

# NURSING AND MIDWIFERY COUNCIL

**THE NURSING AND MIDWIFERY ORDER 2001**  
*Accounts for the year ended 31 March 2006*  
*Presented in accordance with Article 52 of the Order*  
*(Statutory Instrument 2002 No.253)*

## TRUSTEES' REPORT

### **1. Reference and Administrative Details**

**Name of Charity - NURSING AND MIDWIFERY COUNCIL**

**Charity Registration Number 1091434**

**Registered/Principal Office address:**

23 Portland Place  
London W1B 1PZ

**Background Information and Brief History**

This is the statement of accounts of the Nursing and Midwifery Council for the year ended 31 March 2006.

The Nursing and Midwifery Council (NMC) was established under the Nursing and Midwifery Order 2001 (known as "the Order"), and has been fully operational since April 2002. It is the statutory regulator for over 670,000 nurses and midwives (collectively known as "registrants") working in the United Kingdom. The NMC's core function is to protect the public by setting standards of practice for the professions and by ensuring that these are maintained. The *NMC code of professional conduct: standards for conduct, performance and ethics* explains clearly to registrants the standards required of them in carrying out their professional responsibilities. The NMC's main objective is to safeguard the health and well being of the public by ensuring that registrants provide high standards of care to their patients and clients.

To achieve this, the NMC maintains a register of qualified nurses, midwives and specialist community public health nurses, sets standards for conduct, performance and ethics, provides advice and guidance for registrants and considers allegations of impaired fitness to practise due to misconduct, lack of competence or ill health.

The NMC is 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. Whilst not accountable to the Department of Health, the NMC has regular contact with officials and Ministers in the Department on a wide range of policy and other matters.

**Name of Trustees:**

The full details of Members of the Council (Trustees) during the year ended 31 March 2006 are listed on page 36.

**Name of Council's Advisors**

The details of Council's advisors are listed on page 37.

## NURSING AND MIDWIFERY COUNCIL

### **2. Financial Review**

The net incoming resources for the year amounted to £179,000 (in 2004/05, outgoing (£729,000)).

The reserves of £3.8 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 re-valued on 18 October 2005 on an existing use basis at £9.25 million.

During the year income totaled £23,656,000 (2005: £20,213,000) comprised of fee income of £22,140,000 (2005: £19,036,000), investment income of £1,324,000 (2005: £830,000), and trading income of £192,000 (2005: £347,000).

During the year expenditure totalled £23,477,000 (2005: £20,942,000). This is further analysed within note 12 to the accounts.

#### **Reserves Policy**

The free reserves of the NMC were £(7,057,000) at 31 March 2006. The Council has agreed a Reserves policy that the free reserves should equal six months expenditure, which would equate to £10.5m, plus a computed sum for evaluated risk.

A financial recovery plan is now in place, designed to achieve the free reserve target by 2010. This has included a fee increase in 2004, and continuing cost reductions across the organisation. The Council will consult on a further fee increase during 2006.

#### **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. The revenue generated from the investment was £1,324,000 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 £442,000.

### **3. Objectives and Activities**

The aims of the NMC are set out in the Nursing and Midwifery Order 2001. 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. To that end, the NMC set the following key objectives for its 2005-2006 business plan:

- Establishing partnerships with external stakeholders
- Strengthening registration through a focus on pre-registration competencies, overseas registration and fitness to practise
- Improved advice and guidance for nurses, midwives and specialist community public health nurses
- Partnership working between Council members, executive and staff
- Managing the transition between the current and new Council.

The following provides an overview of the main activities and issues handled by the NMC in 2005-2006.

## NURSING AND MIDWIFERY COUNCIL

### **3. Objectives and Activities – contd.**

#### **Establishing partnerships with external stakeholders**

The Council continued to strengthen its partnership working with other health and social care regulators and with the Council for Healthcare Regulatory Excellence. Key issues included developing consistent regulation throughout healthcare, information sharing across organisations, fitness to practise and communications activity.

#### **Strengthening registration through a focus on pre-registration competencies, overseas registration and fitness to practise**

Following concerns about the perceived variation in competence or fitness for practice at the point of registration – particularly in relation to student nurses – the NMC decided to review the underpinning principles that confirm fitness for practice as they apply to programmes for newly qualified nurses and midwives. The NMC set up a coalition of key stakeholders comprising representatives from government, higher education, service users and employers to develop a unified approach to this issue. As part of the review, the coalition consulted widely on how the NMC could better ensure that student nurses and midwives are fit for practice from the moment they first register with the NMC.

The second phase of the project is likely to consider issues such as the general entry criteria for pre-registration programmes including guidance on good health and good character and evidence of literacy, numeracy and appropriate attitude for professional training.

#### **Improved advice and guidance for nurses, midwives and specialist community public health nurses**

The NMC will focus resources on providing improved information, standards and guidance to support nurses and midwives in practice. The publication in April 2006 of a newly updated “A-Z of Advice” for registrants will be followed by a review of the *NMC code of professional conduct: standards for conduct, performance and ethics*, seminars and other events.

#### **Partnership working between Council members, executive and staff**

The NMC will continue to build on the collaborative relationship between Council members, the executive and staff. As part of the transition to the new Council, the NMC has developed a series of three training and induction events to introduce new Council members to the executive and senior staff members and to familiarise them with the organisation and the key strategic issues facing the NMC.

#### **Managing the transition between the current and new Council**

For much of the period from September 2005 to March 2006, the NMC was engaged in setting up systems and processes and actually running the first ever elections to the Council. For the first time, 670,000 nurses, midwives and specialist community public health nurses were able to stand as candidates and vote for 24 practitioners to represent them on the Council. Twelve registrant members and 12 alternate members were elected in March 2006. The 11 lay members of the Council were appointed in March 2006 by the NHS Appointments Commission acting on behalf of the Privy Council. This was a major undertaking for the NMC from a governance and reputation point of view. NMC elections will now be annual events. From 2007 onwards, a different one of the four countries of the UK will elect its practitioner Council members each year.

### **4. Achievements and Performance**

#### **The Overseas Nurses Programme**

Between 2001 and 2005, large numbers of overseas nurses applied for registration in the UK. Numbers are now falling - mainly due to a fall in demand in the UK market (notably within the NHS). However the NMC still handles hundreds of application each year. Following a review in 2004-5, a new application process – known as the Overseas Nurses Programme (ONP) – was introduced for all overseas applicants. The objective of the new programme was to improve the standard for entry to the register for overseas nurses wanting to come and work in the UK. A key element of the new programme was the requirement that every

## NURSING AND MIDWIFERY COUNCIL

### **4. Achievements and Performance-contd.**

applicant from outside the European Economic Area should pass the British Council's International English Language Testing System (IELTS) before they could apply for registration. A recent consultation on the registration requirements for overseas midwives indicated strong support for raising the pass level to 7.

#### **Patient public involvement**

The NMC continued to ensure that the views and concerns of patients and the public were fully integrated into the business of the Council. As well as the contribution of lay members on Council and committees, the NMC ensured a high level of patient public involvement through numerous focus group based activities, reference panels, meetings and events for user groups, informal consultations and formal written consultations. Input from patients and the public was critical to the development of key work programmes such as the Coalition on fitness for practice at the point of registration. The NMC will be seeking to update and modernise its patient and public involvement strategy in 2006.

#### **Research and Development**

An external consultant was commissioned by the Nursing Committee's task and finish group in May 2005 to gather and analyse information about approaches used by other health professions regulators in the UK and by nurse regulators in other countries, to assure fitness for practice at the point of registration. The report has informed the NMC's project that is reviewing requirements and arrangements to assure fitness for practice at the point of registration.

#### **Registration**

The number of registrants on the Register rose from some 670,000 to around 680,000 during the year.

#### **Fitness to Practise Activity**

The total number of cases considered by the Preliminary Proceeding Committee/Investigating Committee in the year was 2653. The total number of new matters received was 1,378.

The Health Committee sat 44 times during the year. The total number of cases considered was 178.

The Professional Conduct Committee/Conduct and Competence Committee sat 433 times during the year. The number of cases heard was 276 and number of cases completed was 206.

### **5. Structure, Governance and Management**

The governing body for the NMC is the Council. The Council that took office in 2002 was entirely appointed by the Privy Council. This Council will be replaced on 31 July 2006 by the first Council that will include members directly elected by nurses, midwives and specialist community public health nurses. The membership of the new Council was announced in March 2006.

The Council has 35 members: 11 lay members and 24 elected practitioner members. The 11 lay members are appointed by the NHS 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". 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.

## NURSING AND MIDWIFERY COUNCIL

### **5. Structure, Governance and Management-contd.**

The Council sets the NMC's overall direction. It meets four times a year in public to discuss and decide on the most important strategic issues facing the organisation. It also receives reports from the committees that determine the policy and operational activities of the NMC.

The Order lays down that the first group of practitioner members, who were elected in March 2006, will serve for different periods, varying from one to four years. This means that the practitioner members from one national constituency will serve for one year only. Members from the other national constituencies will serve until 2008, 2009 and 2010 respectively. After the President has been elected, lots will be drawn to decide the order in which the four national constituencies will hold their elections from 2007 onwards.

Staggering the elections in this way is designed to bring continuity to Council membership by avoiding a major turnover of members every four years. For the same reason, lay members appointed in 2006 will serve for between one and four years. After that, lay members will be appointed for four years.

#### **Trustees**

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 *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 and other legislation relating to charities.

The NMC has developed three training and induction sessions for newly elected Council members. The induction sessions will 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 - have been developed for this purpose.

Members' performance will be assessed as part of the NMC's annual appraisal system for Council members. Based on the competency framework for Council members and the *NMC code of conduct for members 2006* appraisal meetings will normally take place between April and June each year.

#### **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 11 committees. Four of these are statutory committees established by the Order. These are, Conduct and Competence Committee; Health Committee; Investigating Committee; and Midwifery Committee. The first three of these (known collectively as the "Practice Committees") are responsible for developing policy in relation to fitness to practise.

In addition, the Council established a further seven committees to handle various aspects of NMC business. These are, Audit and Risk Committee; Nursing Committee; Performance and Business Planning Committee; Quality Assurance Committee; Registration Committee; Remuneration and Appointments Committee and Specialist Community Public Health Nursing Committee. Most Council members serve on two committees. A senior member of staff is appointed as the lead officer for each committee and works closely with Council members in this role.

## NURSING AND MIDWIFERY COUNCIL

### **5. Structure, Governance and Management-contd.**

From time to time, members also join “task and finish” groups. These are working groups set up to do a particular piece of work over a limited period.

The procedures for the meetings of the Council and its committees, other than the Practice Committees, which are governed by Rules, are set out in the Nursing and Midwifery Council Standing Orders 2005.

#### **Management Structure**

The NMC's 224 staff is responsible for putting the decisions of the Council into effect. The NMC's senior management team is known as the Executive Management Board and is responsible for ensuring that the NMC delivers its full range of statutory functions, achieves the objectives outlined in the Business Plan for leading and directing the organisation's business and financial affairs. The Executive Management Board is headed by Sarah Thewlis, Chief Executive and Registrar and consists of four Directors and two Heads of Department.

#### **Risk Review**

A risk review was conducted and risks to NMC were identified. NMC has implemented systems and procedures to mitigate risks. This is an ongoing process throughout the year.

### **6. Plans for the Future**

The strategic themes for 2006-2007 and onwards are:

**Focused activity on the NMC's processes for getting onto the register in the first place and what is needed to stay on the register during a nursing or midwifery career.**

The objectives that are to underpin the delivery of this strategic theme are:

- The implementation of an effective and efficient QA Strategy
- Staying on the register – the review of non-medical professional regulation is expected to make recommendations during 2005/06. Dependent on the timescales the Council may decide to produce interim guidance
- To have in place an implementation schedule for the fitness for practice requirements at the point of registration following consultation

**Leadership in supporting registrants to provide safe and effective care. The NMC will be more proactive in providing timely advice and guidance to support registrants in delivering good standards of care.**

The objectives that are to underpin the delivery of this strategic theme are:

- The review of help and guidance provided by the NMC. A systematic review of all processes, systems, resources and the content involved in the provision of NMC advice and guidance with a view to improving access and relevance to the public, registrants and others
- A system in which learning from fitness to practise cases is incorporated into the provision of advice and guidance

## NURSING AND MIDWIFERY COUNCIL

### **6. Plans for the Future-contd.**

**Influencing public protection, nursing and midwifery agenda. The NMC will build strong UK and European wide partnerships across organisations to increase our ability to influence and contribute to the nursing and midwifery debate for the benefit of public protection. The NMC will work in partnership with employers and other regulatory bodies, seeking to ensure consistency in regulatory definitions, processes, systems and outcomes.**

The objectives that are to underpin the delivery of this strategic theme are:

- To continue to identify mechanisms for improving reciprocity and sharing information about fitness to practise within the extended EU and more widely
- To have an agreed strategy and implementation plan for working with public protection partners across the UK and Europe

**Making the NMC more accessible. The NMC will strive to create more meaningful opportunities for contact and engagement with registrants and the public.**

The objectives that are to underpin the delivery of this strategic theme are:

- To implement the communications strategy already agreed by Council
- To update the public and patient involvement strategy. This should include Council agreement on the format of a public accessibility policy.

**Building an effective business culture. NMC Council members and staff will work in partnership to build an innovative, performance-driven organisation based on best business principles.**

The objectives that are to underpin the delivery of this strategic theme are:

- To implement effective performance measurement mechanisms for Council, committees and executive of the NMC
- To develop and commence the implementation of an approved IT strategy that will enable the efficient and effective delivery of core activities that optimise public protection
- To embed fully the risk management assurance framework in the workings of the NMC
- To further identify and implement the efficient and effective delivery of all activities within the NMC, focusing on best practice and the maximisation of value for money across the organisation.

#### **A new UK-wide Quality Assurance Framework**

The quality assurance of pre-registration nursing and midwifery education is fundamental to the NMC's core purpose of delivering public protection through high nursing and midwifery standards. Following an extensive review, the NMC decided to develop a new UK-wide Quality Assurance (QA) framework. The new QA framework is intended to provide a risk based approach to QA that supports public protection through the application of professional standards. The NMC worked with a range of stakeholders to identify improvements that could be made to the existing approach and to develop a new QA framework. In March 2006, the NMC published an invitation to tender that will identify a suitably experienced supplier to deliver the new QA framework, initially in England. The successful supplier will be expected to have established knowledge and experience of managing and delivering quality assurance enhancement in healthcare and/or tertiary vocational/professional education. It is intended that the new QA framework will be in place in time for the start of the academic year in October 2006.

#### **A new mechanism for assuring the statutory supervision of midwives**

The NMC assumed responsibility for the standards for local supervising authorities and statutory supervision of midwives in 2002. The first UK-wide standards were established in 2004 and work is underway to develop systems and mechanisms that will assure the NMC that the supervision process is and the local supervising authorities are enhancing protection of the public and ensuring safe midwifery practice.

## NURSING AND MIDWIFERY COUNCIL

### **6. Plans for the Future-contd.**

#### **Introducing registration for advanced nurse practitioners**

Following consultation in June 2005, the NMC agreed to establish regulation for advanced nurse practitioners. This follows numerous attempts during the preceding 10 years to establish regulation for nurses working at a high level. The Council has approached the Privy Council seeking agreement to open a sub-part of the nurses' part of the register for advanced nurse practitioners.

#### **Managing the transition between the current and new Council**

This has been carried forward from 2005/06 and is also an objective of the 2006/07 business plan.

As noted on page 3, a new Council was elected in March 2006. To manage the transition, a comprehensive induction programme has been arranged.

### **7. Form of Accounts**

The accounts have been prepared in a form directed by the Privy Council with the approval of the Treasury in accordance with Article 52 of the Nursing and Midwifery Order 2001.

The Council has joint Auditors haysmacintyre and National Audit Office (NAO). Both haysmacintyre and NAO produce their audit report on the NMC's final accounts.

### **8. Disabled Employees and Equal Opportunities**

The NMC is an equal opportunities employer and provides employment opportunities and advancement for all suitably qualified persons regardless of age, sex, religion, ethnic origin, marital status, dependants, disability or political beliefs. The NMC does not regard disablement as a bar to recruitment or advancement; selection is based upon the ability of the individual to do the job.

### **9. Employee Involvement**

The NMC places considerable reliance on the involvement of its employees. It makes every effort to ensure that all staff is kept informed of the NMC's plans and developments. The main channels of communication include whole organisation meetings, monthly team briefings, Intranet and email.

### **10. 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.

### **11. Euro**

There are currently no plans to facilitate the use of the Euro. However it is felt that its impact on the Council will be very slight.

*Sir Jonathan Asbridge*  
President, NMC

Date: 19 June 2006



## **NURSING AND MIDWIFERY COUNCIL**

### **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 Statements 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 (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 judgements 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 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 keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Privy Council, and published in "Government Accounting".

## **NURSING AND MIDWIFERY COUNCIL**

### **STATEMENT OF 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 policies, aims and objectives, while safeguarding the public funds and assets for which we are personally responsible.

The post of Chief Executive and Registrar of the Nursing and Midwifery Council carries with it the responsibility of Accounting Officer. The Chief Executive/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 Nursing and Midwifery Council'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 HM Treasury guidance relating to risk management. Further progression took place during 2005-06 and time will be required to fully embed the process, which the NMC has invested in to ensure its major risks are being managed.

#### ***Capacity to handle risk & the risk and control framework***

The system of internal control, which the NMC continues to implement, is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- an organisation wide Risk Register, an Assurance framework which is reviewed by the Audit and Risk Committee and the top ten risks are reviewed by Council;
- regular meetings by the Head of Risk Management with risk managers;
- a programme of risk awareness training;
- the use of agreed risk indicators and risk registers;
- a scheme of delegation which includes the Standing Orders for Council and committees;
- comprehensive budgeting systems with an annual budget which is reviewed by the Executive Management Board, Performance and Business Planning Committee and agreed by the Council;
- regular reviews by the Performance & Business Planning Committee of Monthly and Annual financial performance against forecast;
- setting targets to measure financial and other performance;

## NURSING AND MIDWIFERY COUNCIL

### ***Capacity to handle risk & the risk and control framework-contd.***

- clearly defined procedures for the authorisation and control of items of Revenue and Capital expenditure;
- a Council which meets to consider the plans and strategic direction of the NMC (the Council currently comprises of 23 externally appointed members as noted on page 4);

The main risks facing the NMC in 2005-06 were the risks to:

- the successful delivery of ongoing projects with IT elements (e.g. the Overseas Nursing Programme, annual fees, the Election) ;
- having an effective Quality Assurance process for new applicants to the register
- having robust systems for entry and removal from the register
- business continuity risks and
- the successful delivery of the financial recovery plan

### ***Review of effectiveness***

As Accounting Officer and President of the Council, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the Audit and Risk Department, 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 other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Head of Risk Management, the Executive Management Board and the Audit and Risk Committee. Plans to address weaknesses and ensure continuous improvement of the system are in place.

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

- periodic reports from the Chairman of the Audit and Risk Committee to the Council concerning internal control as covered by audit and risk assurance
- the Council has its own Internal Audit function which operates within the Organisation and reports to the Audit and Risk Committee. The Head of Risk Management works to annual plans based on risk and produces regular internal audit reports, to standards defined in the *Government Internal Audit Manual*. The reports provide an independent opinion on the adequacy and effectiveness of the NMC's system of internal control together with recommendations for improvement. Where enhancements to control systems are identified, they are prioritised and management action plans prepared.

## NURSING AND MIDWIFERY COUNCIL

### *Review of effectiveness – contd.*

The NMC has implemented a new integrated purchasing and finance system from 1 April 2005. During the year, we have also provided project management training to project sponsors, managers and staff. In May 2005, we set up a Programme Board to monitor and oversee the successful delivery of projects in the organisation. As part of our governance structure, we implemented a new scheme of delegation, which clearly sets out the delegated authority from Council to committees. With the election of a new Council, an informative induction programme was developed for new Council members and this will continue during the coming year. We have already started to further embed risk management during the year 2006-07 and link it to performance management. Further training in risk management for new staff, project managers and Council members will continue during 2006-07. Other actions in hand include the investigation of a new automated risk management system, which will result in better management reports and greater control of the risk management process within the organisation.

*Sir Jonathan Asbridge  
President, NMC*

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

Date: 19 June 2006

Date: 19 June 2006

## NURSING AND MIDWIFERY COUNCIL

### 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 2006 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' 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 misstatement, 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.

## NURSING AND MIDWIFERY COUNCIL

### 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 2006 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: 21 June 2006

## NURSING AND MIDWIFERY COUNCIL

### THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2006 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 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 statements have been properly prepared in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder. 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. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, 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 pages 10 to 12 reflects the Nursing and Midwifery Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Council's and Chief Executive's statement on internal control 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 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 opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the 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.

## **NURSING AND MIDWIFERY COUNCIL**

### **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder, of the state of the Council's affairs as at 31 March 2006 and of the 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 Privy Council directions made thereunder; and
- 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.

I have no observations to make on these financial statements.

**John Bourn**  
**Comptroller and Auditor General**

**30 June 2006**

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



**NURSING AND MIDWIFERY COUNCIL**

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2006**

	Note	Unrestricted Funds 2006 £'000	Restricted Funds 2006 £'000	Total Funds 2006 £'000	Total Funds 2005 £'000
<b>INCOMING RESOURCES</b>					
Incoming resources from charitable activities:					
Fee Income	3	22,140	-	22,140	19,036
Incoming resources from generated funds:					
Investment Income	2	1,324	-	1,324	830
Trading Income	4	192	-	192	347
<b>TOTAL INCOMING RESOURCES</b>		<b>23,656</b>		<b>23,656</b>	20,213
<b>RESOURCES EXPENDED</b>					
Charitable Activities Costs	5	19,008	-	19,008	17,268
Governance Costs	6	2,164	-	2,164	1,466
Costs of Generating Funds:					
Costs of generating Trading Income	8	41	-	41	83
Other Resources Expended:					
Publicity	7	2,264	-	2,264	2,125
<b>TOTAL RESOURCES EXPENDED</b>		<b>23,477</b>		<b>23,477</b>	20,942
<b>NET OUTGOING RESOURCES FROM OPERATIONS</b>		<b>179</b>		<b>179</b>	(729)
<b>OTHER RECOGNISED GAINS</b>					
Unrealised Gains on Revaluation of Fixed Assets	15	1,157	-	1,157	-
<b>NET MOVEMENT IN FUNDS</b>		<b>1,336</b>	-	<b>1,336</b>	(729)
Reserves brought forward		2,461	25	2,486	3,215
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>3,797</b>	<b>25</b>	<b>3,822</b>	2,486

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 35 form part of these accounts.

**NURSING AND MIDWIFERY COUNCIL**  
**BALANCE SHEET AS AT 31 MARCH 2006**

		<b>2006</b>	2005
	Note	<b>£'000</b>	£'000
<b>FIXED ASSETS</b>			
Tangible assets	15	<u>10,854</u>	<u>9,743</u>
<b>TOTAL FIXED ASSETS</b>		<u>10,854</u>	<u>9,743</u>
<b>CURRENT ASSETS</b>			
Debtors	17	<b>286</b>	431
Cash at bank and in hand	25	<u>31,802</u>	<u>27,847</u>
<b>TOTAL CURRENT ASSETS</b>		<b>32,088</b>	28,278
<b>LIABILITIES:</b>			
<b>CREDITORS</b> (amounts falling due within one year)	18	<u>(23,574)</u>	<u>(18,698)</u>
<b>NET CURRENT ASSETS</b>		<u>8,514</u>	<u>9,580</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>19,368</b>	19,323
<b>CREDITORS</b> (amounts falling due after more than one year)	19	<b>(15,546)</b>	(16,248)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	<u>-</u>	<u>(589)</u>
<b>NET ASSETS</b>		<u>3,822</u>	<u>2,486</u>
<b>Restricted Fund</b>	28	<b>25</b>	25
<b>Unrestricted Fund</b>		<u>3,797</u>	<u>2,461</u>
<b>TOTAL FUNDS</b>		<u>3,822</u>	<u>2,486</u>

The notes on pages 20 to 35 form part of these accounts.

*Sir Jonathan Asbridge*  
President, NMC

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

Date: 19 June 2006

Date: 19 June 2006

**NURSING AND MIDWIFERY COUNCIL**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006**

		2006		2005	
	Note	£'000	£'000	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	24		<b>3,073</b>		9,911
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>					
Interest Received		<b>1,324</b>		761	761
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire Tangible Fixed Assets	15	<b>(442)</b>		(440)	
			<u><b>882</b></u>		<u>(440)</u>
<b>INCREASE IN CASH IN THE YEAR</b>	25		<u><b>3,955</b></u>		<u><u>10,232</u></u>

The notes on pages 20 to 35 form part of these accounts.

## NURSING AND MIDWIFERY COUNCIL

### 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.

Following the adoption of the new SORP, the presentation of certain income streams and expenditure have changed. Comparative amounts have accordingly been restated.

##### (a) Accounting convention

The accounts are prepared under the historical cost convention.

##### (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 installments as follows:

Equipment	— 03 years
Furniture	— 10 years
Refurbishment	— 10 years
Leasehold Premises	— 50 years

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

The NMC has a policy of revaluing its leasehold properties every five years with interim impairment review in the third year in accordance with FRS15.

##### (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.

## NURSING AND MIDWIFERY COUNCIL

### 1. Accounting Policies- (d) Allocation of costs contd.

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).

#### *Direct charitable expenditure*

Direct charitable expenditure 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.

## NURSING AND MIDWIFERY COUNCIL

### 1. Accounting Policies- contd.

#### (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

	2006 £'000	2005 £'000
Income from UK listed Investments		
Interest receivable		
- from Money market	1,324	731
- from Deposit account	-	99
	<b>1,324</b>	<b>830</b>

### 3. Fee Income

	2006 £'000	2005 £'000
Periodic Fees	19,548	14,367
Registrations	2,350	4,421
Verifications	215	211
Replacement of PIN cards	27	34
Miscellaneous	-	3
	<b>22,140</b>	<b>19,036</b>

### 4. Other Income

	2006 £'000	2005 £'000
<b>Trading Income</b>		
- Mailing Inserts	-	65
- Sales of Publications	18	29
- NMC News	174	250
- Research	-	3
	<b>192</b>	<b>347</b>

## NURSING AND MIDWIFERY COUNCIL

### 5. Direct Charitable Expenditure

	Unrestricted £'000	Restricted £'000	2006 £'000	2005 £'000
Standards Promotion and Policy Development	3,327	-	3,327	3,739
Maintaining the register	5,269	-	5,269	4,606
Fitness to Practise	10,412	-	10,412	8,883
Cost of New Register				40
	<u>19,008</u>	<u>-</u>	<u>19,008</u>	<u>17,268</u>

The Fitness to Practise costs includes direct costs (as in note 12), staff costs and related overheads.

### 6. Governance Costs

	2006 £'000	2005 £'000
Members' Travel and Subsistence	421	433
Auditors' Remuneration - Audit fees - hays	26	23
Auditors' Remuneration - Audit fees – NAO	5	5
Auditors' Remuneration - Other fees	-	1
Allocation of operating costs (inc. Salaries) (Note 1d)	<u>1,712</u>	<u>1,004</u>
	<u>2,164</u>	<u>1,466</u>

### 7. Other Expenditure - Publicity

	2006 £'000	2005 £'000
Conferences, Seminars and Publicity	112	175
Council Newsletter 'NMC News'	868	860
Communications	147	107
Printing of Council Publications	211	342
Allocation of operating costs (inc. Salaries) (Note 1d)	<u>926</u>	<u>641</u>
	<u>2,264</u>	<u>2,125</u>

## NURSING AND MIDWIFERY COUNCIL

### 8. Other Expenditure – Cost of Generating Funds

	<b>2006</b>	2005
	<b>£'000</b>	£'000
Trading Expenditure	<b>41</b>	83
	<b>41</b>	83

### 9. Charitable Activities Costs

	Staff Costs	Depreciation	Other Costs	Total 2006	Total 2005
	£'000	£'000	£'000	£'000	£'000
Direct Charitable Expenditure:					
Standards Promotion and Policy Development	1,813	97	1,417	3,327	3,739
Maintaining the Register	3,672	179	1,418	5,269	4,606
Fitness to Practise	2,501	141	7,770	10,412	8,883
Governance Costs	862	35	1,267	2,164	1,466
Other Expenditure					
Publicity	638	30	1,596	2,264	2,125
Trading Expenditure	-	-	41	41	83
Cost of New Register	-	-	-	-	40
	<b>9,486</b>	<b>482</b>	<b>13,509</b>	<b>23,477</b>	<b>20,942</b>



## NURSING AND MIDWIFERY COUNCIL

### 10. Analysis of Direct Costs

	Direct Costs £'000	Support Costs £'000	Total (2006) £'000
<b>Cost of Generating funds:</b>			
Costs of Generating Trading Income	41	-	41
<hr/>			
<b>Charitable Activities Costs:</b>			
Standards Promotion and Policy Development	2,847	480	3,327
Maintaining the Register	4,510	759	5,269
Fitness to Practice	8,911	1,501	10,412
Sub-Total	16,268	2,740	19,008
Governance	1,852	312	2,164
Publicity	1,937	327	2,264
<b>Total</b>	20,098	3,379	23,477

### 11. Analysis of Support Costs

Support Cost	Standard Promotion & Policy Development £'000	Maintaining the Register £'000	Fitness to Practice £'000	Governance £'000	Publicity £'000	Total 2006 £'000
Facilities	138	219	433	90	95	975
Finance	151	239	471	98	104	1,063
Human Resources	191	301	597	124	128	1,341
	480	759	1,501	312	327	3,379

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

**NURSING AND MIDWIFERY COUNCIL**

**12. Total resources Expended by Natural Classification**

	<b>2006</b>	2005
	<b>£'000</b>	£'000
Salaries and Associated Costs	<b>9,486</b>	8,256
Cost of New Register (Restricted)	-	40
Other Staff Expenses	<b>380</b>	346
Premises	<b>447</b>	442
Insurance	<b>50</b>	78
Sundry, Furniture, Equipment and Maintenance	<b>71</b>	155
Hire of Equipment	<b>125</b>	100
Fitness to Practise	<b>6,588</b>	5,720
Depreciation	<b>482</b>	381
Nurses Welfare Service	<b>140</b>	100
Election Cost	<b>439</b>	-
Hospitality	<b>13</b>	35
Council Restaurant	<b>234</b>	135
Policy Development and Standards Promotion	<b>488</b>	631
Gain on Equipment Disposal	-	2
Loss on Furniture Disposal	<b>7</b>	(2)
Professional fees	<b>1,052</b>	343
Auditors' Remuneration - Audit Fees	<b>26</b>	23
Auditors' Remuneration - Audit Fees (NAO)	<b>5</b>	5
Auditors' Remuneration - Other Fees	-	1
IT Development and Support	<b>122</b>	185
Telephones	<b>88</b>	217
Postage	<b>540</b>	647
Printing and Stationery	<b>650</b>	810
Advertising and Recruitment	<b>133</b>	194
Bank Charges	<b>111</b>	98
Communications	<b>147</b>	107
Conferences, Seminars and Publicity	<b>112</b>	175
Council Newsletter "NMC News"	<b>868</b>	860
Printing of Council Publications	<b>211</b>	342
Members' Travelling and Subsistence	<b>421</b>	433
Cost of Generating Funds	<b>41</b>	83
	<hr/>	<hr/>
Total Resources Expended	<b>23,477</b>	20,942
	<hr/> <hr/>	<hr/> <hr/>

**NURSING AND MIDWIFERY COUNCIL**

**13. Information regarding employees**

	<b>2006</b>	2005
	<b>£'000</b>	£'000
<b>Salaries and Associated Costs</b>		
Wages and Salaries:		
Management	<b>442</b>	343
Administration	<b>5,796</b>	5,374
Social Security Costs:		
Management	<b>49</b>	38
Administration	<b>484</b>	451
Pension Costs-Present Staff (Note 23):		
Management	<b>92</b>	51
Administration	<b>1,320</b>	717
Pension Costs-Retired Staff of Previous organisations (Note 23)	<b>54</b>	52
Temporary Staff	<b>1,249</b>	1,230
	<b><u>9,486</u></b>	<u>8,256</u>

The aggregate remuneration of the staff whose emoluments for the year is above £60,000 was as follows:

Salary bands	Number of Staff	Total Accrued Pension at 60 at 31/3/2006	Number of Staff
(£)		(£)	
60,001-70,000	2	0-5,000	2
80,001-90,000	2	5,001-10,000	1
90,001-100,000	1	10,000-15,000	1
110,001-120,000	1		

Pension benefits are provided through the Federated Pension Scheme. The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at a rate of 1/60<sup>th</sup> 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.

## NURSING AND MIDWIFERY COUNCIL

### 13. Information regarding employees-contd.

On death in service where there is no surviving spouse, 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 1/60<sup>th</sup> of pensionable salary is 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 Federated Pension Scheme.

(i) The average number of employees in the year was 224 (management 6 and administration 218) and in the previous year was 210 (management 6 and administration 204).

(ii) During the year, season ticket loans given to the Directors were as follows:

	£
S. Thewlis	1001-1,500
S. Williams	501-1,000

The season ticket loans are normally recovered in twelve equal instalments directly from the individuals monthly salary.

### 14. Taxation

Due to its charitable status the Council is not liable to corporation tax on its charitable activities.

## NURSING AND MIDWIFERY COUNCIL

### 15. Tangible Fixed Assets for use by the charity

	Furniture	Equipment	Building Refurbis- hment	Long Leasehold Premises  Note (a)	Long Leasehold Premises  Note (b)	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	<b>£'000</b>
Cost :						
1 April 2005	328	1,960	-	9,260	750	<b>12,298</b>
Additions during year	-	164	278	-	-	<b>442</b>
Disposals	(11)	-	-	-	-	<b>(11)</b>
Revaluation Adjustment	-	-	-	(10)	250	<b>240</b>
31 March 2006	<u>317</u>	<u>2,124</u>	<u>278</u>	<u>9,250</u>	<u>1,000</u>	<b><u>12,969</u></b>
Depreciation						
1 April 2005	273	1,482	-	740	60	<b>2,555</b>
Charge for year	10	261	9	185	17	<b>482</b>
Disposals	(5)	-	-	-	-	<b>(5)</b>
Revaluation Adjustment	-	-	-	(848)	(69)	<b>(917)</b>
31 March 2006	<u>278</u>	<u>1,743</u>	<u>9</u>	<u>77</u>	<u>8</u>	<b><u>2,115</u></b>
Net book value						
31 March 2006	<u>39</u>	<u>381</u>	<u>269</u>	<u>9,173</u>	<u>992</u>	<b><u>10,854</u></b>
Net book value						
31 March 2005	<u>55</u>	<u>478</u>	<u>-</u>	<u>8,520</u>	<u>690</u>	<b><u>9,743</u></b>

- (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 18<sup>th</sup> October 2005 on existing use basis by external valuers Haywards Surveyors and Valuers, at £9,250,000. 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. The lease expires on 3 April 2953. The lease was revalued as at 18<sup>th</sup> October 2005 on market value basis by external valuers Haywards Surveyors and Valuers, at £1,000,000.

## NURSING AND MIDWIFERY COUNCIL

**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. While not accountable to the Department of Health, the NMC has regular contact with the Department on policy and other matters.

Barts NHS Trust was paid £57,178.59 to reimburse them for the President's time (previous year: £55,394.00).

A daily allowance of £260 is paid to members of the Council. Full details are shown below.

During the year, travel & subsistence expenses of £745,000 were paid to the 35 members of the Council. 23 members held floats for the payment of travel and subsistence expenses. The total amount held by these members was £22,500.

Included in the above, the Members received an attendance allowance, approved by the Council. The NMC directly reimbursed to Members and employers of some Members for their time incurred on NMC business (see below for full details).

<b>Registrant/Lay Council Members</b>	<b>Governance (£)</b>	<b>Fitness to Practise (£)</b>	<b>Total (£)</b>	<b>Paid Directly to Members (£)</b>	<b>Paid to Members Employers (£)</b>
Mrs. M. Ali	4,680	3,900	8,580	8,580	-
Reverend W A G Buxton	9,273	6,067	15,340	15,340	-
Mrs. J. N. Crawford (Carter)	9,880	10,400	20,280	20,280	-
Ms. M. Cowpe	8,840	5,200	14,040	260	13,780
Professor A. Ferguson OBE	1,560	2,600	4,160	4,160	-
Ms. P. Frost	4,420	21,710	26,130	26,130	-
Mrs. C. Funnell	9,360	4,030	13,390	-	13,390
Mrs. C. Gritzner	3,360	6,416	9,776	-	9,776
Ms. S. M. Hall	-	780	780	780	-
Professor M. Hanratty	12,220	8,840	21,060	-	21,060
Professor J. M. Irvine	2,860	3,120	5,980	5,980	-
Ms. M. E. Jones	3,900	3,120	7,020	7,020	-

**NURSING AND MIDWIFERY COUNCIL**

<b>Registrant/Lay Council Members</b>	<b>Governance (£)</b>	<b>Fitness to Practise (£)</b>	<b>Total (£)</b>	<b>Paid Directly to Members (£)</b>	<b>Paid to Members Employers (£)</b>
Mr. J. L. Jones	6,890	7,930	14,820	14,820	-
Mrs. K. McLean	1,560	17,810	19,370	19,370	-
Mr. T. G. Purt	5,720	-	5,720	-	5,720
Ms. H. Shaw	2,730	2,340	5,070	780	4,290
Professor C. L. Warwick	4,270	1,690	5,960	-	5,960
Mrs. B. Webster	1,796	1,560	3,356	2,340	1,016
<b>Alternate Council Members</b>					
Ms. N. Kirkland	1,300	5,460	6,760	6,760	-
Professor P. Lewis	5,980	7,670	13,650	-	13,650
Mrs. H. Livesey	5,850	260	6,110	1,430	4,680
Ms. L.Ness	-	780	780	780	-
Ms. A. O'Connor	2,337	2,686	5,023	4,420	603
Ms. A. Roberts	8,580	260	8,840	-	8,840
Mrs. S. Wright	260	1,300	1,560	1,560	-

The total amount due to Council Members at 31 March 2006 was £12,963.63 (04/05 - £46,879).

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.

An accrual of £91,000 has been made for potential Income tax and National Insurance liabilities on these payments for attendance allowance and travel and subsistence expenses.

## NURSING AND MIDWIFERY COUNCIL

### 17. Debtors

	2006 £'000	2005 £'000
Other Debtors	125	135
Prepayments and Accrued Income	161	296
	286	431

### 18. Creditors

(amounts falling due within one year)	2006 £'000	2005 £'000
Other Creditors	2,815	3,054
Other Taxes and Social Security	190	175
Deferred Income - Periodic Fee for 2005/2006	-	15,469
Deferred Income - Periodic Fee for 2006/2007	20,569	-
	23,574	18,698

### 19. Creditors

(amounts falling due after more than one year)	2006 £'000	2005 £'000
Deferred Income - Periodic Fee 2006/2007	-	11,029
Deferred Income - Periodic Fee 2007/2008	12,324	5,191
Deferred Income - Periodic Fee 2008/2009	3,222	28
	15,546	16,248

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

### 20. Provision for Liabilities and Charges

	£'000
At 1 April 2005	589
Paid for previous year	(389)
Released back in the year	(200)
Provision for the year	-
As at 31 March 2006	-

The total provision of £589,000 for potential Income tax and National Insurance liabilities on Members' and Panelists' expenses and attendance allowances was used during the year in which £200,000 was released back as the total tax liability settled for previous year with Inland Revenue was £389,000.



## NURSING AND MIDWIFERY COUNCIL

**21. 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 15).

**22. Pension Commitments** The Council participates jointly with the Department of Health, NHS Education for Scotland, Health Professions Wales and Nurses Welfare Trust in a Federated Pension Scheme (FPS 1654). The scheme, to which most of the Council's employees belong, is administered by Federated Pension Services and 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.

The latest 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 account was as follows:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Council's (employer's) contributions to all schemes made in year	<u>1,412</u>	<u>769</u>
	<u><b>1,412</b></u>	<u><b>769</b></u>
Council's (employer's) contribution	<b>23.8%</b>	16%
Employees' contribution	<b>6%</b>	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.

Accounting standard, FRS 17: No provision relating to NMC's share of the total scheme deficit of £35.7m 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.

## NURSING AND MIDWIFERY COUNCIL

### 22. Pension Commitment – contd.

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 2005-2006 this expenditure amounted to £53,990 (2005 - £52,076).

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<sup>st</sup> 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.

**23. Capital Commitments** At 31 March 2006, there was no capital expenditure that was approved but neither contracted for nor any capital expenditure that had been contracted for but that had not been provided for in the financial statements.

<b>24. Reconciliation of Net Outgoing Resources To Net Cash Outflow from Operating Activities</b>	<b>2006 £'000</b>	2005 £'000
Net outgoing resources	179	(729)
Investment income	(1,324)	(830)
Depreciation Charges	482	381
Deficit on Disposal of Tangible Fixed Assets	7	-
Decrease in Debtors	144	62
Increase in Creditors and provisions	<u>3,585</u>	<u>11,027</u>
	<u><b>3,073</b></u>	<u><b>9,911</b></u>

  

<b>25. Reconciliation of Net Cash flow to Movement in Net Funds</b>	<b>2006 £'000</b>	2005 £'000
Increase in Cash in Period	<b>3,955</b>	10,232
Net funds at 1 April 2005	<u><b>27,847</b></u>	<u>17,615</u>
Net funds at 31 March 2006	<u><b>31,802</b></u>	<u>27,847</u>

**NURSING AND MIDWIFERY COUNCIL**

<b>26. Analysis of changes in Net Fund</b>	1 Apr 05	<b>Cash Flows</b>	<b>31 Mar 06</b>
	£'000	£'000	£'000
Cash at Bank and in hand	27,847	<u>3,955</u>	<u>31,802</u>
Total	<u>27,847</u>	<u>3,955</u>	<u>31,802</u>

**27. Leasing  
Commitments**

	<b>2006</b>	2005
	<b>£'000</b>	£'000

At 31 March 2006 the Council had commitments for payments in the following year under non-cancelable operating leases as set out below:

Operating leases which expire:

within 1 year	<b>175</b>	-
in the second to fifth years inclusive	<u>-</u>	<u>233</u>
Annual commitment at 31 March 2005	<u><b>175</b></u>	<u>233</u>

The rent payable under an operating lease for land and buildings is Less than £1,000 per year and expires in more than five years.

**28. Movement in Restricted Funds**

No Restricted funds were received during the year

	<b>2006</b>	2005
	<b>£'000</b>	£'000
<b>Balance as at 1 April</b>	<b>25</b>	65
<b>Expenditure</b>		
- New Register	-	(40)
<b>Balance at 31 March</b>	<u><b>25</b></u>	<u>25</u>

The restricted fund balance brought forward of £25,000 is a donation for the care of older people which has not been used in this year. This donation money will be spent next year.

**NURSING AND MIDWIFERY COUNCIL**  
**Membership of the NMC Council**  
**1 April 2005 – 31 March 2006**  
**Appointed by the Privy Council**

**President**

Mr. J. Asbridge Nursing Representative, ENGLAND

**Registrant/Lay Council Members**

		Appointed 1 April 2002 unless stated otherwise
Ms. M. Ali	Lay Member, SCOTLAND	
Mrs. E. Bannon	Midwifery Representative, NORTHERN IRELAND	
Reverend W. A. G. Buxton	Lay Member, ENGLAND	
Mrs. J. N. Crawford (Carter)	Lay Member, ENGLAND	
Ms M. Cowpe	Specialist Community Public Health Nursing Representative, WALES	
Professor A. Ferguson OBE	Lay Member, NORTHERN IRELAND	
Ms P Frost	Lay Member, SCOTLAND	Appointed Dec 2003
Mrs. C. Funnell	Lay Member, ENGLAND	
Mrs. C. Gritzner	Lay Member, ENGLAND	
Ms. S. M. Hall	Nursing Representative, WALES	Resigned Nov 2005
Professor M. Hanratty	Nursing Representative, NORTHERN IRELAND	
Ms C.Hayes	Midwifery Representative, WALES	
Professor J.M. Irvine	Lay Member, ENGLAND	Appointed Oct 2004
Ms M E Jones	Nursing Representative WALES	Appointed Dec 2003 - alternate Appointed Feb 2006 - registrant
Mr. J. L. Jones	Lay Member, WALES	
Mrs. K. McLean	Nursing Representative, SCOTLAND	
Professor D. Pennington	Lay Member, ENGLAND	
Professor B. Poulton	Specialist Community Public Health Nursing Representative, NORTHERN IRELAND	Appointed July 2005
Mr. T. G. Purt	Lay Member, ENGLAND	
Ms. H. Shaw	Midwifery Representative, SCOTLAND	
Professor C. L. Warwick	Midwifery Representative, ENGLAND	
Mrs. B. Webster	Specialist Community Public Health Nursing Representative, ENGLAND	
Mrs. I White	Specialist Community Public Health Nursing Representative, SCOTLAND	
<b>Alternate Council Members</b>		
Ms M Jamison	Specialist Community Public Health Nursing Representative, NORTHERN IRELAND	Resigned June 2005
Ms N Kirkland	Nursing Representative, SCOTLAND	
Professor P Lewis	Midwifery Representative, ENGLAND	
Mrs. H Livesey	Specialist Community Public Health Nursing Representative, ENGLAND	
Ms L.Ness	Midwifery Representative, Wales	Appointed Mar 2004
Ms A O'Connor	Nursing Representative, NORTHERN IRELAND	
Ms E Pollock	Midwifery Representative, NORTHERN IRELAND	
Ms A Roberts	Specialist Community Public Health Nursing Representative, WALES	
Professor D Sines	Nursing Representative, ENGLAND	
Ms M Vance	Midwifery Representative, SCOTLAND	
Mrs S Wright	Specialist Community Public Health Nursing Representative, SCOTLAND	

## NURSING AND MIDWIFERY COUNCIL

### The Council's Advisors

#### Joint Auditors

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

#### Bankers

HSBC  
117 Great Portland Street  
London  
W1A 4UY

#### Joint Auditors

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

#### Solicitors

Hempsons  
Hempsons House  
40 Villiers Street  
London  
WC2N 6NJ

Beachcroft Wansbroughs  
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;

In so far as these are appropriate to the Council and are in force for the financial year for which the statement of account is to be prepared.

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 account.

G C Donald  
Deputy Clerk of the Privy Council

Dated: 21 October 2004

Signed by the authority of the Privy Council