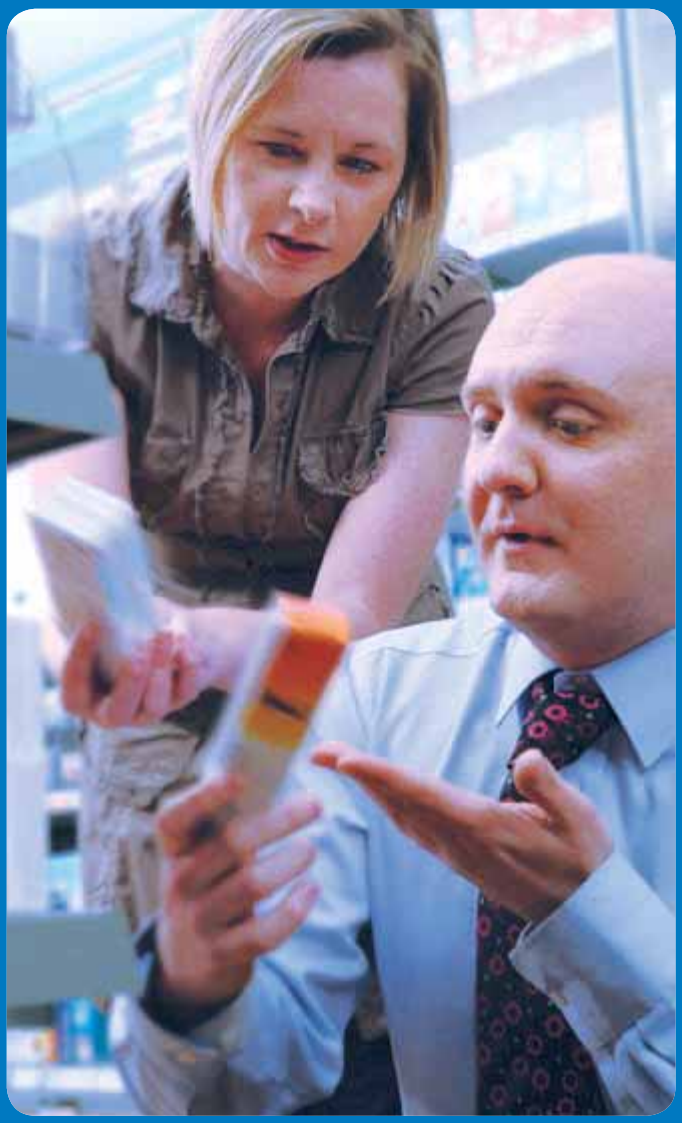
National Clinical Assessment Service

Highlights 2008/09

Service established in Scotland
NCAS service to Scotland commenced formally on 1 April 2008 and the service is now well-established.

Pharmacists to be covered by service
NCAS service to pharmacists began on 1 April 2009.

Prototype service launched to support practitioners' health
Practitioner Health Programme launched for dentists and doctors in London.



Understanding concerns about team functioning
A list of preferred providers appointed based on specification.

Increase in referrals to NCAS
863 new referrals made to NCAS.

Practitioner Health Programme

The Practitioner Health Programme pilot has received more than 150 enquiries and over 85 have undergone in-depth assessment.

NCAS Edinburgh office opened its doors in June 2008.

A full NCAS service for pharmacists, in addition to dentists and doctors, launched in April 2009.

National Clinical Assessment Service

Focus on core work
During 2008/09, referrals to NCAS have once again increased over previous years. There were 863 new cases referred to NCAS, 38 of which progressed to assessment. 904 cases were closed – including a number of cases which were referred in the previous year – of which 62 per cent were closed at advice stage, while 38 per cent were closed following further support or assessment.

The development of our action planning support service has ensured that all assessment cases have action plans in place to support the practitioner back into practice where possible, and in other cases to bring the case to the appropriate resolution.

We continue to work with NHS employers and contractors to help them ensure that suspension or exclusion of practitioners is used only where there is no reasonable alternative and then only for the shortest time required. Levels of suspensions and exclusions during 2008/09 have remained equivalent to the previous year, but the length of exclusions continues to fall.

To support this activity, NCAS has continued to ensure that it recruits, trains and retains the highest calibre of staff. This has included the expansion of the assessor panel to include interventional cardiologists, obstetricians and gynaecologists. Assessors have also been supported through extensive training, including: an annual assessors' workshop, lay assessor training, observation of surgical/anaesthetic practice in theatre training, and context of practice training.

We have also maintained our assessment development programme with work being completed to support the assessment of histopathology services, and the development of tools to evaluate context of practice. In addition, we have developed a multi-source feedback tool for dentists which is currently undergoing validation.

A study has been completed by Edgecumbe Consulting to gather baseline data on the behavioural characteristics of dentists. The results will inform consideration of a larger study to gather significant trend data.

Building capability
NCAS has always sought to develop capability within the NHS to identify and manage performance concerns locally. To support this, we run educational workshops throughout the UK to help managers deal with performance concerns about practitioners. Workshops are interactive, using fictitious case studies as learning tools and using not only our own experience of cases, but also the expertise we have built over the eight years of our work.

During 2008/09 we held 14 external training workshops, including ones in Wales, Scotland, Isle of Man and Northern Ireland, as well as 30 awareness raising events with 809 delegates registered. In addition, we held our annual conference in March 2009 on 'Professionalism – dilemmas and lapses', which had 420 delegates in attendance.

An independent evaluation of NCAS services in Northern Ireland was completed with very positive results indicating significant satisfaction from referrers at all stages of the NCAS process.

At the end of the year a further external project was commissioned to investigate the economic value placed on NCAS services by referrers; this project will be completed during 2009/10.

Developing services
NCAS has also had another busy year developing services to meet identified needs. The service to NHS Scotland commenced formally on 1 April 2008, and the office in Edinburgh opened on 30 June 2008. The service is now well-established, and NCAS staff have met with all health boards.

NCAS has Service Level Agreements in place with the Isle of Man, States of Guernsey, Defence Medical Services, and a Memorandum of Understanding with the Independent Healthcare Advisory Services, and has received referrals from all of these sectors during 2008/09.

In addition, we provide ad hoc services on request to the States of Jersey and Gibraltar, pending service agreements being put in place. We also completed our first assessment for the General Dental Council and have received further referrals during 2008/09.

14
Training workshops

30
Awareness raising events

420
Delegates at NCAS annual conference

The NCAS service not only improves individual case handling but also supports learning about the causes, identification and earlier management of performance failure.

A major development in 2008/09 was the extension of NCAS services to the pharmacy profession, in addition to doctors and dentists. A full NCAS service for pharmacists was launched in April 2009.

NCAS was tasked by the Department of Health to design and oversee the commissioning of a prototype Practitioner Health Programme (PHP) in London. This is a free, confidential service for doctors and dentists who have mental or physical health concerns or addictions.

The service has received more than 150 enquiries and seen more than 100 practitioner-patients, over 85 of whom have undergone an in-depth assessment. Many of these have been referred on to specialist treatment.

The service is provided separately from NCAS, but NCAS may advise on its use.

The PHP is a key component of the Health for Health Professionals work stream, led by Professor Alastair Scotland, Director of NCAS, in response to the White Paper *Trust, Assurance and Safety – The Regulation of Health Professionals in the 21st Century.*

This year also saw NCAS respond to the need to support healthcare bodies in addressing concerns about the functioning of clinical teams.

We appointed a list of preferred providers to work directly with health organisations to understand and address concerns about team functioning, using a specification designed by an NCAS working group.

NCAS itself will not undertake team reviews but will play a facilitative role in the process.

Defining new business models

NCAS was set up with the primary aim of helping healthcare organisations resolve concerns about the performance of individual practitioners. This has guided the work of NCAS and led to the development of a method and delivery, unique internationally, which provide a comprehensive 'one-stop' service within which advice, support, assessment and action planning work together.

The NCAS service not only improves individual case handling, but also supports learning about the causes, identification and earlier management of performance concerns.

This comprehensive approach has led to significant broadening and extension of the remit of NCAS as well as the staff groups, sectors and administrations seeking its services.

To ensure that we can meet these emerging needs and demands while maintaining our ability to provide core services, a programme of work is being undertaken to explore how our organisational structure and business model can become more flexible.

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

NRES has a dual mission. To protect the rights, safety, dignity and well-being of research participants and to facilitate ethical research which is of potential benefit to participants, science and society.

NRES does this by:

- providing robust and responsive ethical review of research by RECs;
- providing ethical guidance and management support to RECs;
- delivering a quality assurance framework for the Research Ethics Service;
- delivering a training programme;
- working with colleagues across the UK to maintain a UK-wide framework for ethical review;
- working with colleagues in the wider regulatory environment to streamline the processes for approving research;
- working with colleagues to promote transparency in research.

National Research Ethics Service

Highlights 2008/09

Research summaries published online
During 2008/09, summaries of approved research applications began to be published online.

Memorandum of Understanding with MHRA
Successful partnership has provided robust mechanisms for communication and review.

IRAS becomes preferred research application route
Streamlining the approval process and helping applicants meet regulatory and governance requirements.

Proportionate review pilot
All studies receive an independent ethical review, but low-risk studies are not required to be reviewed at full REC meeting.

Year	Number of Clinical Trials of Investigational Medicinal Products
2005	1,085
2006	1,206
2007	1,218
2008	1,252

The total number of clinical trials approved in the UK has remained stable since the implementation of the EU Clinical Trials Directive in May 2004.[1]

www.nres.npsa.nhs.uk/researchsummaries

Seminars and workshops held on new legislation such as the *Human Tissue Act*

National Research Ethics Service

There are 111 NRES RECs in England which are made up of volunteer members. Considerable improvements and service developments have been made to the research ethics system within the UK over a number of years, and in particular since 2004 with the implementation of standard operating procedures in the UK.

Those contributing to NRES, as volunteer members or paid employees do so from a number of different geographical locations, appointing authorities and employers: but all work together to provide a comprehensive service.

RECs review research applications and give an ethical opinion regarding the proposed research and participant involvement. Applicants include: pharmaceutical and medical device companies; healthcare professionals in the NHS; academic researchers including students and prison health researchers.

RECs are entirely independent of research funders and hosts. This enables them to put participants at the centre of their decision making.

Applications
Annually RECs consider 7,000 applications of which around 1,000 are Clinical Trials of Investigational Medicinal Product (CTIMPs). During 2008/09, we started publishing summaries of approved applications on our website, examples of which include:

- a study into the effects on blood glucose levels in Muslim diabetics during Ramadan when using a relatively new diabetic drug in comparison with a more commonly used one;
- new medicines being tested for the first time in healthy volunteers for conditions such as heart disease;
- new medicines being tested for the first time in patients with conditions such as insomnia and Alzheimer's;
- testing licensed medicines outside of their current authorised use in patients with conditions such as lymphoma;
- conducting observational studies through the variation of dosages already in use for various conditions.

In the coming year, as part of our ongoing transparency agenda, we will roll out a programme to publish the conclusive opinions made by RECs, alongside research summaries. It is intended that these will also act as a useful guide to those preparing applications for consideration by RECs.

We are continuously improving the service we offer to the research community as we are acutely aware that there is some criticism directed at UK research regulation for it being cumbersome and unnecessary. The effect of regulatory changes since in 2004 have had an inconsistent impact on research and different sectors have responded in different ways.

There has been a marked reduction in applications since 2004. However, NRES attribute this reduction to the elimination of duplicate review, an improved awareness and a shift towards more robust applications that are likely to lead to improved patient care, or contribute to a body of knowledge that will lead to improved patient care.

The total number of CTIMPs approved in the UK has remained stable since the implementation of the EU Clinical Trials Directive in May 2004.[1]

Stakeholder engagement
NRES has worked hard to build effective stakeholder relationships. A new Memorandum of Understanding with the Medicines and Healthcare products Regulatory Agency (MHRA) has provided robust mechanisms for communication and review.

The strength of IRAS, our online research applications service, has been the partnership it represents and through that partnership has delivered a tangible improvement for research in the UK.

1 *http://www.mhra.gov.uk/NewsCentre/Pressreleases/CON041316*

RECs are entirely independent of research funders and hosts. This enables them to put participants at the centre of their decision making.

IRAS
INTEGRATED RESEARCH APPLICATION SYSTEM

IRAS helps applicants meet regulatory and governance requirements and is one element of an integrated effort to reduce bureaucracy for researchers.

Good relationships have been forged and there is potential for even closer collaboration with the non NHS Phase 1 RECs, the Social Care REC and the University REC sector. Differences will need to be acknowledged and respected, but their fundamental principles and remit share many common themes in terms of the protection of research participants.

Specific delivery

IRAS

IRAS is a single system for applying for the permissions and approvals for health and social care/community research in the UK. It was launched in January 2008 and after continuous enhancements through consultation has become (since April 2009) the preferred application route for all partners.

IRAS streamlines the process for seeking relevant approvals from different organisations and helps applicants meet regulatory and governance requirements and is one element of an integrated effort to reduce bureaucracy for researchers.

NRES is an IRAS partner and NRES delivers IRAS for the partnership.

IRAS has been adopted UK-wide and the IRAS partners include NRES, NHS Research and Development and the MHRA. IRAS is also the entry point for the National Institute for Health Research (NIHR) Co-ordinated System for gaining NHS Permission.

The IRAS dataset already contains much of the World Health Organization's 20 items for trial registration; scoping work is required to agree which additions would be required to the dataset in order for established registries to effectively become IRAS partners.

Proportionate review

A review of applications to RECs indicated there are a significant number of studies that carry no risk and there would be no, or minimal intrusion on subjects. These could be classed as 'Research with No Material Ethical Issues'.

'Research', as a term, covers projects with very different risks, from the use of previously donated, anonymous tissue, to the first administration of a chemical entity whose safety profile cannot be fully and clearly defined. For some projects there seems to be little, if any, risk to a participants' rights, safety, dignity or well-being, for example.

NRES launched an initial pilot scheme in four RECs last year asking them to consider the extent to which they would be able to expedite such applications in a timely manner. The principle behind the proposal is that all studies continue to receive an independent ethical review, but that low-risk studies are reviewed by two members at sub-committee rather than requiring reviewing at the full REC meeting.

This pilot was successful and a further pilot is now being undertaken to test proportionate review through a small number of committees.

Training

NRES offers a wide range of free training courses. The seminars and workshops cover subjects such as interpreting new legislation such as the *Human Tissue Act*, testing ethical views through debate and researcher training on how to navigate the world of ethics. These are very well attended and participant feedback highlights a need for such a comprehensive service.

Our contribution

The strategic objectives of NRES are service delivery and improvement, transparency, consistency, proportionality and partnership. Service delivery is key and we will continue to provide efficiency whilst delivering the improvement agenda. All provide their own challenges and opportunities. Perhaps the most important strategic objective for NRES, in terms of a wider contribution to the government strategy of *Best Research for Best Health*, lie within partnership working.

We are committed to facilitating ethical research, but a good service is not one that provides a speedy 'tick in a box'; it is one which provides robust and efficient independent ethical review from those who are uniquely placed to consider the issues from the perspective of the research participant, without any intended or unintended conflicts of interest.

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 increasing numbers of Foundation Trusts and the quality improvement programme outlined in Lord Darzi's *High Quality Care for All*. In Wales, restructuring of the NHS and the change from market mechanisms to a 'planning approach' will have myriad impacts on the Agency's work. Reforms to health and social care that have been implemented in Northern Ireland over recent years continue to impact on the Agency.

National Reporting and Learning Service
The publication by the Department of Health of *Safety First* in December 2006 set out the main policy direction for patient safety in England, and reinforced the importance of building a safer NHS for patients. Lord Darzi's *High Quality Care for All* sets out a programme of work for quality improvement for the NHS in future years, with quality being defined as clinical outcomes, patient safety and patient experience. In 2008/09, the Health Select Committee conducted an inquiry into patient safety and will report early in 2009/10. Taken together, these three reports define the policy context for patient safety in England and the NRLS develops its strategy within it.

In November 2006, the Welsh Assembly Government produced its Healthcare Quality Improvement Plan, *Designed to Deliver*, which outlined the way forward for quality improvement for the NHS in Wales. Much of this plan has now been delivered and we are working with the Welsh Assembly Government to develop our strategy in line with the next phase of their quality improvement plans.

National Clinical Assessment Service
The year has brought greater clarity to the effect of the major work streams of the White Paper, *Trust, Assurance and Safety – The Regulation of Health Professionals in the 21st Century*, on the work of NCAS, which continue to focus principally on the following areas:

1. the extension of the remit of NCAS in a phased manner, starting with pharmacy;

2. the delivery of a national framework to support the health of health professional staff including building and implementing a prototype practitioner health programme within the M25 area;

3. tackling concerns locally, including in particular the work of regional medical regulation support teams, responsible officers and the GMC affiliate pilots;

4. revalidation and re-licensure.

NCAS has responded to these and has delivered all those responsibilities laid directly on it by name in the required timescales and within budget. Those deliverable items, however, now bring further pressure, particularly to ensure consolidation and evaluation of the programme as required in the White Paper. And, as the other two major work streams become clearer in their shape and implementation, NCAS needs to put in place a significant programme of work to develop its services to support effective implementation. There is a second group of policy changes outside England, which include examining reform to existing disciplinary policies and procedures in the jurisdictions of Wales and Scotland. There is a significant pressure on NCAS, which is welcomed, to provide support to the work of devising and putting in place changes to policies which reflect the way in which healthcare services are delivered in Wales and in Scotland.

National Research Ethics Service
Early in 2009/10, the UK Health Departments will issue a revised version of their Governance Arrangements for Research Ethics Committees (GAfREC). This will incorporate changes of policy resulting from the consultations on the *Ad Hoc Advisory Group Report on the Operation of the REC System* (2005) and *Building on Improvement* (2006), the NRES/NPSA programme for implementing the report's recommendations. The revised GAfREC will enable NRES to move forward with key projects, including procedures for more proportionate review of studies involving no material ethical issues.

The NRES agenda will continue to evolve in response to developments in the wider regulatory and governance environment for health research in the UK, as well as to feedback from the research community, patients and public, and other stakeholders.

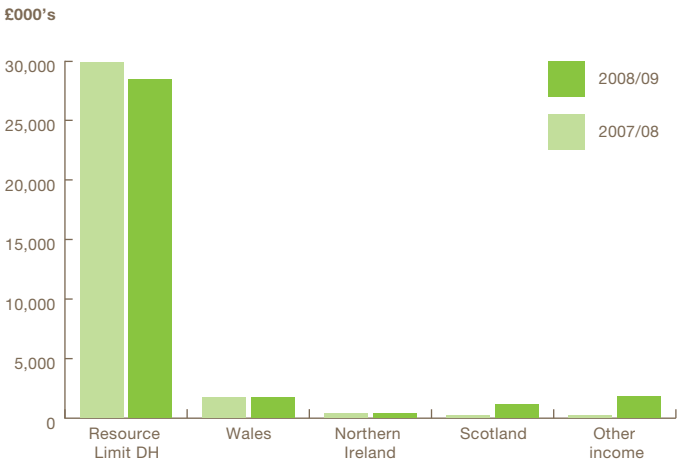
NRES will lead on implementing improvements to IRAS approved by the IRAS Management Board. Collaborations with other regulatory and review bodies will be further developed in order to reduce bureaucracy, streamline procedures and ensure effective communications. NRES will contribute to the wider agenda to promote transparency in health research, including steps to facilitate trial registration.

Changes to UK and European legislation could impact on the programme. The European Commission is expected to publish proposals for revision of the EU Clinical Trials Directive in 2010.

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

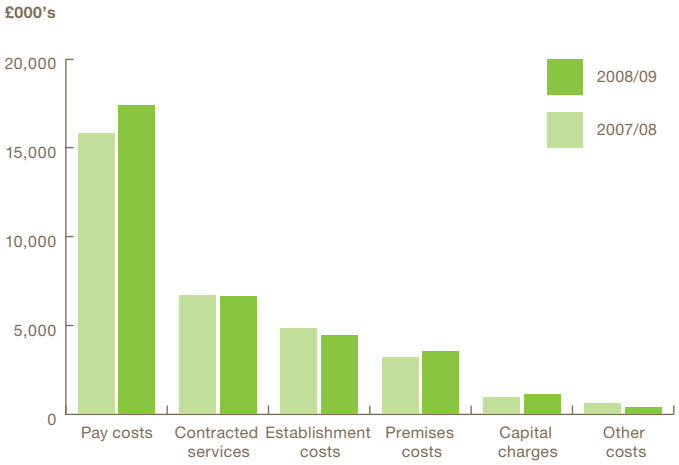
The Agency met its financial duties in 2008/09 and spent within the resource limits set. Details of the Accounts of the Agency can be found at the end of this report.

Income



The Agency's total available revenue resources for the year were £33.454m (£32.332m in 2007/08). As the chart on the previous page shows, the vast majority of our income comes from DH by way of a resource limit, with the remainder from the devolved administrations of Wales, Northern Ireland, Scotland and miscellaneous other income. The resource limit represents the maximum the Agency was permitted to utilise. The Agency under-spent this allocation in the year by £0.168m (0.5%).

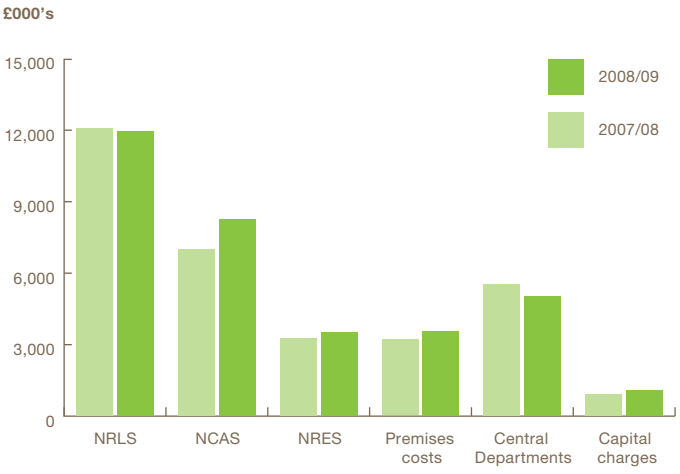
Expenditure by type



The Agency's expenditure totalled £33.286m (£31.937m in 2007/08) and is analysed in the chart above, by type of expenditure, and by function. 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 below shows the total expenditure for each of the Agency's divisions, with the costs of premises, central support departments and capital charges shown separately.

Expenditure by division



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 Chief Operating Officer is the Senior Responsible Officer for the overall risk management process within the Agency. 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 divisional risk registers.

Risks are identified, monitored and managed at divisional level, but escalated for monitoring to 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. Our divisions have individual agreements in place for the services that they provide in Northern Ireland and Scotland.

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 National Institute for Health and Clinical Excellence (NICE) and Healthcare Inspectorate Wales, and undertake programmes of work with, amongst others, NICE, the NHS Institute for Innovation and Improvement, the Care Quality Commission, the British Medical Association, the GMC, Strategic Health Authorities 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.

Corporate citizenship

The NPSA recognised the necessity to make positive steps to improve our corporate citizenship standards by developing and delivering its first sustainable development action plan. The plan addresses a number of areas of importance including climate change and energy, sustainable resourcing, ethical issues, employee and community engagement, and business relationships.

We have established a Sustainable Development Working Group, meeting on a bimonthly basis, which oversees the delivery of actions in the plan. We have begun development of a two year strategy and an action plan for 2010/11.

Management commentary (continued)

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. These contingency plans have been reviewed in 2008/09 and revised to ensure they are relevant and fit for purpose.

Equal opportunity
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.

During 2008/09 the Agency has committed itself to a review of its Equality and Diversity Strategy, taking into consideration new developments and changes in legislation.

Through consultation with its stakeholders and staff the Agency has composed a new Equality Scheme and Strategy taking into consideration our duty to both the three statutory (race, disability and gender), plus the three non-statutory (religion, sexual orientation and age) considerations.

Through this new consultation period we have also held training in Impact Analysis and all staff have participated In Diversity training from Board level down.

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

Sickness absence data
Sickness absence rates for the NPSA for the year 1 April 2008 to 31 March 2009 were 2.4%.

Information Governance
The NPSA established an Information Governance Assurance Group (IGAG) to oversee implementation of the mandatory measures contained in *Handling Information Risk* (now released as *HMG IA Standard No. 6: Protecting Personal Data and Managing Information Risk*).

IGAG is chaired by the Senior Information Risk Owner (SIRO), the Chief Operating Officer. Senior managers within each division have been assigned as Information Asset Owners (IAO).

Information governance leads have also been established for each division. The leads are the liaison between the divisions and IGAG, and act as information governance ambassadors, as well as overseeing divisional arrangements.

There were 36 core requirements set out in *Handling Information Risk*. At the end of February 2009, 18 had been completed, 16 were in progress and two were being planned.

IGAG has overseen the following areas of work:

- development of information governance policies and procedures;
- creation of information assets register and annual audit of all assets;
- implementation of information security measures (laptop encryption and data disposal review);
- all staff training and communications programme.

The NPSA has demonstrated significant improvement in its information governance practice and the management of information risk over the year 2008/09 and the programme of work will continue in 2009/10, with the completion of the minimum measures, as well as actions to address the shortcomings identified during the annual assessment work.

Freedom of Information
The NPSA complies with the requirements under the *Freedom of Information Act* and any associated charges adhere to the requirements of the charging policy.

Personal data related incidents
During 2008/09 there were no personal data related incidents that required reporting to the Information Commissioner. The only personal data related incidents in the year were small localised ones not significant enough to have been recorded centrally.

Public interest

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

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

- National Reporting and Learning Service (the former Agency)
- 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.

In January and February 2009 a survey was conducted among all NPSA staff to assess the NPSA as an employer, enable staff to provide honest feedback and assess staff understanding of and engagement with the organisation. The survey was conducted by Capita Health Service Partners on behalf of the NPSA.

Results of the survey were communicated to staff in May 2009 and an action plan to respond to the outcomes will be drawn up and implemented in 2009/10.

Complaints process
During 2008/09 we revised the NPSA's complaints process to take account of recent changes to the NHS complaints process in England and to ensure that it accommodates the different types and countries of origin of the complaints that our services receive. The new process has been developed in line with the Ombudsman's 'Principles of Complaints Handling'.

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 £52,000, which includes £7,000 relating to the audit of the implementation of International Financial Reporting Standards (IFRS). The audit certificate can be found on pages 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 Pensions Scheme.

Remuneration report

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

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

Pay for all senior managers is set and reviewed in line with the Department of Health guidance 'Pay Framework for Very Senior Managers in Strategic and Special Health Authorities, Primary Care Trusts and Ambulance Trusts'. Senior managers employed under the VSM framework are under stated contracts of employment as set out by NHS Employers.

No senior managers were employed on service contracts. No significant awards were made to past senior managers in the past year.

Salaries and allowances

	2008-09			2007-08		
	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	60-65	0	0
R Pritchard Non-Executive Director - Audit Chair (**)	10-15	0	0	10-15	0	0
T Jones Non-Executive Director (**)	5-10	0	0	5-10	0	0
D Weir-Hughes Non-Executive Director (†)	5-10	0	0	5-10	0	0
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 21/05/07)*	135-140	0	0	110-115	0	0
Sarndrah Horsfall Chief Operating Officer *(started 01/01/08)*	110-115	0	0	20-25	0	0
Suzette Woodward Director of Patient Safety Strategy and Nursing Lead for Patient Safety *(newly appointed director from April 2008)*	90-95	0	0	0	0	0
Kevin Cleary Medical Director *(started 23/07/07)*	85-90	0	0	65-70	0	0
Peter Mansell Director for Patient Experience & Public Involvement	85-90	0	0	105-110	0	0
Alastair Scotland Director, National Clinical Assessment Service (*)	140-145	55-60	0	140-145	55-60	0
David Bell Director of Finance and Facilities	110-115	0	0	110-115	0	0
Janet Wisely Director of National Research Ethics Service	95-100	0	0	85-90	0	0

(*) Other remuneration consists of a Clinical Excellence Award separately funded by the Advisory Committee on Clinical Excellence Awards.
(†) Pay and Remuneration Committee member (**) Audit Committee member

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 2009 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2009 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2009	Cash Equivalent Transfer Value at 31 March 2008	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	5-7.5	5-7.5	5-10	25-30	163	101	41	0
Sarndrah Horsfall Chief Operating Officer	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)
Suzette Woodward Director of Patient Safety Strategy and Nursing Lead for Patient Safety	27.5-30	20-22.5	30-35	95-100	609	365	165	0
Kevin Cleary Medical Director (*)	(5) - (7.5)	(5) - (7.5)	30-35	95 -100	557	453	65	0
Peter Mansell Director for Patient Experience & Public Involvement	5-7.5	5-7.5	10-15	30-35	213	134	53	0
Alastair Scotland Director, National Clinical Assessment Service	7.5-10	5-7.5	90-95	280-285	2240	1459	521	0
David Bell Director of Finance and Facilities	0-2.5	0-2.5	40-45	125-130	822	620	131	0
Janet Wisely Director of National Research Ethics Service	5-7.5	5-7.5	15-20	45-50	247	175	48	0

(A) Not in Pension Scheme

(*) The disclosed figures are under query with the Pensions Agency. Any corrections made by the Pensions Agency upon review of the figures may impact on the next year's calculation. As Non-Executive members do not receive pensionable remuneration there will be no entries in respect of pensions for Non-Executive members

Cash Equivalent Transfer Values

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

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

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: 10 June 2009

National Patient Safety Agency

Annual Report and Accounts 2008/09

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 set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Patient Safety Agency and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

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

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

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

Statement on internal control 2008/09

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

I have been the Accounting Officer for the whole of 2008/09. I took this role on appointment on 21st 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 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance

3. Capacity to handle risk
The Director of Finance and Facilities is the designated executive with operational responsibility for maintaining and developing the organisation-wide system of internal control. The Chief Operating Officer is the designated exective with operational responsibility for the system of risk management and risk reporting. She is also the Agency's designated Senior Responsible Information Officer (SIRO) with responsibility for the system of safeguarding and protecting personal indentifiable, confidential and sensitive data.

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

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.

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

The Head of Internal Audit reviewed the Corporate Assurance Framework 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.

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.

In response to general concerns surrounding the security of data in the public services, the Agency established a programme of work in 2007/08 to minimise the risk of data loss and to ensure data was retained in accordance with law and best practice. In 2008/09 this process has been further strengthened with the appointment of a SIRO as mentioned above. A steering group has been established, the Information Governance Assurance Group, under the chairmanship of the SIRO, to coordinate activity. All of the Agency's Divisions are represented on this group. During the year all major information governance policies and practices have been reviewed and amended where necessary and all staff have undertaken Information Security training.

The Chief Operating Officer acting in her capacity as SIRO for the National Patient Safety Agency has confirmed that the Annual Assessment of Information Risk has been completed and approved by the Board.

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

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

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

The Agency reviewed its Corporate Objectives in 2007/08 and has based its Business Plan on those objectives in both 2008/09 and 2009/10. Our Business Plan for 2009/10 flows from these objectives and our Controls Assurance and Risk Management processes are closely aligned to those keys objectives. The organisation reports on achievements and progress against the objectives and plans to the Board on a quarterly basis and this report includes risks and controls in place to mitigate them.

I am not aware of any significant internal control issues.

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

Mr Martin Fletcher
Chief Executive

Date: 10 June 2009

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 2009 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 Accounting Officer and auditor
The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, which includes 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 and public interest disclosures 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 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. This other information comprises the introduction from Chairman, the introduction from Chief Executive, National Reporting and Learning Service, National Clinical Assessment Service, National Research Ethics Service and the unaudited part of the remuneration report. 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 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 National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of the National Patient Safety Agency's affairs as at 31 March 2009 and of its net resource outturn, recognised gains and losses and cashflow 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 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 and public interest disclosures, 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 15 June 2009

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SWIW 9SS

Operating Cost Statement

For the year ended 31 March 2009

	Notes	2008-09 £000	2007-08 £000
Programme costs	2.1	**33,260**	31,893
Operating income	4	**(5,040)**	(2,504)
Net operating cost before interest		**28,220**	29,389
Interest payable		**0**	0
Loss on Disposal of Asset	5.4	**26**	44
Net operating cost		**28,246**	29,433
Net resource outturn	3.1	**28,246**	29,433

All income and expenditure is derived from continuing operations

Statement of Recognised Gains and Losses

For the year ended 31 March 2009

		2008-09 £000	2007-08 £000
Unrealised surplus on the indexation of fixed assets	12.2	**0**	34
Recognised gains for the financial year		**0**	34

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

Balance Sheet

As at 31 March 2009

	Notes	31 March 2009 £000	31 March 2008 £000
Fixed assets:			
Intangible assets	*5.1*	**337**	164
Tangible assets	*5.2*	**3,315**	3,329
		3,652	3,493
Current assets:			
Stocks	*6*	**0**	0
Debtors	*7*	**4,854**	3,684
Cash at bank and in hand	*8*	**7**	3
		4,861	3,687
Creditors: amounts falling due within one year	*9.1*	**(4,768)**	(3,542)
Net current assets		**93**	145
Total assets less current liabilities		**3,745**	3,638
Provisions for liabilities and charges	*10*	**0**	(40)
		3,745	3,598
Taxpayers' equity			
General Fund	*12.1*	**3,688**	3,517
Revaluation reserve	*12.2*	**57**	81
		3,745	3,598

The financial statements on pages 30 to 32 were approved by the Board on 10 June 2009 and signed by

Mr Martin Fletcher
Accounting Officer

Date: 10 June 2009

Cash Flow Statement

For the year ended 31 March 2009

	Notes	2008-09 £000	2007-08 £000
Net cash (outflow) from operating activities	*13*	**(27,196)**	**(28,316)**
Servicing of finance			
Interest paid		**0**	0
Net cash (outflow) from servicing finance		**0**	0
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		**(208)**	(177)
(Payments) to acquire tangible fixed assets		**(857)**	(844)
Net cash (outflow) from investing activities		**(1,065)**	(1,021)
Net cash (outflow) before financing		**(28,261)**	(29,337)
Financing			
Net Parliamentary funding	*12.1*	**28,265**	29,340
Increase/(decrease) in cash in the period	*8*	**4**	**3**

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

Notes to the Accounts

For the year ended 31 March 2009

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 2008-2009 was 3.5% (2007-08 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. 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

Notes to the Accounts

For the year ended 31 March 2009

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. 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) As permitted by the Treasury FReM 5.2.7, no indexation has been applied to any assets.

ii Operational equipment, and IT equipment is valued at net current replacement costs. Equipment surplus to requirements is valued at net recoverable amount.

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

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, 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

Notes to the Accounts

For the year ended 31 March 2009

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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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 2009
The scheme is a 'final salary' scheme.

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. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension 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.

Existing members at 1 April 2008
Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. 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 or eligible unmarried partner.

New entrants from 1 April 2008
Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

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.

Notes to the Accounts

For the year ended 31 March 2009

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.

1.13 Financial Instruments

Financial Assets

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

Financial liabilities at fair value through profit and loss

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

Notes to the Accounts

For the year ended 31 March 2009

2.1 Authority programme expenditure

		Notes	£000	2008-09 £000	2007-08 £000
Non-executive members' remuneration				122	120
Other salaries and wages		2.2		**17,193**	15,672
Supplies and services - general				99	131
Establishment expenses				4,394	4,798
Transport and moveable plant				30	42
Premises and fixed plant				3,527	3,187
External contractors (*)				6,581	6,671
Capital:	Depreciation and amortisation	5.1, 5.2	**944**		790
	Capital charges interest		**128**		125
				1,072	915
Auditor's remuneration: Audit Fees (**)				52	45
Writing off Bad Debts				0	0
Miscellaneous				179	205
Redundancy				11	104
Early Retirement costs				0	3
				33,260	31,893

(*) This includes payments of £3,187k for the three Confidential Enquiries from 01/04/2008 (£3,294k 2007-08)
The Confidential Enquiries carry out national audits of NHS care focusing on Acute care, Maternal and Child health and Suicide.

(**)The Authority did not make any payments to Auditors for non audit work. Included within the fee is £7,000 relating to the audit work for the implementation of International Financial Reporting Standards (IFRS).

Notes to the Accounts

For the year ended 31 March 2009

2.2 Staff numbers and related costs

	2008-09 Total	Permanently employed staff	Other	2007-08
	£000	£000	£000	£000
Salaries and wages	**14,830**	10,629	4,201	13,361
Social security costs	**1,012**	1,012	0	976
Employer contributions to NHSPA	**1,351**	1,351	0	1,335
	17,193	**12,992**	**4,201**	15,672

Salaries of £208,116 consisting of agency and permanent staff were capitalised during 2008-09

The average number of employees during the year was:

	Total Number	Permanently employed staff Number	Other Number	2007-08 Number
Total	**295**	228	67	292

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 period to 31st March 2009 totalled £62,387 (2007-08: £74,439).

Retirements due to ill-health
This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There was 1 retirement, at an additional cost of £170,081.31. (2007-08 £nil). This information has been supplied by NHS Pensions.

Early retirements and redundancies
£10,884 has been charged to the revenue account in 2008-09 in respect of redundancies (2007-08 £103,743).

Notes to the Accounts

For the year ended 31 March 2009

2.3 Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2008-09	**11,196**	**19,652**
Total non NHS bills paid within target	**9,893**	**17,731**
Percentage of non NHS bills paid within target	**88.4%**	**90.2%**

	Number	£000
Total NHS bills paid 2008-09	**306**	**1,478**
Total NHS bills paid within target	**258**	**1,222**
Percentage of NHS bills paid within target	**84.3%**	**82.7%**

The Late Payment of Commercial Debts (Interest) Act 1998

	2008-09 £000	2007-08 £000
Amounts included within interest payable arising from claims made under this legislation	0	0
	0	0

3.1 Reconciliation of net operating cost to net resource outturn

	2008-09 £000	2007-08 £000
Net operating cost	**28,246**	29,433
Net resource outturn	**28,246**	**29,433**
Revenue resource limit	**28,414**	29,828
Under spend against revenue resource limit	**168**	**395**

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2008-09 £000	2007-08 £000
Gross capital expenditure	**1,129**	1,030
NBV of assets disposed	**(26)**	(44)
Net capital resource outturn	**1,103**	986
Capital resource limit	**1,108**	1,033
Under spend against limit	**5**	**47**

Notes to the Accounts

For the year ended 31 March 2009

4 Operating income

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

	Appropriated in aid £000	Not appropriated in aid £000	Total £000	2007-08 £000
Programme income:				
Fees & charges to external customers	**805**	**0**	**805**	58
Income received from Scottish Parliament	**1,100**	**0**	**1,100**	187
Income received from National Assembly for Wales	**1,710**	**0**	**1,710**	1,691
Income received from Northern Ireland Assembly	**391**	**0**	**391**	392
Income received from other Departments	**0**	**1,034**	**1,034**	176
Total	**4,006**	**1,034**	**5,040**	2,504

£4,787k of the total operating income for the Agency is funding that was received for the provision of specific services rather than under income generation powers. This income therefore is equal to the expenditure incurred directly on the service including appropriate overheads.

5.1 Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 31 March 2008	607	**607**
Additions - purchased	**124**	**124**
Reclassification	**213**	**213**
Disposals	**(85)**	**(85)**
Gross cost at 31 March 2009	**859**	**859**
Accumulated amortisation at 31 March 2008	443	**443**
Charged during the year	**146**	**146**
Disposals	**(67)**	**(67)**
Accumulated amortisation at 31 March 2009	**522**	**522**
Net book value:		
Purchased at 31 March 2008	164	**164**
Total at 31 March 2008	164	164
Net book value:		
Purchased at 31 March 2009	**337**	**337**
Total at 31 March 2009	**337**	**337**

Notes to the Accounts

For the year ended 31 March 2009

5.2 Tangible fixed assets

	Assets under construction £000	Buildings exc dwellings £000	Information technology £000	Furniture & Fixtures £000	Plant & Machinery £000	Total £000
Cost or Valuation at 31 March 2008	552	655	3,781	24	44	**5,056**
Additions - purchased	**854**	**0**	**145**	**0**	**6**	**1,005**
Reclassification	**(545)**	**0**	**332**	**0**	**0**	**(213)**
Indexation	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**(21)**	**0**	**0**	**(21)**
Gross cost at 31 March 2009	**861**	**655**	**4,237**	**24**	**50**	**5,827**
Accumulated depreciation at 31 March 2008		358	1,360	0	9	**1,727**
Charged during the year		74	710	4	10	**798**
Indexation		0	0	0	0	**0**
Disposals		0	(13)	0	0	**(13)**
Accumulated depreciation at 31 March 2009		**432**	**2,057**	**4**	**19**	**2,512**
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
Net book value:						
Purchased at 31 March 2009	**861**	**223**	**2,180**	**20**	**31**	**3,315**
Total at 31 March 2009	**861**	**223**	**2,180**	**20**	**31**	**3,315**

The National Patient Safety Agency held no assets under finance leases or hire purchase contracts at the balance sheet date 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 2009 comprises:

	31 March 2009 £000	31 March 2008 £000
Short leasehold	**223**	297
	223	297

Notes to the Accounts

For the year ended 31 March 2009

5.4 Profit/(loss) on disposal of fixed assets

	2008-09 £000	2007-08 £000
(Loss) on disposal of intangible fixed assets	**(18)**	0
(Loss) on disposal of tangible fixed assets	**(8)**	0
(Loss) on disposal of land and buildings	**0**	(44)
	(26)	(44)

6 Stocks and work in progress

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	**0**	0
	0	0

7 Debtors

7.1 Amounts falling due within one year

	31 March 2009 £000	31 March 2008 £000
NHS debtors	**193**	132
Provision for irrecoverable debts	**(1)**	0
Prepayments	**3,490**	2,350
Accrued income	**302**	0
Other debtors	**870**	1,202
	4,854	3,684

Notes to the Accounts

For the year ended 31 March 2009

8 Analysis of changes in cash

	At 31 March 2008 £000	Change during the year £000	At 31 March 2009 £000
Cash at OPG	0	**4**	**4**
Cash at commercial banks and in hand	3	**0**	**3**
	3	**4**	**7**

9 Creditors:

9.1 Amounts falling due within one year

	31 March 2009 £000	31 March 2008 £000
NHS creditors	405	495
Capital creditors	256	191
Tax and Social Security	324	330
Other creditors	1,168	1,088
Accruals	2,413	1,256
Deferred income	202	182
	4,768	3,542

10 Provisions for liabilities and charges

	Legal claims £000	Other £000	Total £000
At 31 March 2008	40	0	40
Utilised during the year	**0**	**0**	**0**
Reversed unused	(40)	0	(40)
At 31 March 2009	**0**	**0**	**0**
Expected timing of cash flows:			
Within 1 year	0	0	**0**

Notes to the Accounts

For the year ended 31 March 2009

11 Movements in working capital other than cash

	2008-09 £000	2007-08 £000
Increase/(decrease) in stocks	0	(68)
Increase/(decrease) in debtors	1,170	(583)
(Increase)/decrease in creditors	(1,162)	479
	8	(172)

12 Movements on reserves

12.1 General Fund

	2008-09 £000	2007-08 £000
Balance at 31 March 2008	3,517	3,468
Net operating costs for the year	**(28,246)**	(29,433)
Net Parliamentary funding	**28,265**	29,340
Transfer of realised profits/losses from revaluation reserve	**24**	17
Non-cash items: Capital charge interest	**128**	125
Balance at 31 March 2009	**3,688**	3,517

12.2 Revaluation reserve

	2008-09 £000	2007-08 £000
Balance at 31 March 2008	81	64
Indexation of fixed assets	**0**	34
Transfer to general fund of realised elements of revaluation reserve	**(24)**	(17)
Balance at 31 March 2009	**57**	81

Notes to the Accounts

For the year ended 31 March 2009

13 Reconciliation of operating costs to operating cash flows

		2008-09 £000	2007-08 £000
Net operating cost before interest for the year		**28,220**	29,389
Adjust for non-cash transactions	2.1	**(1,072)**	(915)
Adjust for movements in working capital other than cash	11	**8**	(172)
(Increase)/decrease in provisions	10	**40**	14
Net cash outflow from operating activities		**27,196**	28,316

14 Contingent liabilities

At 31 March 2009, there were no known contingent liabilities (2007-08: £nil).

15 Capital commitments

At 31 March 2009 the value of contracted capital commitments was £289,243 (2007-08: £7,200). This committed expenditure comprises of the development of a new Business Management System, enhancements to the Disaster Recovery process for the Agency and other software development.

16 Commitments under operating leases

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

	2008-09 £000	2007-08 £000
Hire of plant and machinery	**37**	32
Other operating leases	**985**	1,085
	1,022	1,117

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		2008-09 £000	2007-08 £000
Operating leases which expire:	within 1 year	**0**	0
	between 1 and 5 years	**282**	190
	after 5 years	**665**	676
		947	866
Other leases			
Operating leases which expire:	within 1 year	**2**	7
	between 1 and 5 years	**33**	51
		35	58

Notes to the Accounts

For the year ended 31 March 2009

17 Other commitments

The National Patient Safety Agency has entered into 2 contracts, one relating to the provision of payroll services commencing on the 1st April 2007 for 6 years and one relating to the support of the business management system commencing on the 1st January 2008 for three years. The total cost over the life of the contracts is £244,000.

18 Losses and special payments

There were 3 cases of losses and special payments (Prior year : 13 cases) totalling £1,686 (Prior year £13,753) approved to the 31st March 2009.

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 08/09 £000	Receipts in year 08/09 £000	Debtor @ 31.03.09 £000	Creditor @ 31.03.09 £000
Department Of Health	237	942	72	40
Imperial College Healthcare NHS Trust	104	0	0	28
Oxford Radcliffe Hospitals NHS Trust	139	0	0	36
The Pennine Acute Hospital NHS Trust	118	0	0	12
West London Mental Health NHS Trust	73	0	0	60

20 Post balance sheet events

In accordance with the requirements of FRS21 *Events after the balance sheet date*, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

21 Financial instruments

Financial Reporting Standard 29 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the way Special Health Authorities are financed, the National Patient Safety 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 that would be typical of the listed companies to which these standards mainly apply. The National Patient Safety Agency has limited powers to borrow or invest surplus funds and finacial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

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

Notes to the Accounts

For the year ended 31 March 2009

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

The ageing of trade debtors at the reporting date was:

	£000
Not past due	380
Past due 0-30 days	1
Past due 31-120 days	32
More than 121 days	6

The National Patient Safety Agency has made a provision of £1k for some of the debtors over 121 days. The NPSA does not believe that any provision is required in respect of other trade debtors past 31 days due to the majority relating to NHS Customers.

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

	£000
Not past due	840
Past due 0-30 days	41
Past due 31-120 days	58
More than 121 days	59

21.3 Financial Assets
All financial assets are denominated in £ sterling. The financial assets at 31st March 2009 are £1,370,681 (31st March 2008: £1,336,389)

21.4 Financial Liabilities
All financial liabilities are denominated in £ sterling. The financial liabilities at 31st March 2009 are £4,768,123 (31st March 2008: £3,541,568)

21.5a Financial Asset by Category

	Loans & Receivables £000
At 31st March 2009	
Assets per balance sheet	
NHS Debtors	193
Accrued income	0
Other Debtors	1,171
Cash at bank and in hand	7
Total at 31st March 2009	**1,371**

	Loans & Receivables £000
At 31st March 2008	
Assets per balance sheet	
NHS Debtors	132
Accrued income	0
Other Debtors	1,202
Cash at bank and in hand	3
Total at 31st March 2008	1,337

Notes to the Accounts

For the year ended 31 March 2009

21.5b Financial Liabilities by Category

	Other Financial Liabilities £000
At 31st March 2009	
Assets per balance sheet	
NHS Creditors	405
Other Creditors	1,950
Accruals	2,413
Total at 31st March 2009	**4,768**

	Other Financial Liabilities £000
At 31st March 2008	
Assets per balance sheet	
NHS Creditors	495
Other Creditors	1,791
Accruals	1,256
Total at 31st March 2008	**3,542**

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

22 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	732	0	622	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	1	0	299	0
Balances with public corporations and trading funds	0	0	0	0
	733	0	921	0
Balances with bodies external to government	4,121	0	3,847	0
At 31 March 2009	**4,854**	0	**4,768**	0
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
	823	0	943	0
Balances with bodies external to government	2,861	0	2,599	0
At 31 March 2008	3,684	0	3,542	0

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