

The Nursing and Midwifery Order 2001
Accounts for the year ended 31 March 2008
Presented in accordance with Article 52 of the Order
(Statutory Instrument 2002 No.253)

Trustees' Report

1.0 Reference and administrative details

Name Nursing & Midwifery Council

Charity registration number 1091434 (England & Wales)
SC038362 (Scotland)

Registered office address 23 Portland Place, London W1B 1PZ

Details of the Nursing & Midwifery Council's trustees and principal advisers can be found on pages 35 to 37.

2.0 Structure, governance and management

Background information

The Nursing & Midwifery Council (NMC) was established under the Nursing and Midwifery Order 2001 (known as 'the Order'), and has been fully operational since April 2002. We are the statutory regulator for all the United Kingdom's nurses and midwives.

We exist to safeguard the health and well-being of the public, by establishing, reviewing and promoting standards in nursing and midwifery. Key to this is *the Code: Standards of conduct performance and ethics for nurses and midwives*, which every professional registered with us is expected to adhere to, and against which their conduct is judged. We also provide advice and information for those on our register, and consider allegations of impaired fitness to practise due to misconduct, lack of competence or ill health.

The aims of the NMC meet the requirements of the Charities Act 2006 in terms of charitable purpose – the advancement of education with respect to the setting of standards for nursing and midwifery education, and the advancement of health with respect to setting standards for nursing and midwifery practice and our Fitness to Practise activities. We consider that we meet the two key principles of public benefit, as defined by the Charity Commission, which are firstly that benefits must be identifiable and secondly that benefit must be to the public. Our work ensures that every individual receiving nursing and midwifery care can be assured of the standard of that care, and that those who are not fit to practise are called to account, and therefore the health and wellbeing of the public is safeguarded.

We are accountable to the Privy Council. The Order sets out the nature of the relationship between the NMC and the Privy Council and the reporting mechanisms required. We are subject to annual performance review by the Council for Healthcare Regulatory Excellence, and have regular contact with ministers and officials in the departments of health in the four countries of the UK.

The governing body for the NMC is the Council. The Council has 35 members: 11 lay members and 24 elected practitioner members. The 11 lay members are appointed by the Appointments Commission acting on behalf of the Privy Council. They are selected for their expertise in a range of consumer, patient and public involvement issues. The 24 practitioner members are elected as follows: six members from each of the four national constituencies: England, Northern Ireland, Scotland and Wales; and within each country two members from each of the three parts of the register – nurses, midwives and specialist community public health nurses. Of the 24 elected members, 12 are known as registrant members and 12 as alternate members, with alternate members being those who came second in the ballots. The Council has 23 voting members: the 12 registrant members and 11 lay members. If a registrant member is unable to attend a Council meeting their corresponding alternate member may attend and vote in their place.

The Council sets the NMC's strategic direction. It meets at least four times a year in public to discuss and decide on the most important issues facing the organisation. It also receives reports from the committees that help shape the policies and priorities of the NMC.

In February 2007, the Government published a White Paper *Trust, Assurance and Safety - The Regulation of Health Professionals in the 21st Century* that will have a profound impact on the governance structures of all healthcare regulators including the NMC. Included in the White Paper were proposals that healthcare regulators, including the NMC, should be governed by smaller, more board like structures, the membership of which should be fully and independently appointed. To that end, the NMC's current Council will be replaced by a new body consisting of 14 appointed members, which is expected to come into being in April 2009.

In addition to being a statutory body, the NMC is also a charity registered with the Charity Commission. All Council members are trustees of the charity and must be eligible to serve as such. The eligibility requirements are set out in *The NMC code of conduct for members 2006*. Council members must sign a declaration confirming their eligibility to serve as a charity trustee.

Council members are responsible for ensuring that the NMC complies with the provisions of the Order (and its subsidiary, more detailed Rules), and also with the provisions of the Charities Act 1993, those aspects of the Charities Act 2006 which are in force, and other legislation relating to charities.

We run training and induction sessions for newly elected and appointed Council members. The induction sessions help members focus on their roles and responsibilities as Council members and trustees, familiarise them with the NMC's staff and procedures and brief them on the key strategic and policy issues that they will have to handle in the coming months and years. A range of learning materials – including a handbook for Council members - has been developed for this purpose.

Committee structure

The NMC's committees undertake detailed review and examination of specific issues. The work of the committees is driven by the strategic aims set out in the Business Plan.

The NMC currently has 13 committees. Four of these are statutory committees established by the Order. These are the Investigating Committee, Conduct and Competence Committee, Health Committee (known collectively as the Practice Committees) and the Midwifery Committee. In addition the Council has nine further committees which oversee different aspects of the organisation's work. These are Appointments Board, Audit and Risk Committee, Governance Committee, Nursing Committee, Performance and Business Planning Committee, Quality Assurance Committee, Registration Committee, Remuneration and Appointments Committee and Specialist Community Public Health Nursing Committee. However, having agreed to move to a new governing structure in 2009, the Council is currently deciding how committees can best serve the needs of the organisation in the future. Recommendations will be made to the new board and consequently the structure of committees is likely to change.

The procedures for the meetings of the Council and its committees, other than the Practice Committees for Fitness to Practise, which are governed by Rules, are set out in the Nursing and Midwifery Council Standing Orders 2005. Meetings of the committees are held in private, while Council meetings, in open session, are held in public.

Management structure

The NMC's 220 members of staff are responsible for implementing the decisions of the Council. The NMC's senior management team is responsible for ensuring that the NMC delivers its full range of statutory functions and achieves the objectives outlined in the Business Plan, and for leading and directing the organisation's business and financial affairs. As a consequence of the breadth of activity being undertaken by the NMC, there has been an increase in the senior management team of a Director of Corporate Governance and Organisational Development as well as a new Director of Fitness to Practise. The Chief Executive and Registrar, Sarah Thewlis who heads the team has announced her intention to resign.

Risk Review

Risk reviews are conducted regularly and risks to NMC are identified. The NMC has implemented systems and procedures to mitigate risks. This is an ongoing process throughout the year. Further information relating to risk management is included on page 5 and in the Statement on Internal Control on pages 11 to 12.

3.0 Objectives and activities

The aims of the NMC are set out in the Order. This states that the NMC must set standards of education, training, conduct and performance for nurses and midwives and ensure that these standards are maintained and the health and wellbeing of the public is safeguarded. The pursuit of these aims delivers public benefit, according to Charity Commission principles. To meet these aims, we set out five strategic themes which will shape our work until the planned review of healthcare regulation in 2011. In our 2007-2008 Business Plan, each theme had its own linked objectives.

Theme one: Registration

Objectives included undertaking a UK-wide consultation on pre-registration nursing education, reviewing and making changes to the way in which we provide help and advice to nurses and midwives, and developing standards for supervisors of midwives and the use of supervised practice.

Theme two: Leadership

Objectives included implementing the requirements of the new EU services directive, putting into place a new risk based framework for reviewing local supervising authorities for midwifery, and taking a lead in equality and diversity issues among the UK's healthcare regulators.

Theme three: Stakeholder engagement

Objectives included developing and implementing a memorandum of understanding with the Healthcare Commission, holding a nationwide consultation on the NMC's Code and updating the NMC's corporate identity.

Theme four: Good governance

Objectives included establishing the Appointments Board to oversee the recruitment of non-Council members and Fitness to Practise panellists, implementing a portfolio management approach to driving forward projects under the Business Plan and reaching agreement on the future constitution of the Council to meet the challenges set out in the White Paper, *Trust, Assurance and Safety*.

Theme five: Business effectiveness

Objectives included the continuing delivery of the financial recovery plan, driving forward a range of process re-engineering initiatives across the organisation and developing an ICT strategy for the organisation.

The objectives above are a sample of the project work undertaken during the year, and further detail on some of the key achievements can be found in the next section. In the interests of openness and accountability, we make our Business Plan available to view on our website, and regularly report against progress to the Council in open session.

4.0 Achievements and performance

CHRE performance review

In May 2007, the Council for Healthcare Regulatory Excellence published their annual performance review of the NMC, which highlighted our approach to partnership working and the provision of advice, the implementation of a new UK-wide risk based quality assurance framework for nursing and midwifery education, and the separation of policy and adjudication in Fitness to Practise cases, whereby Council members would no longer sit as panellists in conduct cases. The report also noted our commitment to reducing the historic backlog of cases, with an objective of having only a six month wait by 2010.¹

The Code

During the last year, we completed our review of the standards of conduct, performance and ethics expected of nurses and midwives. Focus groups were used during the development of the new text, which was then subject to a formal consultation from June to September 2007. The consultation included an event held specifically to seek input from patient representatives and members of the public. The new document, *The Code: Standards of conduct, performance and ethics for nurses and midwives*, was approved by the Council in December 2007, and is effective from 1 May 2008.

Equality and diversity

In October 2007, we set up an equality and diversity unit to lead our work in this area. One of the first tasks for the new unit was to finalise the NMC's race equality scheme. The scheme, together with an underpinning action plan, was published in February 2008. Since its establishment, the unit has also developed a strategy document covering its first three years of operation. Equality impact assessment and equality and diversity training was developed to be delivered to all staff in 2008-09.

Appointments Board

Recruitment of a group of lay Fitness to Practise panellists commenced in January 2008, under the auspices of the Appointments Board, which we established in 2007 and which held its first meeting in July of that year. The Appointments Board's membership comprises four registrant members and four lay members, none of whom, with the exception of the lay chair, are Council members. The Appointments Board will also oversee the recruitment of non-Council members to committees.

Internal audit

The NMC's internal audit work has been outsourced since April 2007. Work is focused on areas considered to be high risk and the aim is to review six or seven areas of work each year. Internal audit reports are submitted to the Audit and Risk Committee, which oversees any follow-up required and identifies any key issues in its reports to the Council, which also receives reports three times a year on the organisation's top risks.

European relationships

In October 2007, the NMC was a signatory to the Memorandum of Understanding drawn up by Healthcare Professionals Crossing Borders. The Memorandum is concerned with the exchange of information between competent authorities, mainly as regards fitness to practise data. In November, we hosted a high level delegation from the Spanish Nursing Council and senior Spanish health journalists for a day of presentations about the UK system of nurse prescribing. The visit has led to a change in the Spanish law which had prohibited nurse prescribing.

Other activities

In addition to these activities, and meeting the objectives detailed in the previous section, a significant proportion of our time and expenditure is spent on core work, particularly the maintenance of the register of 672,427 (as at March 2008) nurses, midwives and specialist community public health nurses, providing advice and guidance to the professions, and hearing allegations of impaired fitness to practise.

¹ Subsequent to this, following the considerable progress made in Fitness to Practise in 2007-08, Council has decided to work towards an even more stringent target of a three month wait, within the period to 2010.

Registration activity

As a consequence of a review of the way we provide help and advice to nurses and midwives, a reorganisation of our call centre function took place in December 2007, combining our professional advice service and switchboard with our other call handling functions and creating a 'one stop shop' for enquiries. Other projects carried out include the promotion and take up of payment by annual direct debit by over 45,000 individuals on our register, and changes to systems to incorporate the requirements of the EU Recognition of Professional Qualifications directive.

The registrations department consists of the call centre, which handles around 50,000 telephone enquiries each month from individuals on the register, and teams responsible for new registrations, periodic renewals, and applications to join the register from within the EU and internationally. The move to annual fee payments means that the registrations department has contact with every nurse and midwife on the register at least once each year, either for payment of retention fees or for renewal of registration.

Fitness to Practise activity

Increased levels of funding, a programme of improvements and system efficiencies and the successful recruitment and training of Fitness to Practise panellists has allowed a substantial increase in the number of hearings held over the past year. Overall, this has reduced waiting times for new cases to be heard and allowed us to more rapidly progress previously outstanding cases.

The total number of cases considered by panels of the Preliminary Proceedings Committee and Investigating Committee in the year was 2,700 (2006-07: 2,387). Just fewer than 35% of cases were closed because the panels found no case to answer (2006-07: 35%). The Investigating Committee referred 441 cases (2006-07: 315) to the Conduct and Competence Committee and 56 (2006-07: 32) to the Health Committee for hearings. The remaining cases are subject to ongoing investigation.

The Health Committee sat 28 times during the year (2006-07: 20). The total number of cases considered was 41 (2006-07: 43). Panels of the Professional Conduct Committee and Conduct and Competence Committee sat for 832 days (2006-07: 377) during the year. The number of cases heard was 612 (2006-07: 279) and number of cases completed was 449 (2006-07: 222).

There were 766 Interim Order considerations under the new Fitness to Practise rules that came into force in 2004, both new cases and reviews (2006-07: 545). Of these, the Investigating Committee considered 462 (2006-07: 334), the Conduct and Competence Committee considered 248 (2006-07: 187) and the Health Committee considered 56 (2006-07: 22).

There were ten applications for restoration to the register during the last year (2006-07: six). None were successful.

A full report on our Fitness to Practise activity in the last year is available on the NMC's internet site www.nmc-uk.org.

5.0 Financial review

The net incoming resources for the year amounted to £3,337,000 (2006-07: £3,781,000).

The reserves of £14.02 million include the value of the lease of the Council's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2007 on an existing use basis at £15.75 million.

During the year income totalled £34,063,000 (2006-07: £27,447,000) and was comprised of fee income of £32,723,000 (2006-07: £26,043,000), investment income of £1,226,000 (2006-07: £1,164,000), and trading income of £114,000 (2006-07: £240,000).

During the year expenditure totalled £30,726,000 (2006-07: £23,666,000). This is further analysed within note 12 to the accounts.

Reserves policy

The free reserves of the NMC were negative £1,677,000 at 31 March 2008. The Council has agreed a reserves policy that the free reserves should equal six months' expenditure.

A financial recovery plan is in place, designed to achieve the free reserves target by 2010. This would equate to £21 million at March 2010 on current projections. In 2007 the Council consulted on fees and approved an increase to the periodic fee which came into effect from 1 August 2007. This allows the NMC to move towards a position of long term financial stability. The NMC continues to make cost reductions and efficiencies across the organisation.

Investment policy

The NMC has the power to invest its surplus funds as it considers appropriate to generate income for the Council. Currently the NMC has a formal investment policy, which limits investment to low and no risk options. At present surplus NMC funds are placed on the money market. At 31 March 2008, £27 million was held in money market deposit accounts (31 March 2007: £18.4 million). The revenue generated from the investment was £1,226,000 during the year.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 15 to the accounts. The cost of fixed assets additions during the year was £103,000.

6.0 Plans for the future

We have adopted a new style of portfolio management, allowing us to co-ordinate projects across three distinct, but interrelated, programmes linked to our strategic themes. These programmes will begin work in 2008-09, with some projects likely to last beyond the end of the next financial year.

Maintaining and promoting professional standards

The White Paper *Trust, Assurance and Safety* sets out the importance of ensuring healthcare professionals remain fit to practise throughout their working lives, and the NMC has commenced a significant project to develop processes for revalidation in line with the recommendations contained in the White Paper. We are also reviewing the way in which standards for higher education are developed and presented, and will be issuing guidance around the care of older people. We will also move forward our review of pre-registration nursing education in the light of Modernising Nursing Careers, and continue our ongoing quality assurance of nursing and midwifery education programmes with Higher Education Institutions.

Stakeholder engagement

The stakeholder engagement programme encompasses a broad range of projects involving the NMC's relationships with devolved governments and administrations, European and international partners, redefining the methods and means by which we engage with a range of stakeholders, developing methods of participation for nurses and midwives in advance of a move to a fully appointed board, and remodelling the NMC's external and internal communications strategies.

Processes, systems and efficiencies

A core element of this programme will be a significant project around the NMC's office accommodation. With the expiry in March 2009 of our lease on 180 Oxford Street, currently home to our Fitness to Practise directorate and activities, the organisation has developed an accommodation strategy that will lead to the establishment of a dedicated Fitness to Practise centre in London, the relocation of our communications function back to our head office and the establishment of office bases in each of the UK's four countries. The programme also encompasses projects reviewing systems and business processes to ensure we make best use of our resources. We are also undertaking work to improve and update our ICT infrastructure, and have been working to develop an ICT strategy, the implementation of which will begin, subject to Council approval, in 2008.

Equality and diversity

In common with all public bodies in the UK, the NMC is required to meet obligations set out in the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 2005 and the Equality Act 2006. These Acts place a general and specific duty on all public bodies to eliminate unlawful discrimination, promote equality of opportunity and promote and celebrate the diversity of different groups.

In order to demonstrate compliance, we have published a series of schemes clearly setting out how we plan to fulfil our obligations. Having previously published disability and gender equality schemes, we published our race equality and overarching equality schemes in 2007-08. We are committed to achieving excellence in equality and diversity through all our policies, practices and procedures and in our values and behaviours. To that end, equality and diversity training is made mandatory for all staff.

We are an equal opportunities employer. We provide employment opportunities and advancement for all suitably qualified people regardless of ethnic origin, age, sex, disability, religion, sexuality, marital status, dependents or political belief. Selection for recruitment or advancement is based on the ability of the individual to do the job.

Employee involvement

We place considerable reliance on the involvement of our employees. We make every effort to ensure that all staff members are kept informed of the NMC's plans and developments. The main channels of communication include whole organisation meetings, monthly team briefings, intranet and e-mail. A staff council was established during 2007-08, with elected staff representatives taking up their positions in January 2008. The staff council provides a forum for discussion and consultation on matters affecting staff at work.

Health and safety

The NMC is committed to adhering to the Health and Safety at Work Act 1974 and other related UK and European requirements to ensure that staff and registrants enjoy the benefits of a safe environment.

Scotland

The NMC was registered with the Office of the Scottish Charity Regulator in June 2007. As with each of the four countries of the UK, the NMC carries out a number of activities in Scotland and enjoys a close working relationship with Scotland's Chief Nurse and other senior officials. Scotland is represented on the Council by six elected members, and both our current President and Vice President are Scottish representatives. During 2007-08, we held consultation events relating to our new Code in Glasgow, Aberdeen and Stornoway, and an employer's summit in Edinburgh. Our Fitness to Practise rules require that conduct and health hearings are held in Scotland when the nurse or midwife is registered with a Scottish address. In 2007-08, 57 conduct cases and 10 health cases were heard in Scotland (2006-07: 29 conduct cases and 6 health cases). There were 68,499 Scottish nurses, midwives and specialist community public health nurses on our register as at March 2008, representing ten percent of our register overall.

CHRE Special Report

On 14th March 2008, the Minister of State for Health Services commissioned the Council for Healthcare Regulatory Excellence (CHRE) to address 'the central question of whether the NMC is fulfilling its statutory functions'. The completed report was published on 16th June 2008 and concluded that 'the NMC is carrying out its statutory functions but fails to fulfil these to the standard of performance that the public has the right to expect of a regulator'. The NMC concurs with all of the report's recommendations for the NMC. In fact, the significant elements of the recommendations were already being dealt with or were incorporated into the 2008-09 Business Plan for action. As a matter of urgency, the senior team and the trustees are working to identify action plans for any elements of the plan not previously scheduled for attention.

*Mrs. Nancy Kirkland BSc(Hons), MBA, HNC, RGN and ScM
President, NMC*

Date:

Statement of Responsibilities of Council and its Chief Executive in Respect of the Accounts

The accounts are prepared in accordance with the Accounts Guidance received from the Privy Council which requires the accounts to be prepared in accordance with the Statement of Recommended Practice *Accounting by Charities* and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board.

The Nursing and Midwifery Order 2001 requires that annual accounts are prepared and audited. The Council and its Chief Executive and Registrar (as Accounting Officer) are responsible for the preparation and approval of the accounts. In preparing these accounts they are required to:

- a. Observe the applicable accounts directions issued by the Privy Council;
- b. Select suitable accounting policies and then apply them consistently;
- c. Make judgments and estimates on a reasonable basis;
- d. Prepare the accounts on a going concern basis unless it is inappropriate to presume the Council will continue in operation; and
- e. State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.

The Council and its Chief Executive and Registrar are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council and enable them to ensure that the accounts comply with the Nursing and Midwifery Order 2001. They are also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Privy Council has appointed the Chief Executive of the Nursing and Midwifery Council as Accounting Officer for the Nursing and Midwifery Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Privy Council, and in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer and President of the Council, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Nursing and Midwifery Council's (NMC) policies, aims and objectives, whilst safeguarding the public funds and assets for which we are personally responsible.

The post of Chief Executive and Registrar of the NMC carries with it the responsibility of Accounting Officer. The Chief Executive and Registrar is responsible for the execution of the Council's obligations under the Nursing and Midwifery Order 2001 and is accountable to the Privy Council and the NMC.

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 the NMC's policies, aims and objectives. The system of risk management is designed to evaluate the likelihood of those risks being realised and the impact thereof and to manage them efficiently, effectively and economically. During 2004-05, the NMC began to put in place the procedures necessary to implement Treasury guidance relating to risk management. Development continued during 2007-08, with the development of a risk reporting methodology under the portfolio management structure.

Capacity to handle risk and the risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. The system of risk management now ensures that top risks facing the organisation are regularly identified within an embedded risk management system. Directors lead on the risk and control framework at directorate level with risk co-ordinators to champion the risk initiative at local level. Corporate risk policies, procedures and reports are developed by the Head of Risk Management and the Executive Management Board (EMB).

In 2007-08, risks were escalated to and discussed by EMB through an assurance framework, and top risks were identified and kept under review by EMB, the Audit and Risk Committee and Council. The new portfolio management risk reporting structure will become fully functional in 2008-09 with all risks being managed and escalated on a regular basis. Programme managers have been appointed and oversee projects which fall under different strategic themes. They are aided by project managers to ensure deliverables are achieved and will report on a regular basis to EMB and quarterly to a Portfolio Management Board in 2008-09.

The Audit and Risk Committee also oversees a strategic programme of internal audit which reviews the internal controls of key activities within the organisation. The Committee receives regular audit reports and progress against plans. The risk and control framework includes:

- A programme of risk identification, analysis and evaluation.
- Directorate risk registers, a corporate risk register and an assurance framework.
- Regular meetings by the Head of Risk Management with risk managers and risk co-ordinators.
- A programme of risk awareness training, which in 2008-09 will be enhanced through the commissioning of external risk management trainers.
- A scheme of delegation together with the Standing Orders of Council and committees and codes of conduct for members.
- A comprehensive Business Plan which is devised by the EMB and agreed and monitored by the Performance and Business Planning Committee (PBPC) and Council.
- Comprehensive budgeting systems with an annual budget which is reviewed by the EMB, PBPC and agreed by Council.
- Regular reviews by the PBPC of the monthly and annual financial performance against budget.
- A system of measuring performance targets by the use of key performance indicators.
- Financial regulations with clearly defined procedures for the authorisation and control of items of revenue and capital expenditure.
- A Council which meets to consider the plans and the strategic direction of the NMC.

The main risks facing the NMC in 2007-08 were the risks concerning:

- The lack of a Fitness to Practise case management system.
- Delays in the Section 60 Order having a knock-on effect on the transition to the new Council and the need for an election in England.
- The development and implementation of a robust business continuity strategy for NMC offices.
- Risks surrounding the transition from an elected to an appointed Council and the impact of the work on the Council.
- Ensuring that the NMC is fully compliant with equality and diversity legislation.
- The successful delivery of the financial recovery plan.

Review of effectiveness

As President of the Council and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of the Audit and Risk department, our internal auditors PKF (UK) LLP, the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and reports. We have also been advised and supported by EMB and the Audit and Risk Committee during the year. Plans to address weaknesses and ensure continuous improvement of the systems are in place.

Our review of the effectiveness of the system of internal control included the following:

- Periodic reports from the Chairman of the Audit and Risk Committee to the Council concerning internal control as covered by audit and risk assurance.
- A two year strategic internal audit plan which has been devised to target higher risk areas and agreed by the Audit and Risk Committee.
- An outsourced Internal Audit function which operates under the management of the Audit and Risk department and reports into the Audit and Risk Committee.
- Regular progress reports against plans and regular internal audit reports for discussion, to standards defined in the Government internal audit manual.
- Management action plans where enhancements to control systems are identified.
- An annual report on the effectiveness of the systems of internal control under review in the year.

During the year, we provided project management workshops to project sponsors, managers and staff. As part of our governance structure, the NMC holds annual elections on a rotational basis. We held an election for the representatives from the Welsh constituency in 2007 and an informative induction programme was developed for all new Council members. During 2007-08, further measures to embed risk management were put in place through regular meetings with risk co-ordinators in each department. The appointment of programme managers and the development of a systematic portfolio management reporting framework was made in conjunction with the finalisation of a revised risk reporting structure and the simplification of the risk register. With this risk reporting foundation in place, risk management training was submitted to tender during the year to commence in 2008-09. It is proposed that this coincides with the agreement of formal incident reporting policies in the NMC.

The CHRE *Special Report to the Minister of State for Health Services on the Nursing and Midwifery Council* was published on 16th June 2008. The report made a series of recommendations that are fully accepted by the NMC and in many instances action was already underway or is scheduled as part of the 2008-09 Business Plan to implement the recommended improvements. In addition, the trustees and the senior management team are ensuring that any further actions that are required are being scheduled into workplans to ensure robust solutions are in place to satisfy all of the report's recommendations.

*Mrs. Nancy Kirkland
BSc(Hons), MBA, HNC, RGN and ScM
President, NMC*

Date:

Nursing & Midwifery Council

*Mrs. Sarah Thewlis
BA, FCIPD, Hon FRCGP, FRSA
Chief Executive and Registrar, NMC*

Date:

Page 12 of 38

Independent Auditors' Report to the Nursing and Midwifery Council

We have audited the financial statements of Nursing and Midwifery Council for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with the regulations made under the Charities Act 1993. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditors

As described in the Statement of Council Responsibilities the Council are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Council's Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Council's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 March 2008 and of its incoming resources and application of resources in the year then ended; and
- Have been properly prepared in accordance with the Charities Act 1993.

haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Date:

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

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2008 under Article 52 of the Nursing and Midwifery Order 2001. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, the Chief Executive, and auditor

The Nursing and Midwifery Council and the Chief Executive as Accounting Officer are responsible for preparing the Trustees' Report and the financial statements in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of Council and its Chief Executive.

My responsibility is to audit the financial statements 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 have been properly prepared in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder. I report to you whether, in my opinion, certain information given in the Trustees Report, which comprises the reference and administrative details, structure, governance and management, objectives and activities, achievements and performance, financial review, plans for the future, equality and diversity, employee involvement, health and safety and Scotland is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources 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 Nursing and Midwifery Council 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Nursing and Midwifery Council'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 Nursing and Midwifery Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees Report which comprises the reference and administrative details, structure, governance and management, objectives and activities, achievements and performance, financial review, plans for the future, equality and diversity, employee involvement, health and safety and Scotland 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. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Nursing and Midwifery Council'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 are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure, income and resources 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.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Nursing and Midwifery Order 2001 and directions made thereunder by the Privy Council, of the state of the Council's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Nursing and Midwifery Order 2001 and directions made thereunder by the Privy Council; and
- information given within the Trustees Report, which comprises the reference and administrative details, structure, governance and management, objectives and activities, achievements and performance, financial review, plans for the future, equality and diversity, employee involvement, health and safety and Scotland, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

*T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
June 2008*

Statement of Financial Activities for the year ended 31 March 2008

	Note	Unrestricted Funds 2008	Restricted Funds 2008	Total Funds 2008	Total Funds 2007
		£'000	£'000	£'000	£'000
INCOMING RESOURCES					
Incoming resources from charitable activities:					
• Fee Income	3	32,723	-	32,723	26,043
Incoming resources from generated funds:					
• Investment Income	2	1,226	-	1,226	1,164
• Trading Income	4	114	-	114	240
TOTAL INCOMING RESOURCES		34,063	-	34,063	27,447
RESOURCES EXPENDED					
Charitable Activities	5	24,661	1	24,662	19,008
Governance Costs	6	3,264	-	3,264	2,336
Costs of Generating Funds:					
• Costs of generating trading income	8	23	-	23	51
Other Resources Expended:					
• Publicity	7	2,777	-	2,777	2,271
TOTAL RESOURCES EXPENDED		30,725	1	30,726	23,666
NET INCOMING RESOURCES FROM OPERATIONS		3,338	(1)	3,337	3,781
OTHER RECOGNISED GAINS					
Unrealised Gains on Revaluation of Fixed Assets		-	-	-	3,080
NET MOVEMENT IN FUNDS		3,338	(1)	3,337	6,861
Reserves brought forward		10,658	25	10,683	3,822
TOTAL FUNDS CARRIED FORWARD		13,996	24	14,020	10,683

All of the Council's activities in the above two financial years were derived from continuing operations.
All recognised gains and losses are included in the above statement.

The notes on pages 20 to 34 form part of these accounts.

Balance Sheet as at 31 March 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	15	<u>15,673</u>	18,263
TOTAL FIXED ASSETS		<u>15,673</u>	18,263
CURRENT ASSETS			
Debtors	17	457	427
Cash at bank and in hand	25	<u>29,316</u>	19,247
TOTAL CURRENT ASSETS		29,773	19,674
LIABILITIES:			
CREDITORS (amounts falling due within one year)	18	<u>(31,301)</u>	(23,990)
NET CURRENT (LIABILITIES)		<u>(1,528)</u>	(4,316)
TOTAL ASSETS LESS CURRENT LIABILITIES		14,145	13,947
CREDITORS (amounts falling due after more than one year)	19	(125)	(3,264)
NET ASSETS		<u>14,020</u>	<u>10,683</u>
Restricted Fund	27	24	25
Unrestricted Fund		<u>13,996</u>	10,658
TOTAL FUNDS		<u>14,020</u>	<u>10,683</u>

The notes on pages 20 to 34 form part of these accounts.

*Mrs. Nancy Kirkland
BSc(Hons), MBA, HNC, RGN and ScM
President, NMC*

Date:

*Mrs. Sarah Thewlis
BA, FCIPD, Hon FRCGP, FRSA
Chief Executive and Registrar, NMC*

Date:

Cash Flow Statement for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000	2007 £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	23	7,264		(8,703)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest Received	2	1,226		1,164
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire Tangible Fixed Assets	15	(103)		(5,016)
Receipt from sale of 21 Duchess Mews		1,682		-
		2,805		(3,852)
INCREASE/(DECREASE) IN CASH IN THE YEAR		10,069		(12,555)

The notes on pages 20 to 34 form part of these accounts.

Notes to the Accounts

1) Accounting Policies

The accounts are prepared in accordance with the Accounts Direction (see Appendix 1) from the Privy Council which requires the accounts to be prepared in accordance with the Statement of Recommended Practice 'Accounting by Charities' (Charities SORP 2005) and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board.

a) Accounting convention

The accounts are prepared under the historical cost convention as modified to include the revaluation of certain fixed assets.

b) Fixed Assets

Depreciation is provided on tangible fixed assets to write them down to a nominal value of £1 over their estimated useful lives in equal instalments as follows:

Equipment	—	3 years
Furniture	—	10 years
Refurbishment	—	10 years
Leasehold Premises	—	50 years
Refurbishment – 180 Oxford St	—	3 years

Tangible fixed assets costing over £1,000 have been capitalised.

The NMC has a policy of revaluing its leasehold property every five years with an interim impairment review in the third year in accordance with FRS15, and an interim valuation in the intervening years where it is likely that there has been a material change in value.

c) Resources arising - income

Investment income

Investment income is accounted for when receivable and includes any related tax recoverable.

Income from charitable activities

Registration, verification and replacement of PIN card fees have been credited to income on the day of receipt. Periodic Fees have been allocated to the appropriate financial year based on the accruals concept.

Trading Income

Trading Income is recognised in the statement of financial activities when receivable. The income is to defray the cost of some publicity activities.

d) Allocation of costs

The charity's operating costs include staff costs, premises costs and other related costs. Such costs are allocated between direct charitable expenditure, publicity and governance. Staff costs are allocated according to the costs of staff working directly in the relevant departments.

Premises costs are allocated according to staff numbers in each department and computer and other costs are apportioned to departments on an appropriate basis (e.g. usage, staff numbers).

Charitable activities

Expenditure on charitable activities includes all expenditure related to the objects of the charity which comprise Fitness to Practise, Research, Maintaining the Register and Standards Promotion and Policy Development.

Governance Costs

Governance costs relate to expenditure incurred in the management of the Council's assets, organisational administration and compliance with statutory requirements.

Other expenditure

Other expenditure is analysed under the following two headings:

Publicity

Publicity costs relate to the costs of the Communications department, the main element of which is the expenditure on the Council's newsletter *NMC News*.

Cost of Generating Funds

This cost relates to expenditure on the trading activities.

e) Development costs

Costs incurred on software developments are written off in the year in which they are incurred.

f) Fund accounting

The Council maintains various types of funds as follows:

i) Restricted funds

These are funds, which are to be used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in the notes to the financial statements.

ii) Unrestricted funds

These are funds, which are available for use at the discretion of the Council in the furtherance of the general objectives of the organisation and which have not been designated for other purposes.

g) Leased Assets

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities in equal amounts over the periods of the leases.

h) Pension Costs

Retirement benefits are provided by a defined benefits scheme, which is funded by contributions from both the Council and employees. Payments are made to a pension trust, which is financially separate to the Council. These payments are made in accordance with periodic calculations by professionally qualified actuaries. Pension costs are accounted for on a basis of charging the expected cost of providing pensions over the period during which the Council benefits from the employees' services. The effect of variations from regular costs is spread over the expected average remaining service lives of members of the scheme.

2) Investment Income

	2008 £'000	2007 £'000
Income from UK listed Investments		
Interest receivable		
• from Money market	<u>1,226</u>	<u>1,164</u>
	<u><u>1,226</u></u>	<u><u>1,164</u></u>

3) Fee Income

	2008 £'000	2007 £'000
Periodic Fees	32,092	24,957
Registrations	314	785
Verifications	305	278
Replacement of PIN cards	12	20
Miscellaneous	-	3
	32,723	26,043

4) Other Income

	2008 £'000	2007 £'000
Trading Income		
Sales of Publications	-	11
NMC News	114	229
	114	240

5) Charitable Activities

	Unrestricted £'000	Restricted £'000	2008 £'000	2007 £'000
Standards Promotion and Policy Development	3,496	1	3,497	3,355
Maintaining the Register	6,197	-	6,197	5,616
Fitness to Practise	14,968	-	14,968	10,037
	24,661	1	24,662	19,008

These costs include direct costs (as in note 10), staff costs and related overheads.

6) Governance Costs

	2008 £'000	2007 £'000
Members' allowances, travel and subsistence	559	645
Auditors' Remuneration - Audit fees - haysmacintyre	21	24
Auditors' Remuneration - Audit fees - NAO	5	5
Allocation of operating costs (inc. salaries) (Note 1d)	2,679	1,662
	3,264	2,336

7) Other Expenditure - Publicity

	2008 £'000	2007 £'000
Conferences, Seminars and Publicity	164	131
Council Newsletter 'NMC News'	1,048	859
Communications	108	87
Printing of Council Publications	100	136
Allocation of operating costs (inc. salaries) (Note 1d)	<u>1,357</u>	<u>1,058</u>
	<u><u>2,777</u></u>	<u><u>2,271</u></u>

8) Other Expenditure - Cost of Generating Funds

	2008 £'000	2007 £'000
Trading Expenditure	23	51
	<u>23</u>	<u>51</u>

9) Charitable Activities Costs

	Staff Costs £'000	Depre- ciation £'000	Other Costs £'000	Total 2008 £'000	Total 2007 £'000
Charitable Activities:					
• Standards Promotion and Policy Development	1,648	139	1,710	3,497	3,355
• Maintaining the Register	3,723	401	2,073	6,197	5,616
• Fitness to Practise	2,829	320	11,819	14,968	10,037
Governance Costs	1,612	93	1,559	3,264	2,336
Other Expenditure:					
• Publicity	766	81	1,930	2,777	2,271
• Trading Expenditure	-	-	23	23	51
	<u><u>10,578</u></u>	<u><u>1,034</u></u>	<u><u>19,114</u></u>	<u><u>30,726</u></u>	<u><u>23,666</u></u>

10) Analysis of Direct Costs

	Direct Costs £'000	Support Costs £'000	Total 2008 £'000	Total 2007 £'000
Cost of Generating funds:				
Costs of Generating Trading Income			23	51
Charitable activities:				
• Standards Promotion and Policy Development	3,040	457	3,497	3,355
• Maintaining the Register	4,884	1,313	6,197	5,616
• Fitness to Practise	13,921	1,047	14,968	10,037
Sub-Total	21,845	2,817	24,662	19,008
Governance	2,960	304	3,264	2,336
Publicity	2,511	266	2,777	2,271
Total	27,316	3,387	30,726	23,666

11) Analysis of Support Costs

Support Cost	Standard Promotion & Policy Development		Maintaining the Register £'000	Fitness to Practise £'000	Govern- ance £'000		Total 2008 £'000	Total 2007 £'000
		£'000				£'000		
Facilities	99	284	226	65	58	732	680	
Finance	193	556	444	129	112	1,434	1,239	
Human Resources	165	473	377	110	96	1,221	1,370	
	457	1,313	1,047	304	266	3,387	3,289	

The support costs have been allocated on the basis of number of staff in each area.

12) Total resources expended by Natural Classification

	2008 £'000	2007 £'000
Salaries and Associated Costs	10,578	10,057
Other Staff Expenses	470	367
Premises	846	899
Insurance	72	45
Sundry, Furniture, Equipment and Maintenance	90	50
Hire of Equipment	68	102
Fitness to Practise ¹	10,333	6,135
Depreciation ²	1,034	667
Nurses Welfare Service	-	27
Election Cost	12	58
Hospitality	56	52
Council Restaurant	285	259
Standards promotion and policy development ³	1,040	831
(Gain)/loss on disposal of assets	(23)	20
Professional fees ⁴	1,506	551
Auditors' Remuneration - Audit Fees	21	24
Auditors' Remuneration - Audit Fees (NAO)	5	5
IT Development and Support	334	218
Telephones	169	202
Postage	720	512
Printing and Stationery	645	448
Advertising and Recruitment	333	162
Bank Charges	130	66
Communications	108	87
Conferences, Seminars and Publicity	164	131
Council Newsletter 'NMC News'	1,048	859
Printing of Council Publications	100	136
Members' Allowance Travel and Subsistence	559	645
Cost of Generating Funds	23	51
Total Resources Expended	<u>30,726</u>	<u>23,666</u>

¹ Please refer to page six for details of Fitness to Practise activity in the year.² The increase is due to depreciation of the costs of the refurbishment of 23 Portland Place, which was completed in the final quarter of the financial year 2006-07.³ This includes increased expenditure on quality assurance (QA) of nursing and midwifery education following the implementation of a new model for the delivery of QA services during 2006-07. This model is based on a consistent, UK-wide risk-based approach to QA.⁴ External expertise has been required to drive a number of significant workstreams forward in 2007-08. These include the establishment of the equality and diversity unit, the recruitment with assessment centres of Fitness to Practise panellists to facilitate the increased number of hearings, the implementation of the portfolio management structure and processes to ensure delivery of the NMC's strategic aims, the formulation of an ICT strategy to modernise practises and ensure IT systems and processes are fit for purpose, the upgrade of the NMC's records management system and the provision of internal audit services.

13) Information regarding employees

	2008 £'000	2007 £'000
Salaries and Associated Costs		
Wages and Salaries:		
• Management	369	507
• Administration	6,263	6,033
Social Security Costs:		
• Management	41	56
• Administration	531	517
Pension Costs - Present Staff (Note 21):		
• Management	62	71
• Administration	1,334	1,374
Pension Costs - Retired Staff of Previous Organisations (Note 21)	44	43
Temporary Staff	<u>1,934</u>	<u>1,456</u>
	<u>10,578</u>	<u>10,057</u>

The aggregate remuneration of the directors was as follows:

Salary bands (£)	Number of Staff
60,001 - 70,000	1
80,001 - 90,000	2
110,001 - 120,000	1
Total Accrued Pension at 60 at 31/3/2008 (£)	
0 - 5,000	2
10,000 - 15,000	1

Pension benefits are provided through a scheme operated by Capita Hartshead. The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at a rate of 1/60th of pensionable salary for each year of service. In addition, members have the option to commute part of their pension for a tax-free lump sum. They also have the option to accept a lower pension in order to provide a pension for a surviving nominee. On death within five years of retirement, a lump sum is payable equal to the balance of the pension, which the pensioner would have received had he/she survived to the fifth anniversary of his/her retirement.

On death in service, a lump sum of twice pensionable pay is payable together with the return of all the member's contributions with compounded tax free interest of 3% per annum. On death in service where

there is a surviving spouse, a pension equal to 1/60th of pensionable salary is also payable, for each year of service.

Medical retirement is possible in the event of permanent incapacity. In this case pensions are brought into payment immediately without actuarial reduction.

All the above employees are Ordinary members of the Capita Hartshead scheme number FPS 1654.

- (i) In addition to the above, there were 5 members of staff whose remuneration fell in the following bands:

£60,001 - £70,000 - 3
£70,001 - £80,000 - 2

- (ii) The average number of employees in the year was 220 (management 4 and administration 216) and in the previous year was 219 (management 5 and administration 214).

- (iii) During the year, season ticket loans given to the directors were as follows:

	£
S. Williams	1,501 - 2,000
S. Thewlis	1,001 - 1,500

14) Taxation

Due to its charitable status the Council is not liable to corporation tax on its charitable activities. It is not liable to Capital Gains Tax on the sale of assets where the profit is used for charitable purposes.

15) Tangible Fixed Assets for use by the charity

	Furniture	Equipment	Building Refurbish- ment	Long Leasehold Premises Note (a)	Building 180 OS Refurbish- ment	Long Leasehold Premises Note (b)	Total £'000
Cost:							
1 April 2007	367	2,041	4,510	11,380	313	1,659	20,270
Additions during year	-	98	-	-	-	-	98
Additions (Accrual)	-	-	5	-	-	-	5
Disposals	(26)	(3)	-	-	-	(1,659)	(1,688)
31 March 2008	341	2,136	4,515	11,380	313	0	18,685
Depreciation:							
1 April 2007	102	1,678	140	-	87	-	2,007
Charge for year	28	232	435	231	105	-	1,031
Additional Charge	-	-	3	-	-	-	3
Disposals	(26)	(3)	-	-	-	-	(29)
31 March 2008	104	1,907	578	231	192	-	3,012
Net book value							
31 March 2008	237	229	3,937	11,149	121	-	15,673
Net book value 31 March 2007	265	363	4,370	11,380	226	1,659	18,263

- a) The UKCC acquired the leasehold interest in 23 Portland Place, London W1B 1PZ from the General Nursing Council for England and Wales at nil cost. The lease expires in the year 2933. The lease was valued as at 31 March 2007 on an existing use basis, inclusive of the refurbishment, by external valuers Drivers Jonas, at £15,750,000. It should be noted that due to the restrictive user clause the lease is un-assignable.
- b) The UKCC acquired the leasehold interest in 21 Duchess Mews on 1 February 1991. This property was sold during 2007. It was revalued to its prospective net sales value at 31 March 2007.

16) Related Party Transactions

The Nursing and Midwifery Council is accountable to the Privy Council. The Nursing and Midwifery Order 2001 sets out the nature of the relationship between the NMC and the Privy Council and the reporting mechanisms required. Whilst not accountable to the Department of Health, the NMC has regular contact with the Department on policy and other matters.

Two Presidents held office during 2007-08. Cardiff University was paid £6,388 (2006-07: £16,854) and £14,040 was incurred for the current President's time during the year.

During the year, allowances and travel and subsistence expenses of £559,000 (2006-07: £645,000) were paid to members of the Council. There are 35 members of Council. Sixteen members held floats for the payment of travel and subsistence expenses. The total amount held by these members at 31 March 2008 was £15,300 (2006-07: £14,442).

The members received an attendance allowance of £260 per day, as approved by the Council. The NMC directly reimbursed to members and employers of some members for their time incurred on NMC business. Full details of the attendance allowances paid to members in 2007-08 are set out below.

Registrant/Lay Council Member	Trustee Activity (£)	Non-Trustee Activity (£)	Total (£)	Paid Directly to Member (£)	Paid to Member's Employer (£)
Mr. A. Akinoshun	1,300	260	1,560	1,560	-
Ms. M. Ali	10,660	7,280	17,940	17,940	-
Ms. C. Baron	2,600	1,560	4,160	4,160	-
Ms. R. Carter	10,920	520	11,440	11,440	-
Mrs. L. Coey	5,850	-	5,850	1,300	4,550
Ms. M. Cowpe	8,320	780	9,100	1,040	8,060
Ms. J. N. Crawford (Carter)	7,800	5,070	12,870	12,870	-
Mrs. C. Dowling	3,094	714	3,808	-	3,808
Mrs. A. Gardner	8,840	2,730	11,570	11,570	-
Mr. A. Kershaw	2,080	1,560	3,640	3,640	-
Ms. N. Kirkland*	1,430	4,420	5,850	5,850	-
Mrs. B. Maitland	8,710	520	9,230	9,230	-
Ms. R. Marks	1,820	-	1,820	-	1,820
Mrs. K. Martin	7,150	-	7,150	7,150	-
Mrs. M. McElligott	3,900	260	4,160	2,600	1,560
Mrs. K. McLean	260	2,600	2,860	2,860	-
Mr. A. Middleton	9,620	260	9,880	9,880	-
Professor B. Poulton	260	-	260	260	-
Mr. S. Powell	2,340	-	2,340	2,340	-
Mrs. A. Rose	2,600	-	2,600	2,600	-
Mrs. P. Southgate	3,900	520	4,420	2,860	1,560
Mrs. I. White	3,120	520	3,640	3,640	-
Mr. G. Williams	5,070	260	5,330	5,330	-

Alternate Council Members	Trustee Activity (£)	Non-Trustee Activity (£)	Total (£)	Paid Directly to Member (£)	Paid to Member's Employer (£)
Mrs. S. Arthur*	2,340	-	2,340	-	2,340
Mr. P. Dwan	1,560	1,820	3,380	3,380	-
Professor S. Hunt	260	-	260	-	260
Mr. D. Maslen-Jones	4,160	-	4,160	780	3,380
Professor P. Lewis	5,980	5,200	11,180	-	11,180
Ms. L. Ness	2,210	-	2,210	-	2,210
Ms. M. Price	2,210	-	2,210	-	2,210
Mr. G. Smith	2,860	260	3,120	3,120	-
Mrs. C. Williams	1,732	-	1,732	-	1,732

* President of NMC during the year.

The total amount due to Council members at 31 March 2008 was £95,705 (2006-07: £63,130).

The above table represents payments made directly and indirectly to Council members by the NMC but does not necessarily relate directly to the number of days committed by Council members. The names of some members do not appear on the list because they have either not claimed by 31 March 2008 for attendance allowance due to them or do not intend to do so. Please refer to page 35 and 36 for a full list of members and the periods for which they held office.

An accrual of £133,000 (2006-07: £104,000) has been made for potential income tax and National Insurance liabilities on payments for members' attendance allowance and travel and subsistence expenses.

17) Debtors

	2008 £'000	2007 £'000
Other Debtors	146	144
Prepayments and Accrued Income	311	283
	<u>457</u>	<u>427</u>

18) Creditors

Amounts falling due within one year	2008 £'000	2007 £'000
Other Creditors and Accruals	5,234	3,530
Other Taxes and Social Security	208	191
Deferred Income - Periodic Fee for 2007-08	-	20,269
Deferred Income - Periodic Fee for 2008-09	25,859	-
	<u>31,301</u>	<u>23,990</u>

19) Creditors

Amounts falling due after more than one year	2008 £'000	2007 £'000
Deferred Income - Periodic Fee 2008-09	-	3,263
Deferred Income - Periodic Fee 2009-10	125	1
	<u>125</u>	<u>3,264</u>

Deferred income relates to periodic fees prepaid, for amounts falling due after more than one year.

20) Charitable Status

On 27 March 2002 the Council was registered in the Central Register of Charities (Charity No.1091434). In view of this a rate relief has been allowed by the City of Westminster. There are also tax benefits because of this status (Note 14). On 18 June 2007 the Council was registered with the Office of the Scottish Charity Regulator (No. SC038362).

21) Pension Commitments

The Council participates jointly with the Department of Health, NHS Education for Scotland, Health Professions Wales and Nurses Welfare Service in a pension scheme administered by Capita Hartshead (FPS 1654). The scheme, to which most of the Council's employees belong, is a funded, defined benefit scheme.

Contributions to the scheme are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives. Contributions are determined by a qualified actuary on the basis of triennial valuations.

A full valuation of the scheme is currently being finalised for completion by 30 June 2008. The results will be communicated later in the financial year. Any resulting changes to contributions will be actioned in future financial periods.

Notes to the Accounts continued

The latest completed valuation of the scheme was carried out by William M Mercer Limited as at 31 March 2004, using the projected unit method of valuation. At the date of the valuation the market value of the fund of the scheme was £45,429,000 (excluding annuities purchased to meet pension benefits). The actuarial value of the assets represented 56% of the value of the benefits, which had accrued to members after allowing for expected future increases in earnings and pensions. The past service shortfall of assets is being amortised over 15 years. The main assumptions used in the valuation were a real return on investments above salary increases of 2.2% per annum and above pension increases of 2.2% per annum.

The pension cost assessed on the basis of past actuarial advice and charged in the accounts was as follows:

	2008 £'000	2007 £'000
Council's (employer's) contributions to all schemes made in year	<u>1,396</u>	1,445
	<u>1,396</u>	1,445
Council's (employer's) contribution	23%	23%
Employees' contribution	6%	6%

If the scheme had discontinued on the valuation date (31 March 2004), the assets would have been approximately 56% of the amount necessary to purchase insurance contracts to meet the accrued benefits for active members and past leavers and the current benefits for pensioners.

Following the actuarial valuation of the scheme at 31 March 2004, all participants of the scheme agreed to an increase in contributions to the scheme from 1 April 2005. It is expected that the new higher contributions will mean a gradual improvement in the funding level of the scheme, so that at the end of 15 years from the valuation date the funding level will have reached 100% based on current actuarial assumptions.

Accounting standard, FRS 17: No provision relating to NMC's share of the total scheme deficit of £35.7 million as at the time of the latest actuarial valuation (31 March 2004) is included within the accounts at the end of the year, as it is a multi-employer scheme and the Council is unable to identify its share of the underlying assets and liabilities.

In these circumstances, FRS 17 provides for contribution to the scheme to be accounted for as if it were a defined contribution scheme. As such, the cost recognised within the Council's SOFA will be equal to the contribution payable to the scheme for the year.

The Council meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of FPS 1654. These costs are met on a pay-as-you-go basis and are charged to the Statement of Financial Activities as they arise. In 2007-08 this expenditure amounted to £44,495 (2006-07: £43,114).

22) Capital Commitments

At 31 March 2008, there was no capital expenditure that was approved but not contracted for, nor any capital expenditure that had been contracted for but that had not been provided for in the financial statements.

23) Reconciliation of Net Incoming Resources to Net Cashflow from operating activities

	2008 £'000	2007 £'000
Net incoming resources from operations	3,337	3,781
Investment income	(1,226)	(1,164)
Depreciation charges	1,034	667
(Gain)/Loss on disposal of tangible fixed assets	(23)	20
(Increase) in debtors	(30)	(141)
Increase/(Decrease) in creditors and provisions	4,172	(11,866)
Net Cash Inflow/(Outflow) from operating activities	<u>7,264</u>	<u>(8,703)</u>

24) Reconciliation of Net Cash flow to Movement in Net Funds

	2008 £'000	2007 £'000
Increase/(Decrease) in cash in year	10,069	(12,555)
Net funds at 1 April	<u>19,247</u>	<u>31,802</u>
Net funds at 31 March	<u>29,316</u>	<u>19,247</u>

25) Analysis of changes in Net Funds

	1 Apr 07 £'000	Cash Flows £'000	31 Mar 08 £'000
Cash at bank and in hand	<u>19,247</u>	<u>10,069</u>	<u>29,316</u>
Total	<u>19,247</u>	<u>10,069</u>	<u>29,316</u>

26) Leasing Commitments

At 31 March 2008 the Council had commitments for payments in the following year under non-cancellable operating leases as set out below.

Operating leases which expire:	Land and Buildings		Plant and Machinery	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
• Within 1 year	422	-	4	67
• in the second to fifth years inclusive	-	422	89	27
Annual commitment at Year End	<u>422</u>	<u>422</u>	<u>93</u>	<u>94</u>

The NMC leased rental premises at 180 Oxford Street during the year, for the period until March 2009.

27) Movement in Restricted Funds

No restricted funds were received during the year.

	2008 £'000	2007 £'000
Balance as at 1 April	25	25
Expenditure	(1)	-
Balance at 31 March	24	25

The restricted fund balance brought forward of £25,000 is a donation for work in relation to the care of older people. Expenditure has commenced in 2007-08, with significant expenditure expected in 2008-09.

28) Post Balance Sheet Events

As a consequence of the publication of the CHRE *Special report to the Minister of State for Health Services on the Nursing and Midwifery Council* published 16th June 2008, both the President and the Chief Executive of the NMC have indicated their intention to resign their posts. There is no adjustment required to the financial statements resulting from the events as noted. The accounts were authorised for issue on 8 July 2008 by the Accounting Officer.

Membership of the NMC Council

1 April 2007 – 31 March 2008

(All elected or appointed on 31 July 2006 unless stated otherwise)

President

Ms. N. Kirkland	Nursing Representative, Scotland	Elected President 18 October 2007
Mrs. S. Arthur	Midwifery Representative, Wales	Demitted office 31 July 2007

Vice-President

Mrs. M. Ali	Lay Member, Scotland	Elected Vice-President 5 December 2006
-------------	----------------------	--

Registrant/Lay Members

Mr. A. Akinoshun	Nursing Representative, England	
Mrs. M. Ali	Lay Member, Scotland	
Mrs. S. Arthur	Midwifery Representative, Wales	Demitted office 31 July 2007
Mrs. E. Bannon	Midwifery Representative, Northern Ireland	
Ms. C. Baron	Lay Member, England	Appointed 15 August 2007
Ms. R. Carter	Lay Member, England	
Mrs. L. Coey	Nursing Representative, Northern Ireland	
Ms. M. Cowpe	Specialist Community Public Health Nursing Representative, Wales	Elected 1 August 2007
Mrs. J.N. Crawford	Lay Member, England	
Mrs C. Dowling	Midwifery Representative, Wales	Elected 1 August 2007
Mrs. A. Gardner	Lay Member, England	Reappointed 1 August 2007
Mrs. C. Gritzner	Lay Member, England	
Mr. A. Kershaw	Lay Member, Wales	Appointed 15 August 2007
Ms. N. Kirkland	Nursing Representative, Scotland	Elected 31 May 2007
Mrs. B. Maitland	Lay Member, Northern Ireland	
Ms. R. Marks	Specialist Community Public Health Nursing Representative, Wales	Retired 31 July 2007
Mrs. K. Martin	Midwifery Representative, England	
Mrs. K. McLean	Nursing Representative, Scotland	Resigned 31 May 2007
Mrs. M. McElligott	Midwifery Representative, Scotland	
Mr. A. Middleton	Lay Member, England	
Professor D. Pennington	Lay Member, England	
Professor B. Poulton	Specialist Community Public Health Nursing Representative, Northern Ireland	
Mr. S. Powell	Lay Member, Wales	Resigned 10 June 2007
Mr. T.G. Purt	Lay Member, England	
Mrs. A. Rose	Lay Member, England	Resigned 9 June 2007
Mrs. P. Southgate	Specialist Community Public Health Nursing Representative, England	
Mrs. I. White	Specialist Community Public Health Nursing Representative, Scotland	
Mr. G. Williams	Nursing Representative, Wales	Re-elected 1 August 2007

Alternate Council Members

Mrs. S. Arthur	Midwifery Representative, Wales	Elected 1 August 2007
Mrs. M. Benefield	Specialist Community Public Health Nursing Representative, Scotland	
Ms. M. Cowpe	Specialist Community Public Health Nursing Representative, Wales	Demitted office 31 July 2007
Mr. P. Dwan	Nursing Representative, Wales	Elected 1 August 2007
Professor S. Hunt	Midwifery Representative, Scotland	Resigned 20 April 2007
Professor P. Lewis	Midwifery Representative, England	
Mrs. C. Mackay	Midwifery Representative, Scotland	Elected 6 December 2007
Mr. D. Maslen-Jones	Specialist Community Public Health Nursing Representative, England	
Mrs. R. Malone	Midwifery Representative, Northern Ireland	
Ms. L. Ness	Midwifery Representative, Wales	Retired 31 July 2007
Professor J. Orr C.B.E.	Nursing Representative, Northern Ireland	
Ms. M. Price	Nursing Representative, Wales	Retired 31 July 2007
Mr. G. Smith	Nursing Representative, England	
Mrs. J. Taylor	Specialist Community Public Health Nursing Representative, Northern Ireland	
Mrs. C. Williams	Specialist Community Public Health Nursing Representative, Wales	Elected 1 August 2007
Mr P. Wilson	Nursing Representative, Scotland	Elected 6 March 2008

Lay members were appointed by the Privy Council. All Nursing, Midwifery and Specialist Community Public Health Nursing Representatives were elected by registrants.

The Council's Advisors

Joint Auditors

haysmacintyre
Chartered Accountants
Fairfax House
15 Fulwood Place
London
WC1V 6AY

Joint Auditors

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

Bankers

HSBC
117 Great Portland Street
London
W1A 4UY

Solicitors

Hempsons
Hempsons House
40 Villiers Street
London
WC2N 6NJ

Beachcroft LLP
1 Redcliffe Street
Bristol
BS1 6NP

Field Fisher Waterhouse
35 Vine Street
London
EC3N 2AA

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

Accounts Direction

1. The Privy Council, with the approval of the Treasury, in pursuance of Article 52 of the Nursing and Midwifery Order 2001, hereby gives the following Direction:

In this Direction, unless the context otherwise requires –

‘the Order’ means the Nursing and Midwifery Order 2001

‘the Council’ means the Nursing and Midwifery Council.
2. The statement of accounts, which it is the duty of the Council to prepare in respect of the financial year ended 31 March 2004 and subsequent financial years, shall be as set out in the following paragraphs.
3. The statement of accounts in respect of the Council shall comprise:
 - (a) a foreword;
 - (b) a statement of financial activities;
 - (c) a balance sheet;
 - (d) a cash flow statement;
 - (e) notes to the accounts.
4. The statement of accounts shall give a true and fair view of the incoming resources, application of resources and cash flow for the year and the balance sheet shall give a true and fair view of the state of affairs at the end of the year. Subject to these requirements, the statement of accounts shall also, without limiting the information given, meet:
 - (a) generally accepted accounting practice in the United Kingdom including accounting standards issued or adopted by the Accounting Standards Board;
 - (b) all relevant guidance given by the Charity Commission, including the Statement of Recommended Practice (SORP) ‘Accounting by Charities’;
 - (c) any disclosure and accounting requirements which the Treasury may issue from time to time;
5. A notional charge for the cost of capital need not be entered in the accounts, and is not required by the SORP. Nor need modified historic cost accounting (MHCA) be adopted with regard to fixed assets.
6. The accounts direction shall be reproduced as an appendix to the published accounts.

G. C. Donald
Deputy Clerk of the Privy Council

Dated: 21 October 2004
Council

Signed by the authority of the Privy