NHS
Institute for Innovation and Improvement

Annual Report and Accounts

for the period 1 April 2007 to 31 March 2008

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NHS Institute for Innovation and Improvement

Annual Report and Accounts
for the period 1 April 2007- 31 March 2008

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Contact: Prolog Phase 3
Bureau Services
Sherwood Business Park
Annesley
Nottingham NG15 0YU
Tel: 0870 066 2071
Email: institute@prolog.uk.com

NHS Institute for Innovation and Improvement
Coventry House
University of Warwick Campus
Coventry CV4 7AL

Tel: 0800 555 550

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Welcome from the Chair of the Board

We now estimate that the NHS Institute for Innovation and Improvement works with and supports 100% of NHS front line organisations in some way. Our website receives over two million hits each month and has over 12,000 registered users. We do know that more than half the NHS organisations who are using at least one major product of the NHS Institute now know it is ours and would recognise the NHS Institute's brand.

It has been gratifying to see real impact from the NHS Institute's work; an estimated 250,000 bed days saved nationally from our high volume care work on hip and knee replacement; an additional 24% of staff time released for care through the Productive Ward series; over £300m productivity opportunities released through the application of the Better Care, Better Value indicators; and, our Graduate Management Training Scheme has retained its number one ranking as the best in the country public or private.

I am always proud of the expertise, dedication and commitment continually demonstrated by NHS Institute staff. I am also grateful to my Board for their wisdom and oversight. We are fortunate, as an organisation, to be able to attract talent at executive and non-executive levels. The NHS Institute's Sounding Board, under the chairmanship of Sir David Brown of Motorola, has also provided us with insight and guidance, in particular encouraging us to stay focused on a few priorities which are valued by the frontline NHS.

During the year the NHS Institute has become valued internationally with eight countries now buying our products or in the process of agreeing partnership arrangements and there are many others who are keen to work with us to learn from what we do.

My continuing aspiration however, is that the NHS Institute becomes an indispensable support mechanism for every NHS organisation and is valued for its contribution to leadership, to the present priorities for improvement and innovation for the NHS and is the 'natural' centre and source of expertise for policy makers, managers and clinicians and frontline staff wishing to drive improvement in their area of work.

Yve Buckland.

Dame Yve Buckland
Chair of the Board

Foreword from the Chief Executive Officer

We have come a long way since the NHS Institute was formed in 2005. In September I was at a meeting of 100 NHS leaders talking about the future of the NHS and I realised that every single session in the conference touched on some of the NHS Institute's work.

The products we have developed are having a tangible impact on the NHS. They have released time for nurses to care for patients rather than get bogged down in admin; helped primary care trusts find and act on opportunities to shift care closer to home; brought innovations into the NHS; and, shown both providers and commissioners better ways of eradicating delays and equipped chief executives to transform their organisations and deliver tangible improvements in patient experience in just a few months. All of these, and so many more pieces of NHS Institute work, have made an impact and feedback has been fantastic.

The NHS Institute has become a major influence on policy and decision makers. We give high quality input to critical NHS work being done by others, including the Department of Health, and have contributed to the Next Stage Review. They reach out for our support because we can bring knowledge of other countries and other sectors, we can host and facilitate great debate and plug into extraordinary networks to source independent research and share knowledge. It is a mark of the success of the NHS Institute that the scope of our work has already been broadened from where we started. Some are extensions of what we were already doing: including our role in NHS Live, in the Health & Social Care Awards and in the National Knowledge Service. We have also developed our role in patient safety from an initial focus on healthcare associated infection.

Ultimately the work of the NHS Institute has its impact on the NHS through the work of others, especially clinicians and frontline service managers.

The development of effective products is extremely important to the NHS Institute and one way in which we ensure this is achieved is by working with professionals within the service. Throughout the year a number of arrangements with trusts have been made where clinicians and managers have come to work as secondees with NHS Institute staff on the co-production of products for the NHS. This has proven to be extremely beneficial for all parties and we aim to develop this collaborative arrangement as we develop further products.

Despite the intellectual content of much of what we do, we work closely with our clients and suppliers to design solutions together. The NHS Institute has a real commitment to testing and refining our work to make sure our products are relevant and of high quality.

However, we must do as we say and practice ongoing improvement and innovation within the NHS Institute. We must respond to what our clients want, become more joined up, better known, more rigorous, more focused, even better connected and better able to meet client demand for new services.

The redevelopment of our website has focused on joining up the different elements of work within the NHS Institute. Our field team is doing some really important work thinking about our product catalogue as it would appear to people with different interests across the NHS. We have delivered a range of internal learning events for our staff and those on secondment. Our induction process has been improved and we promote the effective use of new media and technologies to share learning – learning that we can share with our stakeholders.

Lots of NHS organisations have told us explicitly that they want more practical hands on support as they implement our work. We need to rise to that challenge and we have piloted Extended NHS Institute Services to do this. We will continue to listen and respond in this way and look forward to further developing our relationships within the NHS over the next year.

Bernard Crump
Chief Executive Officer

Management Commentary

The NHS Institute was set up on 1 July 2005 under the NHS Institute for Innovation and Improvement (Establishment and Constitution) Order 2005 which was laid before Parliament on 3 June 2005.

The NHS Institute is established as a special health authority under the National Health Service Act 1977 and is an Arm's Length Body sponsored by the Department of Health.

The NHS Institute is based at the University of Warwick: NHS Institute for Innovation and Improvement, Coventry House, University Warwick, Coventry CV4 7AL.

A small number of our staff are also based in London, Birmingham and Manchester.

In 2007/08 most of our staff were deployed in our six priority programmes. Others worked in the teams which support the corporate work of the NHS Institute.

We also employed a flexible workforce, principally drawn from frontline NHS staff who work with us on secondments. We selected some organisations with whom we made joint appointments. Last year these included: Connecting for Health, NHS Employers and the Office of the Strategic Health Authorities.

We also commissioned work from third parties. These included universities and other training and education suppliers, national and international expert organisations and consultancies. We developed a range of preferred suppliers in some areas of our work and use nationally approved procurement vehicles to ensure a responsive and efficient service.

Of the NHS Institute's networks there were five that were particularly critical last year. The network of the SHA link directors ensured that the NHS Institute's improvement work was embedded within the SHA improvement system. The Practice Partner Network, consisting of front line organisations helped us test new products and services. There were two further networks whose members were frontline chief executives, of which one was PCT based with a focus on developing excellence in commissioning, and the other, the Delivering Through Improvement network, designed to provide practical examples of how the best organisations deliver their 'bottom line' using improvement methods as a key enabler. Our fifth network, the NHS Live network, connected us with frontline service improvers across the NHS.

Corporate overview

Performance

The NHS Institute has agreed a number of high level metrics (HLM) which give an indication of performance. We use a 'traffic light system' to report our progress to our Board and sponsors. Using the NHS Institute's baseline HLM targets, appropriate for measurement in 2007/08, the NHS Institute is at green status for 25 measures, amber status for three measures and red for one measure linked to the 18 week patient pathway.

Using the NHS Institute's internal measures, which assess completion, awareness, spread, impact and learning capture for the year ending 31 March 2008, 95/96 (99%) of targets for which we are accountable (completion, awareness and learning capture) were reported as green. One target related to the Medical Leadership Framework was reported as amber.

Next stage review

The NHS Institute has been involved in nearly all of the work streams of the Next Stage Review launched in October 2007 by Professor Lord Darzi. The review aims to set out a 10 year vision for the National Health Service. Key staff from the NHS Institute are involved in many aspects of the review such as:

- leadership development
- the quality workstream
- a wide range of inputs relevant to innovation including membership of the newly formed Health Innovation Council
- playing a leading role in work to surface the contemporary values which underpin service delivery
- work to support the management of knowledge to improve clinical effectiveness a programme of work on productivity.

The very significant nature of our role in the review is testimony to the relevance of the NHS Institute's work to the current issues facing the NHS.

NHS Values

The NHS Institute is playing a key role in the design and delivery of a process to surface values to underpin the work of the NHS. We worked closely with the Department of Health, NHS Confederation and local NHS Organisations. The NHS Institute will be involved in the governance process of the values and compacts work for 2008, working closely with the Department of Health, NHS Confederation and local NHS organisations over the next 18 months.

The Director of Leadership will support the Department of Health with the process of building internal NHS capability to run values engagement sessions in all NHS organisations throughout 2008/09 supporting local organisations to embed values into core work processes and ways of working.

Involving patients and the public

As a result of partnership working and the involvement think tank, The Patient and Public Involvement (PPI) Framework provides support to the NHS Institute teams to enable the involvement of patients and the public in product development and decision making.

The Patient and Public Involvement team continue to performance manage the National Centre for Involvement (NCI). The Institute of Healthcare Management's chief executive, Sue Hodgetts, has been appointed as interim chief executive of the NCI.

Highlights for 2007/08 include working on two informed decision initiatives which bring together key thinkers in the fields of urology and knee surgery to develop informed decision tools for patients and healthcare professionals to use together.

Evidence shows that involving patients in decision making improves their health outcomes and can reduce the need for invasive surgery.

Involving partners

The Practice Partner Network (PPN) has expanded rapidly and has 50 member organisations as at April 2008. The network boasts membership across all 10 strategic health authorities and includes a number of foundation trusts. Member organisations work closely with other NHS Institute teams and have tested and helped to improve the No Delays Achiever tool and the Scenario Generator tool.

Three sites tested the Vision to Delivery Accelerator on behalf of the Service Transformation team which led to a number of improvements for patients including:

- Walsall Hospital redesigned its portering services to improve the patient experience as part of this test and learn opportunity
- South Staffordshire and Shropshire Mental Health Foundation Trust involved users in the redesign of follow up/choice for mental health patients requiring further out patient appointments closer to home
- Ealing Primary Care Trust looked at the redesign of key pathways of care using this tool locally.

The NHS Collaborate Social Networking tool has been re-launched for further testing to aid sharing and learning.

NHS Live

NHS Live is a free, national learning network supporting staff, patients and their communities to realise local ideas for improvement. NHS Live seek to support a movement of enthusiasts looking to improve health and social care for patients.

The emphasis is on local projects that involve staff, patients, the public and a wide range of local stakeholders in improving the quality of health and social care. This could mean anything from better coordination of diabetic care provision through to community based schemes for keeping older people active.

Some NHS Live project teams are matched with selected corporate partners who offer their private sector expertise and project management support.

Highlights for NHS Live in 2007-08 include:

- adding 3,500 members to the NHS Live community
- increasing the number of projects by more than 320
- running 21 regional events attended by almost 700 people across the country
- running a national event at the International Convention Centre (ICC) attended by more than 240 people
- overhauling and re-navigating the NHS Live website to make it more user friendly and a better representation of our work programme
- promoting the national and international reputation of NHS Live at conferences, including the Institute of Healthcare Improvement conference in Barcelona
- the NHS Institute board signed off the three year plan for NHS Live.

Health and Social Care Awards

The Health and Social Care Awards are managed by the NHS Institute in partnership with the Department of Health.

The awards aim to highlight and celebrate innovation and excellence across health and social care. They also recognise and encourage working together across organisations and professions, with service users and local populations.

Categories range from mental health and wellbeing and dignity in care to improving access and success in partnership working. Applicants can win at regional and national level. The campaign that ran over 2007 to 2008, culminating in the 2008 Awards, attracted more than 2,500 entries.

NHS Institute Programme Office

The NHS Institute has recently recruited staff to form its new programme office. The new team will strengthen the management of projects, organisational planning and collaboration between internal and external teams. This should enable enhanced benefits through continuously demonstrating a clear linkage between the NHS Institute's products and the national agenda and better engagement with customers.

Extended Services Pilot Project

Following the launch of the Care Outside Hospital and Releasing Time to Care: Productive Ward products, extended offerings have been developed and offered to clients to support the spread and adoption of the products.

The NHS Institute is currently working with 11 primary care trusts in rolling out the extended offerings for care outside hospital, and is following up further expressions of interest from 10 primary care trusts. For the Productive Ward, the NHS Institute has already reached agreement with the London South East Coast and West Midlands Strategic Health Authorities on region wide rollout of extended offerings. In addition separate programmes have been agreed with 12 individual trusts.

The level of interest for the Productive Ward extended offering has been extensive and the NHS Institute is currently discussing possible rollout programmes with other strategic health authorities following the Secretary of State's announcement for funding of £50m. Based on current levels of interest it is estimated as many as 150 trusts across the acute, community and mental health sectors may participate in the Productive Ward extended offerings programme. The NHS Institute is currently developing plans to respond to this higher than anticipated demand and to establish the resources required to meet this customer requirement.

Non-NHS customers

Non-NHS offerings are being piloted through a number of arrangements. Publications are now available for sale via the NHS Institute website and licensing arrangements for the exploitation of NHS Institute intellectual property rights are currently being negotiated in a number of areas. Consultancy services have been piloted with non-NHS customers and draft partnership agreements are being considered for a small number of key markets.

Looking forward

Priority areas for 2008-09 include:

- Commissioning for Health Improvement programme, which incorporates the work of the former priority programme Care Outside Hospital
- iLinks, a new programme creating customised packages of NHS Institute products to meet the needs of different types of NHS organisation. The iLinks team will maintain ongoing work on the No Delays programme
- greater emphasis on engagement with the wider NHS, including extended services
- focusing work on the new product pipeline under the Service Transformation team
- increased emphasis on community services.

Year at a glance

Our role is to help the NHS make real sustainable changes for the better and we've achieved a lot over the last year. We've chosen some of the highlights of our year…and hopefully some of yours!

April 2007

Two million hits

We relaunched the NHS Institute website, which now receives more than two million hits each month. Visitors come from more than 80 countries across the world and it is we plan to develop a network of partnerships with international health organisations and derive income from the sale of our products outside of NHS England through our extended services project.

May 2007

10 High Impact Changes goes on the website

The NHS Institute re-issued the 10 High Impact Changes for Service Improvement and Delivery, and they are available on the website.

June 2007

Bringing User Experience to Healthcare Improvement; the concepts, methods and practices of experience based design

This book, written by our academic partners, describes the theory and practice of the experience based design work that we field tested at Luton and Dunstable NHS Trust.

Releasing Time to Care: Productive Ward Introductory Events

The second of the workshops to introduce and demonstrate the Productive Ward attracted more than 300 delegates, including a nursing director from each of the 115 NHS trusts represented.

Free NHS Live events

NHS Live ran a series of regional workshops as part of its new regional seminar series programme of events. The workshops held in four venues aimed to provide inspiration and motivation, tips and tactics.

July 2007

Graduates success

A total of 21 per cent of successful applicants for the 2007 NHS graduate training scheme came from the NHS hidden talent pool.

The Graduate Training Scheme attained the 'Best of the Best' award from the Association of Graduate Recruiters. The scheme also received the award for best in recruitment and assessment.

August 2007

Recruit and retain

The NHS Graduate Management Training Scheme was short listed for the HSJ Awards in the Recruitment and Retention category.

No Delays

The No Delays team had a busy month, launching version 5 of their No Delays Achiever boasting more intuitive navigation, an improved login function and easier download functionality.

The team held a series of workshops aimed at teaching operational managers how to use the web based achiever, and hosted a one day workshop and masterclass for their new ambassadors from the Practice Partner Network who will, in turn, introduce colleagues from other trusts to the benefits of using the No Delays tools.

CHAIN

A new PPI (Patient and Public Involvement) in commissioning sub-group of the email network CHAINs was launched.

CHAINs (Contact, Health, Advice and Information Networks) are free, multi-professional online networks for people working in heath and social care. They provide a simple mechanism for mutual support and the sharing of experiences, ideas and aspirations using a combination of facilitation, online directories and targeted emails.

September 2007

We launched the Thinking Differently book and frontline staff ordered 2,000 copies in the first two weeks.

Commissioning for Patient Pathways guidance was launched. The first of its kind, this publication supports commissioners to sustain the eighteen week pathway. It is available in hard copy and as an interactive PDF.

October 2007

Breaking Through

The Fourth National Breaking Through conference took place. The programme included a wide range of topics including patient safety, patient and public involvement and understanding learning disabilities. Guest speakers included Lord Nigel Crisp, Lord Ara Darzi and Tim Campbell.

Responsive General Practice

Eighty leading thinkers and practitioners from primary care attended an accelerated change event which focused on the development of a responsive general practice vision, building a framework for general practice including an understanding of both drivers and barriers to achieve the change. The output of the event formed part of the national report to be fed into Lord Darzi's review of the NHS.

November 2007

Reducing demand

Using the NHS Institute's Care Outside Hospital programme and by enhancing GP care provision, demand for diabetes outpatient appointments at Manchester PCT was reduced by seven per cent.

LIPS

Twenty three NHS trusts signed up to the Leading Improvement in Patient Safety (LIPS) programme which focuses on building the capacity and capability within hospital teams to improve patient safety.

Fellows

The second intake of NHS Institute fellows took place in November 2007. The first fellows have just successfully completed their year and will form a key part of the NHS Institute's faculty.

During November the National Innovation Centre held a very successful event entitled Delivering Innovation with delegates representing all the major organisations on the innovation landscape. One hundred and thirty delegates attended from a wide range of public sector organisations.

December 2007

Library recognised

The National Library for Health (NLH) won a prestigious Microsoft sponsored award for the NHS website of the year. Angie Clarke and Peter Hill accepted this award on behalf of the NLH at a very high profile event held at the Royal College of Physicians.

Breaking Through

The second annual Breaking Through Recognition event took place to celebrate the achievements of participants who had completed the Breaking Through programme. Participants were presented with certificates of completion from Bernard Crump and Yvonne Coghill, National Programme Lead for Breaking Through.

January 2008

Finding time to care

Individuals from more than 80 NHS trusts celebrated the launch of Releasing Time to Care: Productive Ward. The event launched 15 modules that, when implemented, will increase the time spent on direct patient care.

One hospital managed to increase the time that nurses spent on direct patient care from 25 per cent to 46 per cent.

The modules are available free as a set or printed individually, and the NHS Institute offers additional levels of support.

February 2008

An international audience

The NHS Institute guest edited Clinical Governance: an International Journal. Edition 13 Number 1 was a special edition on the work of the NHS Institute with articles by Lynne Maher, Bernard Crump, Mark Mugglestone, Julia Taylor and John Clark with an editorial by Hugh Rogers.

Features included 'The role of data within service improvement to transform access to services', 'Accelerating the improvement process', 'Attainment of competency in management and leadership' and 'How can we make improvement happen'.

March 2008

Save one in five

The Productive Leader programme was launched as part of the NHS Institute's highly regarded 'Productive' series. It demonstrates how senior leaders can claim back up to a day a week of time by implementing more efficient processes. A series of seminars were held in April to support the launch.

Director of Finance Commentary

Finance performance

2007/2008 Finances at a glance

This report includes the financial information for the year ended 31 March 2008. The NHS Institute was required to achieve a number of key and statutory financial targets:

- To maintain its revenue expenditure within a limit of £73,531,000. This was achieved.
- The NHS Institute was required to maintain its capital expenditure within a limit of £2,044,000. This was achieved.
- To maintain its net cash outgoings from operating activities in the within a limit of £76,575,000. This was achieved.
- In addition to the key statutory targets, the NHS Institute is expected to undertake its business in accordance with the Better Payment Practice Code. The NHS Institute is required to meet the better payment practice code target of paying all non-NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed. In this respect the NHS Institute paid 90.5% (by value) and 92.1% (by number) of its non-NHS trade creditors within 30 days of receipt of goods or valid invoice, whichever was the later. This was an improvement on 2006/07 performance.

Director of Finance commentary

The accounts on pages 43 to 70 have been produced in accordance with the direction given by the Secretary of State dated 1 June 2005, in accordance with Schedule 15 of the NHS Act 2006, and in a format as instructed by the Department of Health with the approval of HM Treasury.

Going concern

The balance sheet of 31 March 2008 shows net liabilities of £693,000. This reflects the inclusion of liabilities falling due in the future which, to the extent that they are not to be met from the NHS Institute's other sources of income, may only be met by future direct funding from the NHS Institute's sponsoring department, the Department of Health.

Funding for 2008/09, taking into account the amounts needed to meet the NHS Institute's liabilities falling due in that year, has already been included in the Department of Health's estimates for that year, which have been approved by Parliament. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the NHS Institute's accounts.

The NHS Institute met its key statutory financial targets for 2007/08. The year has seen us build on the achievements of the previous year and ensure financial investment was there to support the NHS initiatives, many of which are covered within this report. There remains a continued focus on developing financial controls, governance and assurance processes that will stand us in good stead for the future.

Priority Programmes

No Delays

The No Delays Achiever is an online tool that combines analysis of individual trust's referral to treatment data with the appropriate service improvement tools and case studies to improve flow and reduce waiting times.

The site receives in excess of 15,000 hits per month. Every NHS organisation now has at least one registered user, with more than 2,000 registered users of the Patient Journey Analyser element that provides a snapshot of 13 high volume specialities and their 18 week position for the data selected.

The No Delays Achiever has developed into an international resource with more than 20 countries accessing the No Delays Achiever – including 2,000 hits per month from USA.

Data is entered every month and trusts can compare their referral to treatment times with any other NHS organisation. It allows data to be viewed in a variety of chart formats including statistical process control and facilitates drill downs to specialty level reports, even down to consultant level.

The No Delays Achiever incorporates:

- the Patient Journey Analyser
- more than 100 service improvement tools tailored to help 18 week delivery
- six key areas that can really make a difference to achieving the 18 week wait
- an improvement project guide - an easy to understand seven step guide providing assistance for small or large scale improvement projects
- case studies - learning from others, real examples of where the NHS has made improvements towards a delay-free system.

In spring 2008 several new modules were released:

- the facility to upload data so trusts had access to a free analytical tool and ability to share their own data with their colleagues across the net
- a commissioner module was launched in October 2007 and allows commissioners to compare multiple provider referral to treatment data
- a module for practice-based commissioners (PBC) where they can establish their own clusters and review the data from the trusts they commission services from.

Commissioning for Patient Pathways was launched in September 2007. It is the first guidance of its kind to support commissioners in commissioning for patient pathways and sustaining 18 week pathways. It is available in hard copy and as an interactive portable document format (PDF), alongside a number of associated publications. The guidance was released as a web based tool in March 2008.

Highlights for the No Delays team in 2007/08 include:

- running more than 125 workshops for NHS staff
- establishing a community of practice for NHS commissioners supporting 30 primary care trusts in learning how to commission patient pathways
- developing two primary care trust and eight acute trusts as ambassador sites for the No Delays Achiever, with project manager support

- rolling out awareness raising workshops for primary care trusts working with trusts and strategic health authorities on commissioning for 18 weeks on a sustainable basis.

www.nhsinstitute.nhs.uk/nodelaysachiever

Commissioning Care Outside Hospitals

There are seven million avoidable acute hospital events each year costing the NHS in excess of £1 billion.

The white paper Our Heath, Our Care, Our Say and the NHS Next Stage Review have set out the Government's vision for the NHS to provide fair, personalised, effective and safe care with more emphasis on services provided closer to home.

To deliver this vision and meet patients' expectations, NHS organisations need to be able to identify which services should be redesigned to deliver care closer to home.

The NHS Institute's Care Outside Hospital team has worked with health communities across the country and developed products designed specifically to help trusts shift care safely and successfully out of the ward.

Highlights for the Care Outside Hospital team in 2007-08 include:

- Getting the Basics Right and Beyond Projects were produced by the University of Birmingham's Health Services Management Centre (HSMC). Getting the Basics Right is the final evaluation from Phase 1 of the Making the Shift programme. Between September 2005 and March 2007, we worked with 14 projects in five healthcare communities to explore how to implement effective change over a 6 month period; projects were implemented in the final half of 2006. Beyond Projects contains case studies from five of the 14 projects implemented during the Making the Shift programme, detailing a project outline and the key success factors for each project
- 'Prioritise Opportunities' was released in November 2007 and is now available on the NHS Institute website. The work has two dimensions to it. The first is about identifying the areas of activity which provide the greatest potential to shift care outside hospitals using, amongst other things, another product developed in the Care Outside Hospital programme called the Opportunity Locator. The second dimension relates to the prioritising of the initiatives which will deliver that change. Here we use another Care Outside Hospital product called Priority Selector. The Prioritise Opportunities process has also been piloted around to PCTs as part of the NHS Institute extended offer
- Steps to Success was released in November 2007. This is available in both electronic and hard copy format. The Steps to Success has been tested with a number of PCTs to explore the opportunities of making this product available through the NHS Institute extended offer
- The Stour Access Project is a new tool which allows GPs to cut the number of face to face GP consultations by up to 60 percent was launched at the Royal College of General Practitioners' annual national conference in Edinburgh in October 2007. The approach, entitled the Stour Access System, has been developed in conjunction with Stour Surgery in Christchurch, Dorset. It looks at ways of managing GP appointments, putting the GP in control by triaging all patients by telephone. This enables them to make decisions about who the patient needs to see next, therefore more effectively managing the GP's, the nurse's and the patient's time. Tried and tested, this approach is now spreading to practices across the UK following the circulation of information to all GP practices. It allows patients to see their GP sooner and when most appropriate. It also helps reduce the number of missed appointments.

In some practices, missed appointments dropped to almost zero

- Emerging from the Care Outside Hospital programme, the NHS Institute has co-developed a product called Clinic to Go. This has been produced to support organisations to establish clinics (both services and facilities) quickly, drawing from the experiences of the healthcare communities who have taken part in the first phase of the 'Making the Shift' programme, and avoiding difficulties that they may have experienced during their initial start up phase.

The work of the Care Outside Hospital team will be incorporated into the new Commissioning for Health Improvement priority programme for 2008/09.

Delivering Quality and Value

The Delivering Quality and Value team helped the NHS release more than £300m savings for NHS organisations in 2007/8 from the total £2.2bn productivity opportunity identified by the Better Care, Better Value indicators. The team also developed a range of new indicators which will be added to the existing set to cover areas such as readmissions, outpatients and new areas of prescribing.

A relatively small number of care/treatment areas use half of all NHS bed days and senior clinical staff time. Focusing on these areas the Delivering Quality and Value team has continued its study of how the top performing NHS organisations delivered the highest quality care with the most efficient use of resources.

Using the NHS Institute's innovative work process methodology, the aim of the project is to identify what makes the care of these patients work well in some care systems, and how this expertise can be shared and spread to others.

The work has now covered and reported on the following areas:

- Acute admission to adult mental health
- Acute stroke
- Caesarean section
- Fractured neck of femur
- Cholescystectomy
- Short stay emergency admissions
- Urinary tract infections (a tracker condition for frail elderly)
- Primary hip and knee replacement
- Diabetes
- Sick patients with suspected cancer
- Cataracts
- Emergency and urgent care pathway for children and young people
- Heart failure
- Magnetic resonance imaging (MRI) in the management of low back pain
- Psychiatric intensive care units
- Preparing for end stage renal failure.

For all of these areas the team has developed products tailored to help trusts make improvements to individual pathways. The products have a wide range of applications: self-assessment against benchmarks, action planning to solve a specific problem for small development projects, broader service improvements or redesign and to influence commissioners.

For six of the pathways the team has developed a more intense and support tailored package for NHS organisations. For 2008/9 the team will invite applications and, in conjunction with strategic health authorities, select trusts to participate in a year long improvement programme.

Highlights for the Delivering Quality and Value team for 2007/08 include the following:

- Service users as NHS Institute members – as part of the second series of their High Volume Care programme, the Delivering Quality and Value team worked with the Patient and Public Involvement team to look at inpatient care for people with diabetes who are admitted for non-diabetes health problems. Four users were recruited alongside clinicians and NHS Institute staff as full team members. A short film was produced which outlined the experience of all involved
- Promoting normal birth and reducing Caesarean section rates – the team created two resources: the first to help organisations identify three clear clinical pathways and 10 key principles for reducing intervention rates, and a second with practical techniques for sustainable changes in maternity services, including a self-assessment tool
- Examined high performing services for primary hip and knee replacement and created practical tools for underperforming NHS organisations
- More than 80 per cent of acute and primary care trust directors are aware of the Better Care Better Value indicators
- Produced Focus on: Cholecystectomy which identifies the key characteristics of high performance across the patient pathway from referral to post-operative care and a follow-up publication for commissioners which shows how they can save £190 per patient by following the recommended pathway
- Created Focus on: Frail Older People. One trust reported a 24 per cent increase in transfers from the acute sector to community hospitals and a reduction of 10 days in length of stay.

Safer Care

The Safer Care team was set up as a new priority programme to work with the NHS to help them gain the passion, confidence and skills to eliminate harm to patients.

The NHS Institute was given a remit to develop education and training to improve patient safety.

The approach taken has been to develop the Leading Improvement in Patient Safety (LIPS) programme, which focuses on building the safety improvement capacity and capability within hospitals.

The programme presently includes six core modules held over a nine month period:

- *Getting started:* a two day workshop introducing the tools and techniques for identifying and understanding the rate of harm and for effective measurement of improvement
- *Executive Quality and Safety Academy (EQSA):* two days of strategic planning on improving quality and safety for chief executives and their executive/non-executive teams
- *LIPS core modules:* for teams of senior doctors and nurses and patient safety managers to build their capacity to lead improvement in patient safety. Implementation plans are developed to be shared with chief executives at the end of this five day programme
- *Pursuing, progressing and sustaining improvement:* three separate events giving teams the opportunity to explore specific issues in depth, share learning with other trusts and review and update action plans.

An additional patient safety manager course has been developed in conjunction with Warwick Medical School. This three day programme will offer trusts the opportunity to develop additional capacity in safety improvement.

A steering group has been established to develop a quality and safety improvement faculty board. This board will advise and support the development of clinical quality and safety improvement. This will include a cohort of clinical service improvement experts who will have a role in teaching, coaching and mentoring the wider NHS.

Additional materials are being developed and have included two papers on reducing avoidable mortality and a DVD. The latter highlights the role human factors play in contributing to harm to patients. Martin Bromiley tells the story of his wife Elaine's death after routine surgery.

The first year has had a primary focus on acute hospitals due to the evidence base available. In parallel a team has started developing an understanding of safety in non-acute settings, particularly in primary care. It is intended to produce prototype tools for wider testing during 2008.

The NHS Institute was also given a remit to work in partnership with the National Patient Safety Agency and the Health Foundation to develop a safety campaign. This is a grass roots campaign to motivate staff and healthcare providers to address the safer care challenge.

Highlights for the Safer Care team in 2007/08 include:

- Working with 23 hospitals on the first leading improvement programme
- A two day executive quality and safety academy for chief executives and directors of organisations
- Developing a three day patient safety manager course in conjunction with Warwick Medical School
- Identifying and developing the skills of a cohort of frontline staff to teach future programmes
- Initiating a work stream to establish an understanding and approach to safety in non-acute settings. This will start in primary care and will extend to include mental health and other healthcare settings
- Supporting the development of a safety campaign to be launched in July 2008.

Encouraging innovation, building capability and capacity:

The National Innovation Centre: accelerating the uptake of new technologies

The NHS National Innovation Centre (NIC) aims to accelerate the uptake of pre-commercial technologies likely to benefit the NHS.

The NIC has built on the cross-Government innovation agenda and Health Industries Task Force (HITF) deliverables by fostering connectivity and communication between the organisations across the innovation landscape.

In November 2007, the National Innovation Centre held a Delivering Innovation event attended by more than 130 delegates representing all the major organisations involved in innovation. Representatives came from the Department of Health, Department for Innovation, Universities and Skills and Department for Business, Enterprise and Regulatory Reform, the Wellcome Trust and the Young Foundation, as well as universities and healthcare bodies such as the Department of Health's commercial directorate, NHS Purchasing and Supply Agency and the NHS Confederation.

Commercialisation of innovations arising from within the NHS is managed by the nine Innovation hubs in England. The hubs offer legal and commercial support to NHS staff who have a pre-market product. In doing so, each hub serves the NHS organisations in its area by identifying, protecting and developing intellectual property sourced from within the NHS.

New web based tools provide innovators across the landscape with help to manage and accelerate their innovation's progression:

- The Scorecard enables innovators to carry out their own assessment of their innovations
- The Navigator helps innovators find the most appropriate resources and people on the public sector landscape and thus creates a pathway to help accelerate the development of their innovations
- The Prospect Zone is a marketplace in which industry, academia and the NHS can form networks and partnerships to develop new opportunities. Innovators can both post or access ideas to be developed and do business with each other independently of the NIC.

Highlights for the National Innovation Centre in 2007/08 include:

- Between April 2007 and March 2008, the NIC website received almost 6,000 visitors each month
- During the year, 332 people registered on the scorecard tool to conduct a self-assessment of their innovations. Of those, 86 submitted their ideas and received professional assessment by the NIC
- In the first six months of 2007/08 the nine NHS innovation hubs completed twice the number of deals as the same time the previous year. In the first six months of 2007/08, the regional NHS innovation hubs completed 46 deals. In 2007, the nine NHS innovation hubs reviewed more than 1,000 innovations from NHS staff, agreed 54 deals, filed 36 patents and formed three new spin-out companies. Examples of innovative medical devices included an ear scaffold that improves on time, cost and patient comfort and an instrument for detecting peripheral vascular disease
- A technology adoption strategy has been significantly advanced with the initiation of the technology adoption programme and the launch of the Technology Adoption Hub in Manchester. There is close collaboration between the NIC and the NHS National Technology Adoption Hub and their respective activities complement each other.

A new hub

The NHS National Technology Adoption Hub (NTAH) was launched in Manchester in September 2007 to promote the increased uptake of innovative technology in the NHS.

The hub has the following aims:

- to work with partners to source excellent technologies for the benefit of patients
- to increase the uptake of new technology across the NHS
- to improve understanding of how new technologies are taken up by the NHS.

Over the next three years, the NTAH will review up to 200 innovative technologies from NHS partners and medical technology companies.

Selecting 15 of these technologies for implementation projects in a wide range of real-time clinical settings in the NHS, they will work with teams in the trusts to manage the implementation and systems integration issues. They will identify where additional changes to a clinical pathway or service may be needed and unlock the full benefit of the innovation.

Where technology adoption is successful, the hub will produce technology adoption guides and full business cases. It will disseminate these widely across the NHS to stimulate uptake of the technology.

The hub will also map the wider technology adoption landscape of organisations and processes involved in technology uptake in the NHS. This will include a guide highlighting the role of the different organisations both inside and outside the NHS.

The hub has already embarked on several technology implementation projects with NHS trusts to embed innovative technologies into clinical settings. These projects will also provide an understanding of the issues associated with adopting these technologies. The selected technologies for projects have a wide evidence base of improving patient care and system efficiencies.

Leadership

Graduate Management Scheme

The graduate scheme is the launch pad for future leaders of the NHS and is designed to provide the perfect introduction to management in the NHS, and to build the highest degree of management capability and leadership capacity.

The scheme was listed in the top five of *The Times* Top 100 Graduate Employers in April 2008, rising two places from 2007 and becoming the highest placed public sector body. In addition, the human resources leg of the scheme won the coveted HR employer of choice award for the third year running.

The training programme remains amongst the most respected in the world when it attained the 'Best of the Best' award from the Association of Graduate Recruiters in July. The programme also received the award for best scheme in Recruitment and Assessment. In August 2007, the scheme was short-listed for the Health Service Journal Awards in the Recruitment and Retention category and the Secretary of State, Alan Johnson wrote to Dame Yve Buckland, NHS Institute Chair, congratulating all staff for their hard work and achievements.

The programme combines core learning and specialised modules that support the attainment of a professional qualification in human resources, finance or general management.

Graduate trainees work alongside some of the best clinicians and most inspiring managers in the NHS. Their development is enhanced by access to senior managers, the opportunity to shadow chief executives and attend board meetings as well as having their own personal mentor. This year the scheme attracted 220 graduates into the NHS.

Trainees from the NHS financial management training scheme performed exceptionally well in the Chartered Institute of Management Accountants (CIMA), with 23 trainees receiving commendations.

A pilot informatics graduate scheme was launched in the autumn, run by three strategic health authorities, which began with involvement from the NHS graduate management training scheme.

Success of the graduate scheme continues with 93 per cent of graduates going on to roles in the NHS or Department of Health.

Gateway to Leadership

Gateway to Leadership is an important part of the NHS drive towards creating a world class health service.

The programme provides a source of new talent to the NHS from the private sector, other public sector organisations and the third sector. This in turn complements the strengths of our existing management teams in NHS trusts around the country.

Now in its fifth year, more than 180 managers have joined the NHS through the scheme.

The Gateway to Leadership programme was re-launched in September 2007 and attracted 168 applications. Eighty NHS organisations registered their interest in employing a gateway candidate and 20 high calibre applicants were appointed to participating NHS organisations in April 2008.

Breaking Through

There is growing recognition that the make up of the NHS workforce should reflect the diversity of the communities that it serves.

Although up to 30 per cent of NHS employees working at lower grades come from black and minority ethnic (BME) backgrounds, this figure drops to 10 per cent at middle management level and less than one per cent at chief executive level.

The NHS Institute's Breaking Through programme aims to increase the diversity of the NHS workforce at director and chief executive level through training, mentoring and development.

The programme was re-launched at the Breaking Through's fourth annual conference in October 2007. More than 600 people attended and guest speakers included Lord Nigel Crisp and Lord Ara Darzi. The conference also launched the new Top Talent programme that aims to identify the most talented managers from black and minority ethnic backgrounds and support them to progress to director level.

There are 193,000 NHS employees from black and minority ethnic backgrounds, but less than two per cent work at an executive director level or higher.

The Breaking Through Transformational Leadership programme is a training programme developed to enhance personal insight, political and emotional intelligence and ability to make powerful, creative interventions. Structured over 25 days within a four month period, the aim is to equip participants to play a leadership role in realising the potential of a diverse NHS workforce.

Highlights for Breaking Through in 2007/08 include:

- Recruiting three regional coordinators whose role is to help promote the programme in each of the various regions across England
- Successfully completing the first cohort of the Transformational Leadership Programme which was delivered by The Kings Fund and People Opportunities. Twenty three candidates completed the five week programme over a period of seven months
- Holding a recognition event, hosted by Lord Nigel Crisp in March 2008 at the House of Lords
- Recruiting 15 candidates into the new Top Talent Programme
- The fourth and final cohort for the old Breaking Through programme completed their modules in November 2007. A total of 70 candidates have completed this programme
- Holding its second annual recognition event in November, attended by more than 130 alumni and invited guests
- Commissioning a study to look at blocks in organisations that stop BME people from progressing in their careers and to identify good practice in other organisations.

Medical Engagement

Enhancing Engagement in Medical Leadership

This joint project with the Academy of Medical Royal Colleges aims to help create an organisational culture where doctors seek to be more engaged in management and leadership of health services and senior leaders genuinely seek their involvement to improve services for patients across the UK.

Highlights for the Medical Leadership team in 2007/08 include:

- A medical leadership competency framework which describes the leadership competences that doctors need in their practitioner roles to become more actively involved in the planning, delivery and transformation of health services. The framework applies to all medical students and doctors and has been endorsed by the project steering group and academy and will be published in early 2008/09
- A medical engagement in leadership scale for health organisations to assess levels of engagement and suggest behaviour to promote engagement. Monitor and the Healthcare Commission have expressed interest in using this scale
- A review of academic literature about medical engagement and any empirical evidence for its linkage to organisational or clinical aspects of performance
- An international survey of approaches to engaging doctors in management and leadership
- Interviews with chief executives and medical directors from the best and worst performing trusts (Health Care Commission 2006) across England to explore the links between medical engagement and organisational performance
- A Good Practice Medical Engagement publication which includes a collection of individual examples of good practice, particularly at postgraduate level discovered during the project. The publication also includes the results of the literature review and interviews.

The findings from the international survey and literature review are available in the summary paper 'Engaging Doctors in Leadership: What we can learn from international experience and research evidence', published in March 2008.

The project continues in 2008/09 with the focus on raising awareness and sharing knowledge of the project outputs with NHS medical leaders and non-medical leaders (both service and education) through a series of meetings, road shows and workshops.

www.institute.nhs.uk/medicalleadership

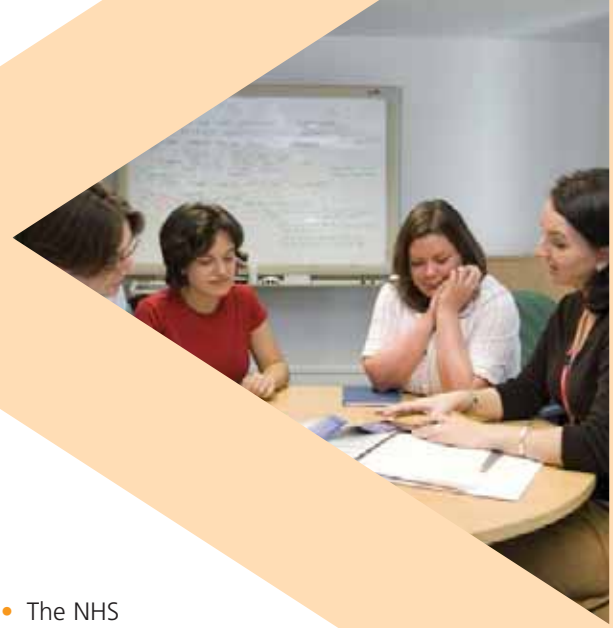
Leadership: Board level development

The NHS Institute's Board Level Development team aims to help NHS senior leaders with their personal and leadership development needs.

The programme aims to build commissioning related capabilities through a comprehensive training and development package to support individuals and whole boards.

Projects include focusing on developing the skills that create personal impact including posture, body language, breathing, voice, energy and language and politics in the NHS design. This is designed to provide a deeper understanding of the political dimension of the NHS and increased capacity to implement government policies within the NHS.

Highlights of the Board Level Development team for 2007/08 include:



- Commissioning a Patient led NHS - the Board Level Development team completed the roll out of products designed to support primary care trusts, which had been impacted by the policy 'Commissioning a Patient led NHS'. The products were accessed by more than 1,000 individuals from more than 90 primary care trusts across all 10 strategic health authorities
- The Leadership Qualities Framework (LQF) has continued to be used across the service and this can be seen in the 12 per cent increase in uptake of the 360 degrees diagnostic
- The Board Level Development team have subsidised four further cohorts of the coaching skills development programme, accrediting 60 NHS staff to provide coaching support to their colleagues across the service
- The Board Development tool has been rolled out with a facilitated support package. A total of 16 boards have accessed this, receiving a fully facilitated diagnostic tool enabling them to review their performance as a board and undertake development planning. Demand for this product is increasing
- The NHS Institute, in partnership with Monitor and the Department of Health, has rolled out eight cohorts of the strategic financial leadership programme. The 10 day programme has been accessed by 164 delegates and aims to provide development in both technical and behavioural skills
- In partnership with the Department of Health, the team launched the National Leadership Development Services Framework. Seven providers have been appointed to provide development interventions for aspiring chief executives
- The Executive Coaching Register has been accessed by 196 clients, including newly appointed chairs, chief executives and executive directors from all 10 strategic health authorities.

Learning

Knowledge and Learning for the NHS Need

The NHS Institute Alert provides a current awareness scan of newly published literature on innovation and improvement. This is available as a Word document, a blog and an RSS feed.

Building on this success, work is now underway to develop it into a national service to include:

- Brief summaries for each item
- Integration with the National Library for Health My Update service
- Full text links to items
- Online journal club linked to a UK based journal
- Online tools to enable subscribers to critically appraise the research.

Improvement from the start

Developing good improvement habits in the next generation of health workers is vital. The learning team is working with higher education institutions and local NHS employers to develop short courses on improvement which can be applied to anyone at undergraduate level. This embeds the idea that everyone, whatever discipline or grade, has a contribution to make to provide better, safer healthcare.

The work began in 2006/07 when the NHS Institute commissioned pilots at three universities. During 2007/08 the work continued with these universities and six new consortia were recruited, each comprising a university and one or more NHS employer. The aim is to further test the feasibility and effectiveness of incorporating improvement into a higher education institution's curriculum for undergraduate training.

During this academic year more than 2,000 students experienced improvement in their professional education. The external evaluation showed benefits all round: for students, the universities and the NHS.

A sharing event held in January 2008 to raise interest in the work resulted in an additional 10 universities expressing interest in being involved next year. Work is currently underway to agree how to support implementation.

In addition, a one hour elearning programme aimed at introducing improvement at induction was launched in June 2008.

Award for the National Library for Health

The National Library for Health website offers a single source of knowledge that is catalogued, classified and organised so that it is not only easy to find, but can be distributed through modern delivery mechanisms such as digital laboratory reports, and eprescriptions.

In January 2008, a new front end was launched, incorporating a number of new features including the My Library service which allows users to find local NHS Library services near them and store them on their own account.

There are currently 257,000 NHS staff and placement students in England who can access full text journals, key clinical databases and ebooks via the Athens access and identity management service, signing in just once through the National Library for Health front page and searching for all their clinical publication via a single interface.

Highlights for the National Library for Health in 2007/08 include:

- Establishing a design authority to develop and promote the standards needed to implement integrated digital library systems
- Building the standards into a national procurement framework so that, for the first time, publishers have to provide content in an interoperable format

- Launching NHL Search 2.0 – this will bring together health bibliographical databases from Ovid and EBSCO, online journals and eBooks, a medical images search, NHS guidelines search and the 29 specialist library portals built by the NHS into a single search engine
- Establishing an NLH Link Resolver, which will hold and track all the online journal and ebook holdings for the NHS, allowing the link the users' search results to available online full text, either at a national level by NLH or by their local NHS library service
- Launching a web feed directory and search engine to allow users to construct their own personalised knowledge update
- Managing the re-procurement of 28 electronic specialist libraries for a further three years. Specialist libraries are typically delivered by university departments or NHS trusts and involve a dedicated information specialist working with a clinical lead to provide the most up to date health information for particular topics.

The National Library for Health continues with its aim to bring together trusted, authoritative information resources in one place for the benefit of NHS staff.

The NHS Institute Fellows

The NHS Institute Fellowship Scheme launched with its first four fellows in March 2007 and took on its second intake the following November. The first fellows have successfully completed their year and will form a key part of the NHS Institute's faculty. An external evaluation confirmed this to have been an extremely positive and rewarding experience for those taking part.

The scheme is intended to attract potential future leaders in innovation and service improvement. During the fellowship period there are opportunities to undertake a number of formal development activities such as:

- Developing a sound understanding of improvement science
- Completing an innovation or improvement project relevant to the NHS and benefiting their own organisations
- Building sustainable relationships with key NHS personnel within the dynamic and supportive environment of the NHS Institute.

Recruitment will begin in summer 2008 for the next group of fellows to commence in the autumn.

Workforce Matters: developing strategic HR improvement capability

A new programme has been developed to help the human resources (HR) and organisational development (OD) community face the challenges of the pluralist market.

The key challenges include:

- Aiming service planning, financial planning and workforce planning into effective commissioning strategy
- Improving productivity and efficiency
- Developing the leadership role and competencies for HR and OD directors and workforce development specialists in world class commissioning.

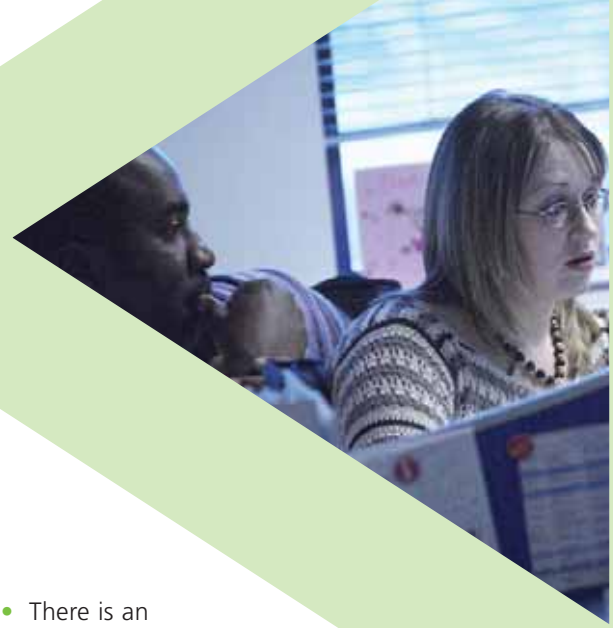
This proof of concept programme is designed to build strategic improvement capability. It will

equip the new learning network with the competence and confidence to effectively address these challenges and will focus on two key strands:

- Establish a whole health community approach to developing the capacity and capability of the workforce as part of the commissioning process
- Identify improved and innovative models and workforce planning together with the underpinning role and competencies of this specialist group. This will support delivery of effective workforce development and planning and the vision for 21st century health.

The programme will finish by November 2008 with an expert panel evaluation of the improvement projects delivered by the participants and external evaluation to provide potential national learning.

Service Transformation:



Transforming service, transforming care

The NHS Institute's Service Transformation team creates tangible benefits for patients and adds value to the NHS by working together with leaders and front line teams to solve problems facing the NHS. The team helps to ensure that all NHS Institute work is robust by supporting the continued use and development of an integrated innovation process

The team has taken leading edge concepts from a variety of industries (including the realm of design), and applied them within health. This has created new knowledge and understanding which enables the design of health services to be based on the actual experiences of patients, carers and staff, resulting in tangible benefits for patients and staff

Highlights from the Service Transformation team in 2007/08 include:

- The Productive Ward series has sparked massive interest from other countries the NHS and international interest from including Australia and New Zealand
- Over 4,000 copies of the Thinking Differently book are being used by NHS staff and over 100 copies have been purchased by organisations outside of the NHS. Nearly 1,000 NHS staff have received Masterclass training in the use of Thinking Differently concepts, tools and techniques
- The NHS Sustainability Model and Guide have been translated into three languages to satisfy demand. The model is being used both nationally and internationally to maximize the sustainability of improvement projects
- The primary care trust's (PCTs) development planning guide is being used by 60 per cent of PCTs to identify capability gaps
- There is an active SHA network focusing on large scale improvement. Four strategic health authority pilot sites have tested and adopted Deep Dive, an innovative approach to improvement and innovation
- Within the Developing through Improvement Programme, participating chief executives have developed their vision for their organisation in the form of a transformation 'story' which set out challenging goals to improve patient care in their organisations.
- Almost 300 people have attended trainer development sessions for the Lean Simulation tool and 200 Lean Simulation toolkits have been sold
- The team have had six papers published in academic journals, spreading the theory and practice of improvement and innovation.

Clinical Systems Improvement

Clinical Systems Improvement encompasses the improvement methods and skills to enable organisations to transform healthcare services. Through new ways of working they can create a range of benefits for patients.

By increasing clinical systems improvement capability, the NHS Institute supports NHS organisations in their efforts to improve health outcomes, reduce delays and remove waste through identifying activities which add no value to patient care. This will significantly contribute to lowering NHS costs and increasing productivity. Patients will benefit

from receiving better care, with fewer delays and improved reliability. The NHS Institute Clinical Systems Improvement strategy has three key elements:

1) The Productive series - applies clinical systems improvement in specific healthcare contexts.

On the ward: Releasing Time to Care

The Productive Ward was launched in January. To date more than two thirds of all acute hospitals have shown an active interest in the product. The programme features 15 learning modules which enable staff to use simple lean techniques to redesign their processes to deliver safer, more dignified care.

The programme has been shown to:

- Increase direct care time with no extra resource
- Increase staff morale (evidenced by a reduction in sickness absence)
- Reduce inventory costs of ward stock.

There is also evidence of improvements in patient safety, for example, increasing reliability of patient observations and reduction in hospital acquired infections.

NHS leaders

The NHS productive leader programme demonstrates how a range of simple interventions can increase personal productivity and free up significant amounts of time among senior leaders.

Test sites report a range of improvements including up to 90 per cent of meetings starting and finishing on time and leaders reporting that they are better prepared for meetings.

The programme includes five self development modules, senior team coaching, email coaching, meeting management coaching, PA workbook and a commitment to improvement module.

In community hospitals

The productive community hospital programme supports front line staff to improve quality and reduce waste in their clinical areas.

The project focuses on three clinical services for improvement: minor injury units, day hospitals and inpatient wards. Test sites have demonstrated that time spent with patients has increased by 20 per cent, as well as an increase in throughput and a decrease in DNA (did not attend) rates for day hospitals of 40 per cent.

In operating theatres

The productive operating theatre is at an early stage of development with the first pilot sites starting work in the summer. This programme aims to develop a number of practical tools, such as how to organise key processes like theatre turnover, scheduling or sterile supply. A series of measures that NHS organisations can use to monitor improvement in theatre services will also be developed. This will help ensure:

- Safer, more reliable care
- Improved overall experience for patients
- Better run theatres, creating improved staff well being
- Higher productivity and better quality and value from theatre resources.

2) Training – in addition to training provided through the Productive Series there is a specifically designed and tested training programme which incorporates quality improvement tools and methods adapted to healthcare such as theory of constraints, lean thinking and Six Sigma. This training has been delivered to more than 300 NHS staff.

3) Publications and products – a series of knowledge products have been developed for the NHS. These include Going Lean in the NHS; Reducing Avoidable Deaths in Hospital and the Lean Simulation tool-kit. All of these products have attracted a high demand and over 200 Lean Simulation toolkits have been sold.

Chief Executive Networks

The PCT Chief Executive Network has helped to develop frameworks and tools to support the delivery of improvement goals. These include:

- a paper which draws on case examples from PCTs in the network to illustrate the measures of efficiency, effectiveness and efficacy can support high performance
- a policy paper on the concept of public value which raises questions relevant to the challenges faced by PCTs.

The network has taken an active role in the development of world class commissioning and in the next period will explore key leadership themes that are relevant to the Department of Health competencies.

The Delivering through Improvement network consists of 14 NHS Trust Chief Executives who work together to develop new and innovative approaches, models and tools for transformational change. They have demonstrated tangible and measurable improvements across two care pathways which were their focus for this year: fractured neck of femur and acute stroke. Improvements included reduction in length of stay by up to 8 days, reduction of readmission rates by over 5% and reduction in mortality rates by up to 7%.

Social Movement

The NHS Institute has developed a new approach to change in organisations that can build energy and momentum behind improvement priorities. The work uses social movement principles to support organisations create and embed organisational change enabling greater productivity and more effective delivery of services.

Work with 17 field test sites has shown that this approach can:

- Energise and mobilise staff (including clinicians)
- Empower staff to take action
- Raise morale and increase positive thinking
- Foster creative thinking and innovative approaches
- Lead to concrete achievements and benefits to patients and staff.

The *'Power of One Power of Many'* handbook provides supportive information and practical ideas for anyone wanting to test out this approach.

The programme is entering a new phase and is connecting to the Health Foundation Patient Safety Campaign and the Department of Health values and behaviours workstream.

Thinking Differently

The Thinking Differently book contains practical approaches and tools for NHS leaders and frontline teams to fundamentally rethink the way in which care is delivered. Within just four months of its release, over 4,000 NHS staff from more than 200 organisations had requested the guide. In response to demand, the guide has been made available for sale to organisations outside the NHS. So far, more than 100 copies have been sold.

The guide was reviewed in Foresight Journal, which commented: *"If a public sector organisation can do this, how much more should others be able to do?"*

Governance Structure

Governance Arrangements

In 'NHS Institute for Innovation and Improvement – Directions 2005 (and amended 2007), the Secretary of State sets out the functions of the NHS Institute. The 'NHS Institute for Innovation and Improvement – Regulations 2005' sets out the membership and procedures of the organisation.

The NHS Institute's role is 'to support the NHS and its workforce in accelerating the delivery of world class health and healthcare for patients and the public by encouraging innovation and developing capability at the front line' (NHS Institute Framework Document issued by the Secretary of State for Health).

The Board of the NHS Institute provides strategic leadership to the organisation and is the body responsible for ensuring that strategic objectives are met. Membership of the Board consists of both executive and non-executive directors. The Board is led by a non-executive director chair and non-executive directors are appointed by the Secretary of State. The chief executive officer is appointed by the chair and the non-executive directors and together they appoint the executive directors.

The Board's current composition is as follows:

Dame Yve Buckland
Chair

Mike Collier CBE
Vice-chair and Chair of the Audit and Risk Management Committee

Professor Dame Carol Black
Non-executive Director

David Bower
Non-executive Director and Chair of the Remuneration Committee

Professor
Tony Butterworth
CBE
Non-executive Director

Mike Deegan CBE
Non-executive Director

Noorzaman Rashid
Non-executive Director

Andrew Smith
Non-executive Director

Professor Bernard Crump
Chief Executive Officer

Simone Jordan
Executive Director (Director of Learning and Deputy Chief Executive)

Paul Allen
Executive Director (Director of Leadership Development)

Dr Helen Bevan OBE
Executive Director (Director of Service Transformation)

Michael Cawley
Executive Director (Director of Finance and Business Services)

Dr Maire Smith
Executive Director (Director of Technology and Product Innovation)

Committees of the Board

There are two formal committees of the NHS Institute Board.

The Audit and Risk Management Committee

The Audit and Risk Management Committee routinely meets bi-monthly and is responsible to the Board for developing and overseeing effective arrangements for all aspects of internal control and financial reporting within the NHS Institute. As part of this remit it is also responsible for maintaining an appropriate relationship with external and internal auditors. As such, the Committee is the principal body, below the Board, for carrying out scrutiny of policy and processes within the NHS Institute. It is this remit which distinguishes the work of the Audit and Risk Management Committee from the other groups advising the Board. Core members are: Mike Collier (Chair), Professor Tony Butterworth CBE and Andrew Smith. All other non-executive Directors are welcome to attend.

The Remuneration Committee

Details of the Remuneration Committee are contained within the Remuneration Report on pages 35-41.

Name of auditor

The Comptroller and Auditor General is the statutory auditor of the NHS Institute for Innovation and Improvement. Auditors' remuneration includes £10,500 for non-audit work.

Declarations of Interest

The NHS Code of Accountability requires Board members to declare any interests that are relevant and material to the NHS body of which they are a member. Any members appointed subsequently make this declaration upon their appointment. The declarations of interest made by Board members are recorded in the minutes of Board meetings and a declaration of interest form is completed. A register of interests is kept and maintained by the corporate secretary, and is available for public inspection. This register is kept up to date as forms are submitted and also by means of an annual review.

The chair will ask whether there are any 'declarations of interest' at the start of each Board meeting. Whenever an interest is declared which could amount to a conflict of interest, the member concerned does not take any part in the relevant discussion or decision at the meeting.

For details of the declarations of interest, please refer to the register of interests and to the minutes of the public Board.

Bernard Crump
Chief Executive and Accounting Officer
NHS institute for Innovation and Improvement

17th July 2008

Remuneration Report

Details of the membership of the Remuneration and Terms of Services Committee

The NHS Institute has a Remuneration Committee consisting of all non-executive directors, the Chief Executive, the Deputy Chief Executive and Director of Learning and the Corporate Secretary.

The Committee meets three times a year, supported by the human resources department, and:

1. Establishes procedures for developing policy on executive director and senior staff remuneration
2. Recommends to the Board terms of service and remuneration for the Chief Executive, executive directors and senior staff
3. Ensures that appropriate systems are in place on job evaluation, individual performance appraisal and processes for contractual arrangements for senior staff.

Statement of the policy on the remuneration of senior managers for current and future financial years

Remuneration of senior managers follows two national policies:

Executive Directors – Very Senior Managers (VSM) Pay Framework
All other staff – Agenda for Change

The NHS Institute falls into category two of the VSM Pay Framework and executive directors are subject to an appraisal process (agreed by the Department of Health) which supports the requirements of the VSM Pay Framework.

The framework used by the NHS Institute in its set-up stage was the HR Best Practice and Policy Guidance for Arm's Length Bodies V1.0, November 2005, as issued by the Department of Health. Section 3 of this policy 'Start-Ups, Mergers and Joint Ventures' refers to the recruitment of chief executives and senior executives, with these appointments being handled by the NHS Institute's Appointments Committee, including the NHS Institute Chair and/or senior department sponsor.

All non-executive director appointments were agreed through the Appointments Commission.

The NHS Institute obtains its guidance and advice from the Department of Health.

Performance appraisal

For all senior managers below executive director level the NHS Institute complies with and follows the procedures as set out in the NHS National Terms and Appraisal of Service – Agenda for Change – and has in place a personal objective setting process with line managers which links into the annual appraisals and review process and supports the Knowledge and Skills Framework.

The Executive Directors take the lead on this process within their individual areas. Executive directors are also subject to performance review in line with the VSM Pay Framework.

Summary and explanation of policy on duration of contracts, and notice periods and termination payments

For chairs and non-executive members of the NHS Institute for Innovation and Improvement the terms and conditions are laid out below;

1. *Statutory Basis for Appointment* – Chairs and non-executive members of Special Health Authorities hold a statutory office under the National Health Service Act 1977. Their appointment does not create any contract of service or contract for services between them and the Secretary of State or between them and the Special Health Authority. The appointment and tenure of office of chairs and members of the NHS Institute for Innovation and Improvement are governed by the NHS Institute for Innovation and Improvement Regulations 2005.

2. *Employment Law* – The appointments are not within the jurisdiction of employment tribunals. Neither is there any entitlement for compensation for loss of office through employment law.

3. *Reappointments* – Chairs and non-executive members are eligible for reappointment at the end of their period of office, but they have no right to be reappointed. The Appointments Commission will usually consider afresh the question of who should be appointed to the office. However, the Appointments Commission is likely to consider favourably a second term of appointment without competition for people whose performance has been appraised as consistently good during their first term. If reappointed, further terms will only be considered after open competition, subject to a maximum service of ten years with the same organisation and in the same role.

4. *Termination of appointment* – Regulation 5 of the Regulations sets out the grounds on which the appointment of the chair and non-executive members may be terminated.
   A chair or non-executive member may resign by giving notice in writing to the Secretary of State or the Appointments Commission. Their appointment will also be terminated if, in accordance with regulations, they become disqualified for appointment. In addition, the Appointments Commission may terminate the appointment of the chair and non-executive members on the following grounds:
   - If it is of the opinion that it is not in the interests of the NHS Institute or the health service that they should continue to hold office.
   - If the chair or non-executive member does not attend a meeting of the special health authority for a period of three months.
   - If the chair or non-executive member does not properly comply with the requirements of the regulations with regard to pecuniary interests in matters under discussion at meetings of the special health authority (e.g. a failure to disclose such an interest).

The following list provides examples of matters which may indicate to the Commission that it is no longer in the interests of the health service that an appointee continues in office. The list is not intended to be exhaustive or definitive; the Commission will consider each case on its merits, taking account of all relevant factors.

a) If an annual appraisal or sequence of appraisals is unsatisfactory

b) If the appointee no longer enjoys the confidence of the board

c) If the appointee loses the confidence of the public

d) If a chair appointee fails to ensure that the board monitors the performance of

the special health authority in an effective way

e) If the appointee fails to deliver work against pre-agreed targets incorporated within their annual objectives

f) If there is a terminal breakdown in essential relationships, for example between a chair and a chief executive or between an appointee and the rest of the board

g) When a new chair is appointed to a board he/she will be expected to review the objectives of all board members and may, at the time of their next appraisal, make recommendation to the Commission regarding their continued appointment

h) There is no provision in the NHS Institute's annual accounts for the early termination of any non-executive's appointment.

5. *Remuneration* – The chair and non-executive members are entitled under the Act to be remunerated by the special health authority for so long as they continue to hold office as chair or non-executive member. They are entitled to receive remuneration only in relation to the period for which they hold office. There is no entitlement to compensation for loss of office.

6. *Current rate for chair and non-executives* – The current rate of remuneration payable to the Chair of the NHS Institute for Innovation and Improvement is £60,780 pa for up to three days a week. The current rate of remuneration payable to members is £7,597 per annum for approximately two days per month with an additional £5,065 pa for the Chair of the Risk and Audit Committee.

7. *Tax and National Insurance* – Remuneration is taxable under Schedule E, and subject to Class I National Insurance contributions. Any queries on these arrangements should be taken up with the Inspector of Taxes or the Contributions Agency respectively.

8. *Allowances* – Chairs and non-executive members are also eligible to claim allowances, at rates set centrally, for travel and subsistence costs necessarily incurred on special health authority business.

9. *Public speaking* – On matters affecting the work of the special health authority, chairs and non-executive members should not normally make political speeches or engage in other political activities. In cases of doubt, the guidance of the Appointments Commission should be sought.

10. *Conflict of interest* – NHS boards are required to adopt the Codes of Conduct and Accountability, published in April 1994. The Codes require chairs and board members to declare on appointment any business interests, position of authority in a charity or voluntary body in the field of health and social care, and any connection with bodies contracting for NHS services. These must be entered into a register which is available to the public.

11. *Indemnity* – The special health authority is empowered to indemnify the chair and non-executive members against personal liability which they may incur in certain circumstances whilst carrying out their duties. HSC 1999/104, which is available from the NHS Institute for Innovation and Improvement, gives details.

For executive directors of the NHS Institute for Innovation and Improvement the terms and conditions are laid out below.

1. *Basis for appointment* – All of the executive directors have been appointed on a permanent basis under a contract of service at an agreed annual salary, an entitlement to a lease car and eligibility to claim allowances for travel and subsistence costs at rates set by the NHS Institute for expenses incurred necessarily on its behalf.

2. *Termination of appointment* – On the grounds of incapacity of an executive director, the NHS Institute will give six months' notice once sick pay has been exhausted. The notice for termination for any other substantive reason is six months. Notice of termination of contract of service to the NHS Institute by an executive director is three months. There were no payments made to executive directors for early termination during the 2007/2008 financial year. There is no provision for compensation included in the NHS Institute's annual accounts for the early termination of any executive director. These figures are subject to audit.

Details of the service contract for each senior manager who has served during the year

Name	Title	Start date	Review date
Yve Buckland	Chair	1 July 2005	30 June 2009
Mike Collier	Vice-chair and Director of Audit and Risk Committee	1 October 2005	30 September 2009
Carol Black	Non-executive Director	15 February 2006	14 February 2010
David Bower	Non-executive Director	1 July 2005	30 June 2008
Tony Butterworth	Non-executive Director	1 July 2005	30 June 2008
Michael Deegan	Non-executive Director	1 July 2005	30 June 2009
Andrew Smith	Non-executive Director	15 February 2007	14 February 2011
Noorzaman Rashid	Non-executive Director	1 October 2007	30 September 2011
Bernard Crump	Chief Executive	1 July 2005	Not applicable
Simone Jordan	Deputy Chief Executive and Director of Learning	1 October 2005	Not applicable
Paul Allen	Director of Leadership	1 September 2005	Not applicable
Helen Bevan	Director of Service Transformation	1 July 2005	Not applicable
Michael Cawley	Director of Finance and Business Services	1 October 2005	Not applicable
Maire Smith	Director of Technology and Product Innovation	1 September 2005	Not applicable

Salaries and Allowances

The following sections provide details of the remuneration and pension interests of the most senior officials in the NHS Institute and are subject to audit.

	2007/08			2006/07		
Name and Title	Salary (bands of £5,000) £000	Other remuneration (bands of £5,000) £000	Benefits in kind (rounded to the nearest £100) £	Salary (bands of £5,000) £000	Other remuneration (bands of £5,000) £000	Benefits in kind (rounded to the nearest £100) £
Bernard Crump (Chief Executive)	160-165	0	4,000	155-160	0	4,900
Simone Jordan (Deputy Chief Executive and Director of Learning)	115-120	0	3,600	120-125	0	3,900
Helen Bevan (Director of Service Transformation)	120-125	0	0	120-125	0	0
Maire Smith (Director of Technology & Product Innovation)	115-120	0	0	115-120	0	0
Michael Cawley (Director of Finance & Business Services)	110-115	0	3,800	110-115	0	4,400
Paul Allen (Director of Leadership)	110-115	0	0	110-115	0	0
Yve Buckland (Chair)	60-65	0	0	60-65	0	0
David Bower (Non-executive Director)	5-10	0	0	5-10	0	0
Tony Butterworth (Non-executive Director)	5-10	0	0	5-10	0	0
Mike Collier (Vice-Chair and Chair of Audit Committee)	10-15	0	0	10-15	0	0
Michael Deegan (Non-executive Director)	5-10	0	0	5-10	0	0
Noorzaman Rashid (Non-executive Director)	See note 1 0-5	0	0	0	0	0
Carol Black (Non-executive Director)	5-10	0	0	5-10	0	0
Andrew Smith (Non-executive Director)	5-10	0	0	See note 2 0	0	0

Notes:

1. Noorzaman Rashid commenced his post on 1 October 2007.

2. There were no payments made to Andrew Smith in the financial year 2006-07.

Pension Benefits

Name and Title	Real increase in pension at age 60 (bands of £2,500) £000	Real increase in pension lump sum at age 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5,000) £000	Cash equivalent transfer value at 31 March 2008 £000	Cash equivalent transfer value at 31 March 2007 £000	Real increase in cash equivalent transfer value £000	Employer's contribution to stakeholder pension £000
Bernard Crump (Chief Executive)	0-2.5	5-7.5	55-60	165-170	888	815	37	0
Simone Jordan (Deputy Chief Executive and Director of Learning)	0-2.5	2.5-5	20-25	65-70	319	287	17	0
Helen Bevan (Director of Service Transformation)	0-2.5	5-7.5	30-35	100-105	508	460	26	0
Maire Smith (Director of Technology & Product Innovation)	0-2.5	2.5-5	0-5	10-15	68	39	20	0
Michael Cawley (Director of Finance & Business Services)	0-2.5	2.5-5	15-20	55-60	244	213	18	0
Paul Allen (Director of Leadership)	0-2.5	2.5-5	0-5	10-15	55	32	15	0

Cash Equivalent Transfer Value

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 members' 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 benefit accrued in the 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 the disclosure applies.

The CETV figure, and from 2004/05 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 NHS Institute and Faculty of Actuaries.

Real Increase in CETV

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

Disclosure of relevant audit information

As Accounting Officer I confirm that:

So far as I am aware, there is no relevant audit information of which the NHS Institute's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NHS Institute's auditors are aware of that information.

Bernard Crump
Chief Executive and Accounting Officer
NHS Institute for Innovation and Improvement

17th July 2008

Accounts

Statement of Accounting Officer's Responsibilities

Under the National Health Service Act 2006 and directions made there under by the Secretary of State with the approval of Treasury, the NHS Institute is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the NHS Institute's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Department of Health has appointed the Chief Executive of the NHS Institute for Innovation and Improvement as the Accounting Officer, with responsibility for preparing the NHS Institute's accounts and for transmitting them to the Comptroller and Auditor General.

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, 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 have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the NHS Institute will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the NHS Institute for Innovation and Improvement Special Health Authority, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

Statement on Internal Control for the Year Ended 31 March 2008

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Institute's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Accounting Officer Memorandum. As Accounting Officer, I am accountable to Parliament and the Secretary of State for Health. Our annual business plan is agreed with our Department of Health Senior Departmental Sponsor, who monitors achievement against the plan in regular performance review meetings. The Senior Departmental Sponsor has an open invitation to Board and Audit and Risk Management Committee meetings and also receives copy minutes of these meetings.

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 the achievement of departmental 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 NHS Institute for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

My opinion on the existence of a system of internal control is based on evidence primarily provided to me from oversight by the Audit and Risk Management Committee. It is informed by the work of External and Internal Audit together with the work that has been undertaken in maintaining and updating the Assurance Framework for the NHS Institute and monitoring the key risks within that Framework.

The results of work undertaken by Internal Audit have been reported to the Audit and Risk Management Committee throughout the year and have shown a significantly improved system of internal control compared to last year.

Responsibility for overall oversight of the work, on behalf of the Board, remains with the Audit and Risk Management Committee.

The NHS Institute demonstrates leadership and a positive approach to risk management through:

- The identification of key risks through the business planning process.
- Risk assessment workshops involving the executive team.
- Regular Audit and Risk Management Committee and Board consideration of key strategic risks.
- The recruitment of staff to ensure the NHS Institute is able to manage the risks it faces.
- A programme of control and process work that supports and develops the NHS Institute's existing business model. This includes the creation of a framework to underpin sound accounting and financial management at the NHS Institute covering budgeting, forecasting and month end processes.

Programmes of training have been provided to all staff in relation to health, safety and fire risks.

4. The risk and control framework

The Audit and Risk Management Committee is responsible for reviewing risk management activity under delegation of the Board. It receives regular reports from the internal auditors and will receive an annual management letter from the external auditors, together with information from other sources deemed necessary for the committee to fulfil this function.

The Assurance Framework, together with the associated strategic and high level risk registers, maps the key objectives of the NHS Institute and identifies the risks to their achievement. It also identifies the internal control mechanisms to manage the risks. Finally, it identifies and examines the review and assurance mechanisms identifying where gaps in control and/or assurance exist.

Throughout the year the Audit and Risk Management Committee has been informed about the ongoing maintenance of the Assurance Framework and Strategic Risk Register, this has involved:

- Review of the key operational risks as identified in the business planning process
- Identification of strategic risks through the Executive Team
- Prioritisation of those risks.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments 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 the regulations.

5. Data Security

Following a number of high profile incidents of data losses in other public sector organisations, the NHS Institute submitted to the Department of Health on its arrangements for data security and restated its position that all laptops and removable media devices containing person identifiable data must be encrypted. I am aware of my responsibilities in respect of personal data and am taking steps to address any identified issues.

6. Payments on Account

In 2007-08 the NHS Institute made payments on account of £2,445,000 and £1,775,002 to Her Majesty Revenue and Customs and NHS Innovation Hubs respectively. The payments were made to satisfy the need to a) fully draw down 2007-08 cash allocation to settle outstanding creditors in April 2008; b) to hold minimal cash balances at 31/3/08; and c) to avoid the risk that the NHS Institute's 2008-09 cash allocation would be reduced by an equivalent amount.

I have been advised on the implications of making these payments. As interpreted by the Comptroller and Auditor General. Namely that, Managing Public Money regards these payments as novel and contentious and requires Treasury approval. The NHS Institute submitted a retrospective case for approval to Treasury through the Department of Health which was declined. The Comptroller and Auditor General has qualified his audit opinion in this respect. His opinion and report on pages 48 and 50 set out the reasons for this qualification. I am satisfied that through discussions with the Department of Health that steps are in place to ensure that the situation will not arise in the future.

7. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit except for payments on account as discussed in paragraph 6 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. His overall opinion for 2007-08 was of significant assurance, and this was confirmed in the work and comments of external audit. Executive 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 principal objectives have been reviewed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit and Risk Management Committee. Plans to address any weaknesses and ensure continuous improvement of the system are in place.

These reviews highlight the need to assess controls in the light of any changes to the NHS Institute's business model. In particular they will ensure that the NHS Institute's control mechanisms are reviewed and updated to address any risks that arise from any such changes. Work is currently underway to understand and assess the impact of any changes. In addition, reviews are currently underway to ensure a focus of whole systems improvement, in the context of continually improving governance and control framework. Responsibility for oversight of this work, on behalf of the Board, remains with the Audit and Risk Management Committee.

Bernard Crump
Chief Executive and Accounting Officer
NHS Institute for Innovation and Improvement

17 July 2008

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the NHS Institute for Innovation and Improvement for the year ended 31 March 2008 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of 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, Director of Finance commentary and Governance Structure, 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 NHS Institute for Innovation and Improvement has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the NHS Institute for Innovation and Improvement'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 NHS Institute for Innovation and Improvement's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis,

of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the NHS Institute for Innovation and Improvement's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of the NHS Institute for Innovation and Improvement's affairs as at 31 March 2008 and of its net resource outturn, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- information, which comprises the Management commentary, Director of Finance commentary and Governance Structure, included within the Annual Report, is consistent with the financial statements.

Qualified Opinion on Regularity arising because of payments in advance of need

Public bodies are required to follow guidance contained within the Treasury publication "Managing Public Money". As disclosed in note 6.1, in the 2007-08 financial year the NHS Institute for Innovation and Improvement made advance payments to suppliers which were not properly due of £4,220,002. Managing Public Money allows such payments only where they have been approved by the Treasury. The Treasury have declined to approve these payments and accordingly, I have concluded that the financial transactions did not conform to the authorities which govern them.

In my opinion, except for the advance payments referred to above, 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.

My report setting out the reasons for my qualification is at page 50.

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

18th July 2008

Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1. The NHS Institute for Innovation and Improvement is established as a Special Health Authority under the National Health Service Act 2006 and is an Arm's Length Body sponsored by the Department of Health. The NHS Institute supports the NHS to improve healthcare for patients and the public by developing and spreading new ways of working, new technology and exemplary leadership.

2. Innovation Hubs were established to manage the commercialisation of innovations arising from within the NHS and are funded by the Department of Health through the NHS Institute and by the Department for Innovation, Universities and Skills. There are ten Innovation Hubs, three of which are hosted by NHS Trusts or Foundation Trusts and seven of which are charitable non-profit making companies limited by guarantee undertaking work on behalf of the NHS.

3. This report explains the circumstances surrounding qualification of my audit opinion on the NHS Institute's financial statements for 2007-08.

My obligations as auditor

4. I am required, under statute, to satisfy myself that in all material respects the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In determining whether expenditure and income conform to the authorities which govern them, I have regard to:

- the authorising legislation;
- relevant regulations issued under the governing legislation;
- Parliamentary authorities;
- appropriate Treasury authorities; and
- The Treasury's Managing Public Money, which sets out the financial framework within which government entities are required to operate.

Advance Payments to HMRC and Innovation Hubs

5. In March 2008, the Institute made advance payments of £2,445,000 to HMRC for tax and national insurance liabilities for the period April 2008 to August 2008, and advance payments of £1,775,002 to Innovation Hubs relating to their funding for the period April 2008 to June 2008 which was not due to be paid until 30 June 2008. The NHS Institute considered these to be payments on account.

6. The NHS Institute did not require its full cash funding allocation from the Department of Health for 2007-08 and took the decision to make the payments to comply with Department of Health guidance to minimise cash balances and, based on their interpretation of the guidance, to avoid the Department reducing their cash allocation for 2008-09 by an equivalent amount.

7. Managing Public Money requires such advance payments to be made only where a good value for money case can be made for them. They are regarded as novel and contentious and require Treasury approval.

8. Although the Institute had not sought or obtained Treasury approval prior to making the payments, a retrospective case was submitted to Treasury through the Department of Health in June 2008. The Treasury have declined the request to approve the payments.

9. I have therefore concluded that the payments do not conform to the authorities which govern them and I have qualified my opinion on the Institute's financial statements for 2007-08 in this respect.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

18th July 2008

Annual Account of the NHS Institute for Innovation and Improvement for the year ended 31 March 2008

Operating Cost Statement for the year ended 31 March 2008

	Notes	2007-08 £000	2006-07 £000
Programme costs	2.1	**79,750**	56,025
Operating income	4	**(6,555)**	(3,011)
Net operating cost before interest		**73,195**	53,014
Interest payable		**1**	0
Net operating cost		**73,196**	53,014
Net resource outturn	3.1	**73,196**	53,014

All income and expenditure is derived from continuing operations

Statement of Recognised Gains and Losses for the year ended 31 March 2008

	Notes	2007-08 £000	2006-07 £000
Unrealised (surplus) on the indexation of fixed assets	11.2	**(151)**	(155)
Recognised (gains) for the financial year		**(151)**	(155)

The notes at pages 54 to 70 form part of these accounts.

Annual Account of the NHS Institute for Innovation and Improvement for the year ended 31 March 2008

Balance Sheet as at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
Fixed assets:			
Intangible assets	5.1	**601**	250
Tangible assets	5.2	**4,383**	3,611
		4,984	3,861
Current assets:			
Debtors	6	**8,706**	1,990
Cash at bank and in hand	7	**574**	1,803
		9,280	3,793
Creditors: amounts falling due within one year	8	**(14,300)**	(9,767)
Net current (liabilities)		**(5,020)**	(5,974)
Total assets less current liabilities		**(36)**	(2,113)
Provisions for liabilities and charges	9	**(657)**	(1,982)
		(693)	(4,095)
Taxpayers' equity			
General fund	11.1	**950**	4,233
Revaluation reserve	11.2	**(257)**	(138)
		693	4,095

The notes at pages 54 to 70 form part of these accounts.

The financial statements on pages 51 to 53 were considered by the Audit and Risk Management Committee on 25 June 2008.

Bernard Crump
Chief Executive and Accounting Officer

17th July 2008

Annual Account of the NHS Institute for Innovation and Improvement for the year ended 31 March 2008

Cash Flow Statement for the year ended 31 March 2008

	Notes	**2007-08 £000**	2006-07 £000
Net cash (outflow) from operating activities	12	**(76,002)**	(56,170)
Servicing of finance			
Interest paid		**(1)**	0
Net cash (outflow) from servicing finance		**(1)**	0
Capital expenditure and financial investment:			
(Payments) to acquire fixed assets		**(1,801)**	(1,829)
Net cash (outflow) from investing activities		**(1,801)**	(1,829)
Net cash (outflow) before financing		**(77,804)**	(57,999)
Financing			
Net parliamentary funding	11.1	**76,575**	59,800
(Decrease)/increase in cash in the period	7	**(1,229)**	1,801

The notes at pages 54 to 70 form part of these accounts.

Notes to the Accounts

1 Accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the NHS Institute 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 NHS Institute 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. Income other than parliamentary grant is shown net of VAT.

Operating income relates directly to the operating activities of the NHS Institute. It principally comprises fees and charges for services provided on a full-cost basis to external customers. 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 NHS Institute is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2007-08 was 3.5% (2006-07 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.5 Fixed assets

a. Capitalisation

All assets falling into the following categories are capitalised:

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

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

iii. Tangible assets where they 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 or leasehold building, 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.

1. Accounting Policies (Continued)

b. Valuation

Intangible fixed assets

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

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

Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year.

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

The valuations have been carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. In respect of non-operational properties, including surplus land, the valuations have been carried out at open market value. The value of land for existing use purposes is assessed to existing use value. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

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

ii. Operational equipment is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

iii. Assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any existing land or buildings under the control of a contractor.

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

v. All adjustments arising from indexation and five yearly revaluations are taken to the revaluation reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets

1. Accounting Policies (Continued)

are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

c. Depreciation and amortisation

Depreciation is charged on each individual fixed asset as follows:

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

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

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 and leasehold improvements are depreciated over the primary lease term.

v. Each equipment asset is depreciated evenly over the expected useful life from the start of the quarter following the quarter in which the asset was acquired:

	Years
Furniture and fittings	7-10
Transport equipment	7
Information technology	5

1.6 Donated fixed assets

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

1.7 Stocks and work in progress

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

1.8 Losses and special payments

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

Losses and special payments are charged to the relevant functional headings in the Operating Cost Statement on an accruals basis, including losses which would have been made good through insurance cover had the NHS Institute not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure). However, note 17 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.9 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities.

1. Accounting Policies (Continued)

Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Institute of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

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

a) Full actuarial (funding) valuation

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

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

b) FRS17 Accounting valuation

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

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

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

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

Scheme provisions as at 31 March 2008

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

1. Accounting Policies (Continued)

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 NHS Institute commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions from 1 April 2008

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

1.10 Research and development

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

1.11 Foreign exchange

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

1.12 Leases

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

1.13 Provisions

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

2.1 Programme costs

	Notes	2007-08 £000	2007-08 £000	2006-07 £000
Non-executive members' remuneration			**124**	115
Other salaries and wages	2.2		**10,577**	9,297
Supplies and services - general			**36**	54
Establishment expenses			**3,798**	4,138
Premises and fixed plant			**1,395**	1,312
External contractors			**1,706**	1,233
Capital: Depreciation and amortisation	5.1, 5.2	**795**		400
Capital charges interest		**(128)**		(291)
			667	
Auditors' remuneration:				
Statutory external audit fees			**43**	43
Non statutory external audit fees[1]			**11**	0
Internal audit fees			**57**	41
Other finance costs:				
Bad debt provision		**63**		0
Foreign currency losses		**16**		0
Unwinding of discount		**17**		0
			96	
Miscellaneous:				
Redundancy and early retirement costs		**(288)**		392
Residual NHSU activities transferred		**1,041**		2,055
Other		**161**		11
			914	
Commissioning expenditure	2.3		**60,326**	37,225
			79,750	56,025

[1]Advice on the set up of the Innovation Fund.

2.2 Staff numbers and related costs

	2007-08 £000	2006-07 £000
Salaries and wages - staff on the NHS Institute payroll	**7,362**	6,768
Seconded, contract and agency staff	**1,823**	1,099
Salaries and wages - recharges to other NHS organisations	**(198)**	(415)
Social security costs	**612**	547
Employer contributions to NHS Pension scheme	**968**	897
NHS Institute employees	**10,567**	8,896
NHSU residual employees	**10**	401[1]
Total salaries and wages	**10,577**	9,297

	2007-08 Average WTE[2]	2006-07 Average WTE
Salaries and wages - staff on the NHS Institute payroll	**163.3**	121[3]
Seconded, contract and agency staff	**28.0**	17
Salaries and wages - recharges to other NHS organisations	**(2.4)**	(11)
NHS Institute employees	**188.9**	127
NHSU residual employees[1]	**0.5**	6
Total average whole time equivalent (WTE)	**189.4**	133

[1]These costs relate to former NHSU staff transferred to the NHS Institute but placed on secondment with other NHS organisations

[2]The NHS Institute has a WTE limit set by the Department of Health of 217.

[3]The introduction of a new payroll system in February 2008 has led to greater accuracy in the reporting of WTEs.

Expenditure on staff benefits

The amount spent on staff benefits during 2007-08 totalled £11,514 (2006-07 £13,226).

Retirements due to ill-health

During 2007-08 there were no early retirements from the NHS Institute on the grounds of ill health.

Early retirements and redundancies

During 2007-08 there were no early retirements or redundancies.

During 2006-07 provision was made for 7 early retirements or redundancies from the NHS Institute totalling £787,137.

2.3 Commissioning expenditure

	2007-08 £000	£000		2006-07 £000
Building leadership capability		**5,710**	Building leadership capability	2,988
Building leadership capacity-pay	**11,349**		Building leadership capacity-pay	10,713
Building leadership capacity-non pay	**8,506**	**19,855**	Building leadership capacity-non pay	6,728
Clinical Systems Improvement		**2,723**	Clinical Systems Improvement	1,076
Delivering for Improvement		**1,478**	Delivering for Improvement	1,022
Care Outside Hospital		**1,011**	Care Outside Hospital	1,276
Safer Care		**1,343**	Healthcare Associated Infections [1]	282
No Delays		**1,878**	No Delays	682
Delivering Quality and Value		**1,624**	Delivering Quality and Value	2,421
PCT development		**893**	PCT development	860
Joint working with Strategic Health Authorities		**898**	Joint working with Strategic Health Authorities	1,127
National Innovation Centre		**8,239**	National Innovation Centre	3,746
Strategic Partnership		**596**	Strategic Partnership	568
Productive Series		**567**	Productive Series	264
National Library for Health[2]		**7,425**		
Commissioning for Health Improvement[3]		**89**		
New Business Model (pilot)		**480**		
Corporate Organisation Development in the NHS		**497**		
Other - included in business plan (64 projects)		**5,020**	Other included in business plan (43 projects)	3,472
		60,326		37,225

[1] The priority programme Healthcare Associated Infections ended during 2006-07
[2] The National Library for Health transferred to the NHS Institute on 1 April 2007 from NHS Connecting for Health.
[3] The priority programme Commissioning for Health Improvement is effective from 1 April 2008.

2.4 Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2007-08	**15,454**	**53,237**
Total non NHS bills paid within target	**14,235**	**48,194**
Percentage of non NHS bills paid within target	**92.1%**	**90.5%**

	Number	£000
Total NHS bills paid 2007-08	**724**	**12,688**
Total NHS bills paid within target	**393**	**7,924**
Percentage of NHS bills paid within target	**54.3%**	**62.5%**

The Late Payment of Commercial Debts (Interest) Act 1998
£674.98 interest was paid under this legislation during 2007-08

3.1 Reconciliation of net operating cost to net resource outturn

	2007-08	2006-07
	£000	£000
Net operating cost for the financial year	**73,196**	53,014
Net resource outturn	**73,196**	53,014
Revenue resource limit	**73,531**	56,231
Under spend against revenue resource limit	**335**	3,217

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2007-08	2006-07
	£000	£000
Gross capital expenditure	**1,768**	1,829
NBV of assets disposed	**0**	0
Capital grants	**0**	0
Net resource outturn	**1,768**	1,829
Capital resource limit	**2,044**	1,900
Under spend against capital resource limit	**276**	71

4 Operating income

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

	2007-08	2006-07
	£000	£000
Programme income:		
Fees and charges	**6,276**	2,921
Income received from:		
Scottish Parliament	**98**	55
National Assembly for Wales	**84**	31
Northern Ireland Assembly	**10**	4
Other	**87**	0
Total	**6,555**	3,011

5 Fixed Assets

5.1 Intangible fixed assets

	Software licences £000
Gross cost at 31 March 2007	300
Additions - purchased	**411**
Gross cost at 31 March 2008	**711**
Accumulated amortisation at 31 March 2007	50
Charged during the year	**60**
Accumulated amortisation at 31 March 2008	**110**
Net book value:	
Total at 31 March 2008	**601**
Net book value:	
Total at 31 March 2007	250

5.2 Tangible fixed assets

	Information technology			Leasehold improvements	Total
	Web based				
	Websites £000	Tools £000	Hardware £000	£000	£000
Cost or valuation at 31 March 2007	365	846	711	2,212	4,134
Additions - purchased	**739**	**518**	**69**	**31**	**1,357**
Indexation	**0**	**0**	**0**	**184**	**184**
Gross cost at 31 March 2008	**1,104**	**1,364**	**780**	**2,427**	**5,675**
Accumulated depreciation at 31 March 2007	6	86	33	398	523
Charged during the year	**141**	**203**	**144**	**247**	**735**
Indexation	**0**	**0**	**0**	**34**	**34**
Accumulated depreciation at 31 March 2008	**147**	**289**	**177**	**679**	**1,292**
Net book value:					
Total at 31 March 2008	**957**	**1,075**	**603**	**1,748**	**4,383**
Net book value:					
Total at 31 March 2007	359	760	678	1,814	3,611

6 Debtors

6.1 Amounts falling due within one year

	2007-08 £000	2006-07 £000
NHS debtors	**1,517**	507
Trade debtors - non NHS	**913**	74
Provision for irrecoverable debts	**(63)**	0
VAT amount due	**1,080**	502
Prepayments	**5,241**[1]	569
Accrued income	**13**	143
Other debtors	**4**	5
	8,705	1,800

[1]Included within prepayments are £4,220,002 of payments on account to HMRC and Innovation Hubs which were not due at 31 March 2008 (see page 45). These payments have reduced the cash balance at 31 March 2008 by an equivalent amount. The payments were made to satisfy the need to a) fully draw down 2007-08 cash allocation to settle outstanding creditors in April 2008; b) to hold minimal cash balances at 31 March 2008; and c) to avoid the risk thatthe NHS Institute's 2008-09 cash allocation would be reduced by an equivalent amount.

6.2 Amounts falling due after more than one year

	2007-08 £000	2006-07 £000
Prepayments	**1**	**190**
	1	190
Total debtors	**8,706**	1,990

7 Analysis of changes in cash

	At 31 March 2007 £000	**Change during the year £000**	**At 31 March 2008 £000**
Cash at the Office of the Paymaster General	1,803	**(1,229)**	**574**
	1,803	**(1,229)**	**574**

8 Creditors amounts falling due within one year

	2007-08 £000	2006-07 £000
NHS creditors	**601**	330
Trade creditors-non NHS	**3,269**	1,557
Tax and social security	**1**	0
Capital creditors	**424**	458
Accruals	**7,294**	7,404
Deferred income	**2,425**	0
Other creditors	**286**	18
	14,300	9,767

9 Provisions for liabilities and charges

	Pensions for former staff £000	Legal claims £000	Restructuring £000	Other £000	Total £000
At 31 March 2007	1,265	0	154	563	1,982
Arising during the year	**40**	**106** [1]	**0**	**159** [2]	**305**
Utilised during the year	**(854)**	**0**	**(150)**	**(211)**	**(1,215)**
Reversed unused	**(336)**	**0**	**(4)**	**(92)**	**(432)**
Unwinding of discount	**0**	**0**	**0**	**17**	**17**
At 31 March 2008	**115**	**106**	**0**	**436**	**657**
Expected timing of cash flows:					
Within 1 year	**115**	**106**	**0**	**0**	**221**
Over 5 years	**0**	**0**	**0**	**436**	**436**

[1]The NHS Institute has received a damages claim for personal injury during 2007-08.

[2]The NHS Institute has contracted for services with indirect workers and has provided for tax relating to their employment status.

10 Movements in working capital other than cash

	2007-08 £000	2006-07 £000
Increase in debtors	**6,716**	564
(Increase) in creditors	**(4,567)**	(772)
	2,149	(208)

The NHS Institute takes account of movements in capital creditors in the calculation of movements in working capital other than cash

11 Movements on reserves

11.1 General fund

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	**4,233**	10,745
Net operating costs for the year	**73,196**	53,014
Net parliamentary funding	**(76,575)**	(59,800)
Revaluation transfer	**(32)**	(17)
Non cash items: Capital charge interest	**128**	291
Balance at 31 March 2008	**950**	4,233

11.2 Revaluation reserve

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	**(138)**	0
Indexation of fixed assets	**(151)**	(155)
Transfer to general fund of realised elements of revaluation reserve	**32**	17
Balance at 31 March 2008	**(257)**	(138)

12 Reconciliation of operating costs to operating cash flows

	2007-08 £000	2006-07 £000
Net operating cost before interest for the year	**73,195**	53,014
Adjust for non cash transactions	**(667)**	(109)
Adjust for movements in working capital other than cash	**2,149**	(208)
Decrease in provisions	**1,325**	3,473
Net cash outflow from operating activities	**76,002**	56,170

13 Contingent liabilities

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

14 Capital commitments

At 31 March 2008 the value of contracted capital commitments was £nil (2006-07 £143,154).

15 Commitments under operating leases

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

	2007-08 £000	2006-07 £000
Hire of plant and machinery	**26**	35
Property rental - including headquarters and other properties	**667**	678
Other operating leases	**45**	47
	738	760

Commitments under non-cancellable operating leases:

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

Land and buildings		**2007-08 £000**	2006-07 £000
Operating leases which expire:	within 1 year	**233**	100
	between 1 and 5 years	**0**	163
	after 5 years	**434**	415
		667	678
Other leases			
Operating leases which expire:	within 1 year	**15**	29
	between 1 and 5 years	**56**	53
		71	82

16 Other commitments

The NHS Institute has not entered into any additional non-cancellable contracts which are not operating leases (2006-07 £nil).

17 Losses and special payments

There were 9 cases of losses and special payments (2006-07 24 cases) totalling £3,475 (2006-07 £53,342) approved during 2007-08.

18 Related parties

The NHS Institute is a special health authority established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During 2007-08 the NHS Institute 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. Only those entities where total transactions have exceeded £100,000 are disclosed.

	Income £000	Expenditure £000
Department of Health	**4,570**	
East Midlands SHA	**848**	**150**
East of England SHA		**164**
London SHA		**271**
North East SHA		**150**
North West SHA		**151**
South Central SHA		**168**
South East Coast SHA	**701**	**150**
South West SHA		**166**
West Midlands SHA		**103**
Yorkshire and the Humber SHA		**228**
Salford PCT		**296**
NHS Business Services Authority		**188**
Central Manchester and Manchester Children's University Hospitals NHS Trust		**1,675**
North Bristol NHS Trust		**105**
Nottingham University Hospitals NHS Trust		**447**
Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust		**163**
Oxford Radcliffe Hospitals NHS Trust		**418**
University Hospital of North Staffordshire NHS Trust		**150**
Chelsea and Westminster Hospital NHS Foundation Trust		**300**
Guys and St Thomas NHS Foundation Trust		**229**
Salisbury Health Care NHS Foundation Trust		**471**
Sheffield Children's NHS Foundation Trust		**119**

19 Post balance sheet events

There are no material post balance sheet events. This annual report and account has been authorised for issue on 17th July 2008 by the NHS Institute Chief Executive and Accounting Officer.

20 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way special health authorities are financed, the NHS Institute is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Institute has limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the NHS Institute in undertaking its activities. As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

Liquidity risk

The NHS Institute's net operating costs are financed from resources voted annually by Parliament.
The NHS Institute largely finances its capital expenditure from funds made available from government under an agreed capital resource limit. The NHS Institute is not, therefore, exposed to significant liquidity risks.

Interest rate risk

All of the NHS Institute's financial assets and financial liabilities carry nil or fixed rates of interest.
The NHS Institute is not, therefore, exposed to significant interest rate risk.

Foreign currency risk

The NHS Institute has foreign currency income and expenditure which results in transactional currency exposures. These exposures arise from sales or purchases in currencies other than sterling. The NHS Institute's currency exposure is limited by the expectation that any balance will mature within 30 days of its first arising.

Fair values

A comparison, by category, of book values and fair values of the NHS Institute's financial assets and liabilities as at 31 March 2008 is as follows:

	Book value £000	Fair value £000
Financial assets:		
Cash	**574**	**574**
Debtors over 1 year	**1**	**1**
Total	**575**	**575**
Financial liabilities:		
Provisions over 1 year	**436**	**436**
Total	**436**	**436**

Fair value is not significantly different from book value since in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.

21 Intra-government balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year
	£000	**£000**	**£000**
Balances with other central government bodies	**4,700**	**0**	**3,961**
Balances with local authorities	**0**	**0**	**0**
Balances with NHS Trusts	**1,346**	**0**	**1,242**
Balances with public corporations and trading funds	**0**	**0**	**0**
Balances with bodies external to government	**2,659**	**1**	**9,097**
At 31 March 2008	**8,705**	**1**	**14,300**
Balances with other central government bodies	845	0	1,420
Balances with local authorities	0	0	0
Balances with NHS Trusts	307	0	177
Balances with public corporations and trading funds	0	0	0
Balances with bodies external to government	648	190	8,170
At 31 March 2007	1,800	190	9,767

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