

THE NURSING AND MIDWIFERY ORDER 2001

NURSING AND MIDWIFERY COUNCIL  
(Charity Registration Number: 1091434)

# ACCOUNTS

for the year ended 31 March 2003



# Foreword

*Accounts for the year ended 31 March 2003  
presented in accordance with Article 52 of the Order*

## **1. Background Information and Brief History**

This is the statement of accounts of the Nursing and Midwifery Council for the year ended 31 March 2003.

The Council was established under the Nursing and Midwifery Order 2001. The principal functions of the Council are to establish from time to time standards of education, training, conduct and performance for nurses and midwives and to ensure the maintenance of those standards. The Council shall have such other functions as are conferred on it by this Order or as may be provided by the Privy Council by order. The main objective of the Council in exercising its functions is to safeguard the health and well-being of persons using or needing the services of registrants.

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. For the year in question, the department provided some transitional funding to the Council.

As per the Privy Council Order 2002 (Statutory Instrument 2002 No.923), all assets and liabilities of UKCC were taken over by the Nursing and Midwifery Council from 1 April 2002.

## **2. Results**

The net outgoing resources for the year amounted to £3,228,000 (2001–2002 outgoing resources £5,231,000).

The reserves of £6.6 million should be considered taking into account that the lease of the Council's offices at 23 Portland Place continues to have a restrictive user clause and was re-valued on 31 March 2003 at £10.5 million, being included in the accounts at the net book value of £10.1 million.

## **3. Review of Activities and Future Developments**

This was the first year of activity for the Nursing and Midwifery Council following a year in shadow format. There were two main strands to the Council's work: putting into effect the requirements of the Nursing and Midwifery Order and creating an organisation that could deliver the requirements of the Order effectively and efficiently.

*NMC Council and Committee structure:*

The full Council comprises 11 lay members and 12 practitioner members. Each of the latter has an alternate who may attend and vote in the absence of the member for whom they are the alternate.

*Four statutory committees:*

Conduct and Competence Committee  
Health Committee  
Investigating Committee  
Midwifery Committee

### 3. Review of Activities and Future Developments Cont'd

*Other policy, and governance:*  
Finance and Business Planning Committee  
Audit Committee  
Communications Committee  
Standards Committee  
Human Resources Committee

*Task and finish groups:*

The Council uses small task and finish groups to oversee particular projects or pieces of activity, such as creating the new register and developing policy on post-registration nursing regulation.

*Reference Panel:* an external panel which we use to test policy ideas prior to detailed consideration by a task and finish group or a committee. The Panel of some 70 people has a majority of lay people. All work is “virtual”. Panel members were recruited via advertisements in national and regional newspapers.

Having established a new committee structure and ways of working, the following represent the highlights of the year’s activities:

publishing and distributing to everyone on the register a new *Code of professional conduct*. The new Code brought together three separate documents, was written in simpler English and included the values shared by all the health regulators.

undertaking new approaches to quality assuring pre-registration nursing and midwifery education and post-registration education leading to registerable qualifications. For England, this represented the appointment and training of more than 130 Visitors to undertake quality assurance activity.

reviewing the structure of the organisation and agreeing a new structure that would deliver the Order and business efficiency. That new structure would come into effect during 2003–2004. A key element within this is bringing together the registration department and the policy and standards directorate into a new standards and registration directorate; this will create synergy between Council policy and standards and registration practice.

creating a Midwifery Unit, comprising a Head of Midwifery and three midwifery advisors. The new unit would undertake the new responsibilities for midwifery supervision as well as provide support and advice on education and practice matters.

consulting widely on the issue of indemnity insurance for registered practitioners not otherwise covered by an employer’s vicarious liability. Following the consultation, the Council agreed that having indemnity insurance would be added to the Code as a recommendation.

establishing an external Reference Panel to feed into the Council’s policy development. This comprised some 60% lay people and 40% registered practitioners.

consulting on and agreeing to have a new, streamlined register. This would be simpler than the existing register, which has 15 parts, and comprise just three: nursing, midwifery and specialist community public health nursing. The new register will come into effect in April 2004.

consulting on draft new Midwives Rules and the first-ever UK-wide standards for Local Supervising Authorities for midwives. Following a second consultation in 2003, these new rules and standards will come into effect in April 2004.

### **3. Review of Activities and Future Developments Cont'd**

starting work on developing new standards for adaptation programmes for overseas trained nurses to enable them to meet the requirements of UK registration.

starting work on establishing new processes and procedures for dealing with allegations of misconduct and lack of competence, to be consulted on during 2003 and introduced in April 2004.

creating nmc4jobs.com, an internet based job-board which will revolutionise the way employers recruit nurses, midwives and health visitors.

On taking office in April 2002, the Council uncovered some operational problems with the registration system and a large backlog of UK and overseas applications for registration. To improve efficiency and effectiveness, the Council has:

introduced the first element of on-line registration to create easier and quicker access to registration processes. On-line confirmations, whereby employers and agencies are able to check on the registration status of nurses, midwives and health visitors, has been highly successful, with many employers switching from the automated telephone service.

set up new procedures for ensuring that the two main peak times each year for new UK-trained admissions to the register – March/April and September/October – are managed smoothly and efficiently.

considerably enhanced access to the registration call centre by increasing the number of operators from 7 to 45 at its peak. The number has now been stabilised at 25 and, as the year ended, council has agreed to bring the call centre in-house.

brought in a new management structure in the registration department.

initiated a review of the overseas registration process, including looking at different models used elsewhere.

significantly reduced the inherited backlog of professional conduct cases awaiting a hearing by the Professional Conduct Committee. The Council has to deal with a considerable volume of registration activity. By putting in place the above, all backlogs of UK registrations were cleared and none existed at the year-end. Having virtually eliminated the number of overseas applications awaiting decisions by the end of 2002, the large number of applications working their way through the system led to a sharp increase in the backlog by the end of the accounting year. At that point, however, there were a record 655,854 practitioners on the register. During the course of what started out as a difficult year for the NMC, almost 32,000 new nurses, midwives and health visitors registered for the first time with the Council.

Rising numbers of UK-trained nurses and midwives together with - an increase of applicants from overseas means that registration activity will continue at very high levels for the foreseeable future.

The year saw record levels of professional conduct activity as the new Council sought to clear a backlog in cases awaiting a public hearing. During the calendar year 2002, the NMC received 1,320 complaints about practitioners' fitness to practise. Of these, 390 were progressed to a final hearing or were awaiting a hearing. The majority of cases were closed due to insufficient evidence or because they were not deemed likely to lead to removal from the register. A record 153 practitioners were removed from the register in the NMC's first nine months, while 96 people received a formal caution. In this period, only two practitioners were restored to the register.

### **3. Review of Activities and Future Developments Cont'd**

To enhance visibility and openness, the early weeks of the NMC saw a series of over 30 roadshow events around the UK to explain how the new organisation would operate and set out the key tasks for the first year. There was a number of professional advice seminars in the autumn to talk about and discuss the new *Code of professional conduct*, while open days were held throughout the year at the NMC's offices.

On taking over the assets and liabilities of its predecessor body (the UKCC) the Council found its financial position to be unsustainable in the medium term. Despite this Council decided to honour an earlier pledge not to raise fees until 2004 funding ongoing deficits from its prepaid fees. A recovery plan is now in place designed to improve our financial position by 2010 where we will retain an equivalent of six months of operational expenditure. To achieve this there will be a requirement to raise fees but this will in part be mitigated by a continuing drive to seek operational savings where possible. To that end the recovery plan also incorporates steps to achieve purchasing savings of £1.5 million per annum by bringing in house IT services and the call centre and undertaking a thorough review of competitive tendering processes.

The Council has a duty under the Nursing and Midwifery Order to consult and collaborate with its stakeholders. Apart from those consultations already mentioned, four further consultations were being developed as the year ended, on new fitness to practise processes and procedures, an election scheme for the registrant members of the Council, a further consultation on the new register and a second consultation on standards for Local Supervising Authorities for midwifery. Regular meetings have been held with many organisations, including government departments, other health and social care regulators, the Council for the Regulation of Healthcare Professionals (prior to its official opening), trades unions and professional bodies, and consumer organisations.

The Council submitted two pieces of evidence during the year to parliamentary select committees: one to the Commons Health Committee in its inquiry into the maternity services and one to the Lords Constitution Committee about the accountability of regulatory bodies.

The Council submitted a draft scheme under the Welsh Language Act to the Welsh Language Board and, as the year ended, was awaiting feedback prior to going out to public consultation in Wales.

### **4. 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 Lawrence & Co and National Audit Office. Lawrence & Co performed the full audit and then forwarded their files on NMC Audit to NAO for their review. NAO reviewed the work of Lawrence & Co to express their opinion on Council's accounts. Both Lawrence & Co and NAO produced their own audit report on the NMC's final account.

### **5. Research and Development**

A contract for an audit of the NMC's quality assurance processes was awarded in July 2002 to a team from the universities of Hull and York and King's College London. The team carried out research that provided independent evidence as to how the NMC is meeting its statutory obligations for assuring that standards for education programmes leading to registerable and recordable qualifications are being met. The final report of this work was submitted in May 2003.

In September 2002, the University of Southampton was commissioned to provide the NMC with quarterly reports of general analysis of UK health care matters and to highlight issues of significance for the regulation of nursing, midwifery and health visiting. This work is ongoing until 1 April 2004.

- 5. Research and Development Cont'd** In October 2002, an independent consultant was commissioned to develop competencies for programmes leading to registration on the third part of the register (specialist community public health). This piece of work will conclude in August 2003 with a view to implementation in April 2004.
- 6. Fixed Assets** Information relating to changes in tangible fixed assets is given in note 12 to the accounts. In the opinion of the management team, there is no material difference between the book and market value to the NMC's fixed assets as all assets are revalued each year. The cost of fixed assets additions during the year was £138,000.
- 7. Better Payment Practice Code** It is Council policy to observe the principles of the better payment practice code by settling all undisputed invoices within 30 days. Procedures are in place to monitor performance. Council paid 81% of invoices within 30 days.
- 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 staffs are kept informed of the NMC's plans and developments. The main channels of communication include whole organisation meetings, monthly team briefings, a programme of regular meetings of the Joint Staff Consultative Committee (JSCC) 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 customers 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.
- 12. Council Members** The Members of the Council during the year ended 31 March 2003 are listed below on page 30.

*Mr Jonathan Asbridge*  
President, NMC

Date: 27 November 2003

## 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 Direction 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 (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 THE ACCOUNTING OFFICER ON THE ORGANISATION'S INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control. Nursing and Midwifery Council (NMC) has an effective system of internal control which has been maintained and operated by the Council.

The system of internal control is designed to manage rather than eliminate the 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 on-going process designed to identify the principal risks to the achievement of organisational policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The NMC has established the following processes:

#### **Internal controls**

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. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed by the management board and agreed by the Council;
- regular reviews by the Finance & Business Planning Committee of monthly and annual financial performance against forecast;
- setting targets to measure financial and other performance;
- clearly defined procedures for the authorisation and control of items of revenue and capital expenditure;
- the Council is developing an organisation wide Risk Register;
- a Council which met to consider the plans and strategic direction of the NMC (the Council comprises of Management group including the Chief Executive, and 22 external independent members including the Council President);
- periodic reports from the Chairman of the Audit Committee to the Council concerning internal control as covered by the internal audit and
- the Council has its own Internal Auditor that operates within the organisation and reports to an Audit committee. The Internal Auditor works to annual audit 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.

In addition to the above processes, in the coming year, the Nursing and Midwifery Council, plans to:

- arrange a regular programme of facilitated workshops to identify and keep up to date the record of risks facing the organisation;
- the Council is developing an organisation wide Risk Register;
- introduce a programme of risk awareness training and
- establish a system of key performance and risk indicators.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors and the senior managers within the NMC who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

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

*Mr Jonathan Asbridge*  
President, NMC

Date: 27 November 2003

Date: 27 November 2003

NURSING AND MIDWIFERY COUNCIL

**REPORT OF THE INDEPENDENT AUDITOR TO THE  
NURSING AND MIDWIFERY COUNCIL**

We have audited the financial statements of the Nursing and Midwifery Council set out on pages 13 to 29. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of tangible fixed assets and investments and the accounting policies set out on pages 16 to 17.

**Respective responsibilities of the Council and its Chief Executive and Auditor**

As described on page 6, the Council and its Chief Executive are responsible for the preparation of the financial statements. They are also responsible for the preparation of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 provisions of the Nursing and Midwifery Order 2001 and directions made thereunder by the Privy Council and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the statement on pages 7 and 8 reflects the Council's compliance with Treasury's guidance, "*Corporate Governance: Statement on Internal Control*". We report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

**Basis of Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 misstatements, whether caused by error, or by fraud or by other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming 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 of the state of affairs of the Nursing and Midwifery Council as at 31 March 2003 and of its incoming resources, total resources expended and cash flows in the year then ended and have been properly prepared in accordance with the provisions of the Nursing and Midwifery Order 2001 and directions made thereunder by the Privy Council and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Lawrence & Co  
Chartered Accountants  
Registered Auditors

49-51 Central Street  
London EC1V 8AB

Date: 19 January 2004

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

I certify that I have examined the financial statements on pages 13 to 29 and the report thereon of the auditors appointed by the Secretary of State for Health in accordance with Article 52 of the Nursing and Midwifery Order 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 and 17.

**Respective responsibilities of the Council, the Chief Executive and the Auditor**

As described on page 6, the Nursing and Midwifery Council (NMC) and its Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The NMC and its Chief Executive are also responsible for the preparation of other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001 and the Privy Council directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the NMC have not kept proper accounting records, or if I have not received all the information and explanations I require for my examination.

I review whether the statement on pages 7 and 8 reflects the NMC's compliance with Treasury's guidance, "*Corporate Governance: Statement on Internal Control*". I report if it does not meet the requirements for disclosure specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my examination of the financial statements.

**Basis of audit opinion**

I conducted my review in accordance with the United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 judgements made by the NMC in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Nursing and Midwifery Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my examination 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 error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also considered the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Nursing and Midwifery Council as at 31 March 2003 and of incoming resources, total resources expended and cash flows in the year then ended and have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001 and directions made thereunder by the Privy Council; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

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

Date: 30 January 2004

NURSING AND MIDWIFERY COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2003

	Note	Unrestricted Funds 2003 £'000	Restricted Funds 2003 £'000	Total Funds 2003 £'000	UKCC Total Funds 2002 £'000
<b>INCOMING RESOURCES</b>					
Investment income	2	878	–	878	959
Fee Income	3	13,744	–	13,744	11,145
Trading Income	4	322	–	322	–
Grants receivable from Government Bodies	4 & 28	–	2,534	2,534	464
Changes in Deferred Income		–	(236)	(236)	(97)
<b>TOTAL INCOMING RESOURCES</b>		<b>14,944</b>	<b>2,298</b>	<b>17,242</b>	<b>12,471</b>
<b>RESOURCES EXPENDED</b>					
DIRECT CHARITABLE EXPENDITURE	5	14,688	2,298	16,986	13,979
<b>OTHER EXPENDITURE</b>					
Publicity	6	1,979	–	1,979	2,281
Management and Administration	7	1,008	–	1,008	1,075
NMC Set-up Cost	28	–	–	–	367
Cost of Generating funds		48	–	48	–
Notional Capital Charges		449	–	449	–
<b>TOTAL RESOURCES EXPENDED</b>		<b>18,172</b>	<b>2,298</b>	<b>20,470</b>	<b>17,702</b>
<b>NET OUTGOING RESOURCES FROM OPERATIONS</b>		<b>(3,228)</b>	<b>–</b>	<b>(3,228)</b>	<b>(5,231)</b>
<b>GAINS/(LOSSES) ON TANGIBLE FIXED ASSETS AND INVESTMENTS</b>					
Realised gain from investments	13	–	–	–	368
Unrealised loss from investments	13	(318)	–	(318)	(322)
Realised loss from investments	13	–	–	–	(1,068)
Unrealised gains on revaluation of tangible fixed assets	12	1,400	–	1,400	3,003
<b>TOTAL GAINS/(LOSSES)</b>		<b>1,082</b>	<b>–</b>	<b>1,082</b>	<b>1,981</b>
Write back of Notional Capital Charges		449	–	449	–
<b>NET MOVEMENT IN FUNDS</b>		<b>(1,697)</b>	<b>–</b>	<b>(1,697)</b>	<b>(3,250)</b>
<b>TOTAL FUNDS BROUGHT FORWARD</b>		<b>8,324</b>	<b>–</b>	<b>8,324</b>	<b>11,574</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>6,627</b>	<b>–</b>	<b>6,627</b>	<b>8,324</b>

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 16 to 29 form part of these accounts.

NURSING AND MIDWIFERY COUNCIL

**BALANCE SHEET AS AT 31 MARCH 2003**

	Note	2003 £'000	UKCC 2002 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	<b>11,168</b>	10,076
Investments	13	<b>4,961</b>	5,279
<b>TOTAL FIXED ASSETS</b>		<b><u>16,129</u></b>	<u>15,355</u>
<b>CURRENT ASSETS</b>			
Debtors	15	<b>1,356</b>	548
Cash at bank and in hand		<b>9,897</b>	9,502
<b>TOTAL CURRENT ASSETS</b>		<b>11,253</b>	10,050
<b>CREDITORS</b> (amounts falling due within one year)	16	<b>(11,615)</b>	(10,205)
<b>NET CURRENT LIABILITIES</b>		<b>(362)</b>	(155)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>15,767</b>	15,200
<b>CREDITORS</b> (amounts falling due after more than one year)	17	<b>(8,915)</b>	(6,876)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	18	<b>(225)</b>	–
<b>NET ASSETS</b>		<b><u>6,627</u></b>	<u>8,324</u>
<b>INCOME FUND – Unrestricted</b>		<b><u>6,627</u></b>	<u>8,324</u>

The notes on pages 16 to 29 form part of these accounts.

*Mr Jonathan Asbridge*  
President, NMC

Date: 27 November 2003

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

Date: 27 November 2003

NURSING AND MIDWIFERY COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003		UKCC 2002	
		£'000	£'000	£'000	£'000
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	22		<b>(197)</b>		<b>(3,399)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>					
Interest Received	25	<b>868</b>		747	
Dividends Received		<u>-</u>		<u>250</u>	
			<b>868</b>		997
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire Tangible Fixed Assets	26	<b>(138)</b>		(84)	
Receipts from Investment Portfolio	13	<u>-</u>		<u>10,796</u>	
			<b>(138)</b>		10,712
<b>INCREASE IN CASH IN THE YEAR</b>	23		<b><u>533</u></b>		<b><u>8,310</u></b>

The notes on pages 16 to 29 form part of these accounts.

**Notes to the Accounts**

**1. Accounting Policies**

The accounts are prepared in accordance with the Accounts Direction from the Privy Council which requires the accounts to be prepared in accordance with the Statement of Recommended Practice “Accounting by Charities” (Charities SORP 2000) and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board.

The UKCC’s activities have been taken over by the new regulatory body, the Nursing and Midwifery Council (NMC) from 1 April 2002. As per Privy Council Order 2002 all assets and liabilities of UKCC have been transferred to the NMC on 1 April 2002 and UKCC has ceased to exist. Merger Accounting has been adopted in preparing these accounts, and as the accounting policies of NMC are consistent with those applied by UKCC, NMC has used the 2001–2002 UKCC figures as comparatives. The Council has implemented a recovery plan to raise fee income and to achieve efficiency savings in expenditure, which will further improve the Council’s financial position. These accounts have been prepared on the going concern basis.

**(a) Accounting convention**

The accounts are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and investments.

**(b) Depreciation**

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

Furniture	– 10 years
Equipment	– 3 years
Leasehold Premises	– 50 years (Note 12)

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

**(c) Resources arising – income**

*Investment income*

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

*Income from charitable trading*

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.

*Grants receivable*

Grants are recognised in the statement of financial activities when the conditions for receipt have been complied with. Where a grant is received relating to a future accounting period, the statement of financial activities shows the gross amount received together with the changes in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

**(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 management and administration. 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 (eg usage, staff numbers).

*Direct charitable expenditure*

Direct charitable expenditure includes all expenditure related to the objects of the charity which comprise Professional Conduct, Research, Maintaining the register and Standards Promotion & Policy Development.

## 1. Accounting Policies Cont'd

### *Other expenditure*

Other expenditure is analysed under the following three 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'.

#### Management and Administration

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

#### NMC Set-up Cost

This cost relates to expenditure on the set-up of the new body.

#### Cost of Generating Funds

This cost relates to expenditure on the Trading activities.

### **(e) Notional Costs**

A notional cost of capital has been calculated in accordance with HM Treasury requirements at a rate of 6% on the average value of capital employed during the year. The cost in 2002-03 was £449,000. From 2003-04 the rate will drop from 6% to 3.5%.

### **(f) Investments**

Investments are stated at market value. Realised and unrealised gains and losses are shown separately in the appropriate section of the statement of financial activities.

### **(g) Development costs**

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

### **(h) 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.

### **(i) 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.

### **(j) 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 are spread over the expected average remaining service lives of members of the scheme.

<b>2. Investment Income</b>		UKCC		
		2003	2002	
		£'000	£'000	
Income from UK listed Investments				
– Dividend Income		–	208	
– Interest on Treasury Stock		591	591	
Interest receivable				
– from cash in investment portfolio (Lazards)		–	22	
– from Money market		264	115	
– from Deposit account		23	23	
		<u>878</u>	<u>959</u>	
<b>3. Fee Income</b>		UKCC		
		2003	2002	
		£'000	£'000	
Periodic Fees		9,317	7,941	
Registrations		4,177	2,994	
Verifications		214	154	
Replacement of PIN cards		34	35	
Miscellaneous		2	21	
		<u>13,744</u>	<u>11,145</u>	
<b>4. Other Income</b>		UKCC		
		2003	2002	
		£'000	£'000	
<b>Grant receivable from Government Bodies (note 28)</b>		2,534	464	
Trading Income				
– Mailing Inserts		191	–	
– Sales of Publications		52	–	
– Advertising		64	–	
– NMC for Jobs		15	–	
		<u>2,856</u>	<u>464</u>	
<b>5. Direct Charitable Expenditure</b>		UKCC		
	Unrestricted	Restricted	2003	2002
	£'000	£'000	£'000	£'000
Research	(11)	–	(11)	92
Standards Promotion and Policy				
Development	2,159	959	3,118	2,499
Maintaining the register	4,958	672	5,630	4,173
Professional Conduct	7,582	667	8,249	7,215
	<u>14,688</u>	<u>2,298</u>	<u>16,986</u>	<u>13,979</u>
The Professional Conduct costs include direct costs (as in note 9), staff costs and related overheads.				
<b>6. Other Expenditure – Publicity</b>		UKCC		
		2003	2002	
		£'000	£'000	
Conferences, Seminars and Publicity		79	149	
Council Newsletter “NMC News”		662	777	
Communications		176	323	
Printing of Council Publications		508	470	
Allocation of operating costs (inc. Salaries) (Note 1d)		554	562	
		<u>1,979</u>	<u>2,281</u>	

<b>7. Other Expenditure – Management and Administration</b>	<b>2003</b>	UKCC 2002
	<b>£'000</b>	£'000
Members' Travel and Subsistence	<b>299</b>	146
Auditors' Remuneration – Audit fees – Lawrence & Co	<b>23</b>	17
Auditors' Remuneration – Audit fees – NAO	<b>4</b>	–
Auditors' Remuneration – Other fees – Lawrence & Co	<b>12</b>	16
Allocation of operating costs (inc. Salaries) (Note 1d)	<b>670</b>	896
	<b>1,008</b>	1,075

<b>8. Total Resources Expended</b>	<b>Staff Costs</b>	<b>Depreciation</b>	<b>Other Costs</b>	<b>Total 2003</b>	UKCC Total 2002
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000
Direct Charitable Expenditure					
Research	–	–	<b>(11)</b>	<b>(11)</b>	92
Standards Promotion and Policy Development	<b>1,393</b>	<b>100</b>	<b>1,625</b>	<b>3,118</b>	2,499
Maintaining the Register	<b>2,855</b>	<b>153</b>	<b>2,622</b>	<b>5,630</b>	4,173
Professional Conduct	<b>1,540</b>	<b>142</b>	<b>6,567</b>	<b>8,249</b>	7,215
Other Expenditure					
Publicity	<b>285</b>	<b>26</b>	<b>1,668</b>	<b>1,979</b>	2,281
Management and Administration	<b>389</b>	<b>21</b>	<b>598</b>	<b>1,008</b>	1,075
Cost of Generating Funds	–	–	<b>48</b>	<b>48</b>	–
Notional Capital Charges	–	–	<b>449</b>	<b>449</b>	–
	<b>6,462</b>	<b>442</b>	<b>13,566</b>	<b>20,470</b>	17,335

9. Total resources Expended by Natural Classification	Note	2003	UKCC
		£'000	2002 £'000
Salaries and Associated Costs	10	6,462	5,036
Other Staff Expenses		109	169
Premises		395	503
Insurance		52	–
Sundry, Furniture, Equipment and Maintenance		209	313
Hire of Equipment		152	162
Professional Conduct (Direct cost)		5,102	4,187
Depreciation	12	442	462
Nurses Welfare Service		328	337
Hospitality		24	24
Council Restaurant		106	104
Post-Registration Education and Practice Policy		–	37
Policy Development and Standards Promotion		765	220
Education Commission		–	70
Research		(11)	92
Loss on Furniture Disposal		4	4
Professional fees		120	220
Auditors' Remuneration – Audit Fees (Lawrence & Co)		23	17
Auditors' Remuneration – Audit Fees (NAO)		4	–
Auditors' Remuneration – Other Fees (Lawrence & Co)		12	16
IT Development and Support		1,957	1,858
Telephones		163	81
Postage		530	613
Printing and Stationery		988	801
Advertising and Recruitment		207	78
Bank Charges		106	67
Communications		176	322
Conferences, Seminars and Publicity		79	149
Council Newsletter “NMC News”		662	777
Printing of Council Publications		508	470
Members' Travelling and Subsistence		299	146
Cost of Generating Funds		48	–
Notional Capital Charge		449	–
Total Resources Expended		<b>20,470</b>	<b>17,335</b>

**10. Information regarding Employees**

UKCC  
2002  
£'000

**Salaries and Associated Costs**

Wages and Salaries:		
Management	464	531
Administration	3,405	3,010
Social Security Costs:		
Management	38	48
Administration	255	227
Pension Costs – Present Staff (Note 20):		
Management	74	198
Administration	435	409
Pension Costs – Retired Staff of previous organisations (Note 20)	54	53
Temporary Staff	1,737	560
	<u>6,462</u>	<u>5,036</u>

- (i) Barts NHS Trust was paid £48,689 to reimburse them for the President's time (previous year: £18,022 was paid to North Staffordshire NHS Trust to reimburse them for UKCC's President's time for the period 01 April 2001 to 31 March 2002).
- (ii) A daily allowance of £260 is paid to members of the Council. Full details are shown in note 14.
- (iii) The Chief Executive/Registrar was appointed on 19 August 2002. Her remuneration to 31 March 2003 was £57,764. This includes pension contributions paid by the Council of £7,038. The Chief Executive/Registrar is an ordinary member of the Federated Pension Scheme and her age at 31 March 2003 was 44 years. At that date, her accrued pension was £569 per annum.

In the previous year, the Chief Executive/Registrar of UKCC received remuneration of £117,333, including £19,971 of pension contributions paid by UKCC.

- (iv) The aggregate remuneration of the other Directors was as follows:

	Age at 31/3/03	Salary (£)	Total Accrued Pension at 60 at 31/3/03 (£)	Real increase in Pension at 60 (£)
G. Colbert	47 years	70,001–75,000	20,001–25,000	0–2,500
M. Forster (Appointed 8 April 2002)	44 years	65,001–70,000	0–5,000	0–2,500
E. McAnulty	51 years	70,001–75,000	5,000–10,000	0–2,500
A. Reyes Hughes	46 years	90,001–95,000	0–5,000	0–2,500

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 1/60th 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.

**10. Information regarding Employees Cont'd**

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 1/60th 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 Directors are Ordinary members of the Federated Pension Scheme.

- (v) In addition to the above individuals, there was one member of staff whose remuneration fell in the band £50,001-£60,000.
- (vi) The average number of employees in the year was 149 (management 7 and administration 142) and in the previous year was 135 (management 7 and administration 128).
- (vii) During the year, season ticket loans given to the Directors were as follows:
 

S Thewlis	0-500
G Colbert	501-1,000
A Reyes-Hughes	2,501-3,000

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

**11. Taxation**

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

**12. Tangible Fixed Assets for use by the charity**

	Furniture £'000	Equipment £'000	Long Leasehold Premises Note (a) £'000	Long Leasehold Premises Note (b) £'000	<b>Total £'000</b>
Cost or valuation:					
1 April 2002	503	1,955	9,260	750	<b>12,468</b>
Additions during year	-	138	-	-	<b>138</b>
Disposals	(83)	(315)	-	-	<b>(398)</b>
Surplus on revaluation	13	52	1,322	107	<b>1,494</b>
31 March 2003	<u>433</u>	<u>1,830</u>	<u>10,582</u>	<u>857</u>	<b><u>13,702</u></b>
Depreciation					
1 April 2002	400	1,792	185	15	<b>2,392</b>
Charge for year	13	200	212	17	<b>442</b>
Disposals	(79)	(315)	-	-	<b>(394)</b>
Adjustment on Revaluation	12	54	26	2	<b>94</b>
31 March 2003	<u>346</u>	<u>1,731</u>	<u>423</u>	<u>34</u>	<b><u>2,534</u></b>
Net book value					
31 March 2003	<u>87</u>	<u>99</u>	<u>10,159</u>	<u>823</u>	<b><u>11,168</u></b>
Net book value					
31 March 2002 (UKCC)	<u>103</u>	<u>163</u>	<u>9,075</u>	<u>735</u>	<b><u>10,076</u></b>

**12. Tangible Fixed Assets for use by the charity Cont'd**

The comparable amounts of tangible fixed assets determined according to the historical cost convention at 31 March 2003 are:

	Furniture	Equipment	Long Leasehold Premises Note (a)	Long Leasehold Premises Note (b)	Total
	£'000	£'000	£'000	£'000	£'000
Cost	313	1,653	4,270	639	<b>6,875</b>
Accumulated depreciation	(246)	(1,534)	(1,428)	(153)	<b>(3,361)</b>
Net historical value at 31 March 2003	<u>67</u>	<u>119</u>	<u>2,842</u>	<u>486</u>	<u><b>3,514</b></u>
Net historical value at 31 March 2002 (UKCC)	<u>81</u>	<u>171</u>	<u>2,928</u>	<u>498</u>	<u>3,678</u>

- (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 revalued as at 31 December 2001 on existing use basis by external valuers Messrs Keith Cardale Groves, Chartered Surveyors, at £9,260,000 and has been included in the accounts at this amount and subsequently adjusted to current market value by the use of appropriate price indices. The revaluation was carried out in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. It should be noted that due to the restrictive user clause the lease is unassignable.
- (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 31 December 2001 on existing use basis by external valuers Messrs Keith Cardale Groves, Chartered Surveyors, at £750,000 and has been included in the accounts at this amount and subsequently adjusted to current market value by the use of appropriate price indices. The revaluation was carried out in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.
- (c) All other tangible fixed assets have been revalued on 31 March 2003 to market value by use of appropriate price indices. They have been included in the accounts at these revalued amounts.

Revaluation surpluses and deficits in respect of all the above revaluations are taken to the Income Fund.



#### 14. 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. For the year in question, the department provided some transitional funding to the Council – see note 28.

During the year, travel & subsistence expenses of £299,000 were paid to the 33 members of the Council. 20 members held floats for the payment of travel and subsistence expenses. The total amount held by these members was £18,000.

In addition to the above, the following Members received an attendance allowance, approved by the Council. The NMC reimbursed directly to the employers of other Members for their time incurred on NMC business.

A provision of £75,000 has been made (see note 18) for potential Income tax and National Insurance liabilities on these payments.

	£		£
Mrs M. Ali	8,978.20	Ms N. Kirkland	527.80
Reverend W. A. G. Buxton	14,188.20	Mrs H. Livesey	267.80
Mrs J. N. Carter	14,853.80	Ms A. O'Connor	527.80
Ms M. Cowpe	2,095.60	Mrs A. Roberts	1,930.00
Professor A. Ferguson OBE	5,258.50	Ms M. Vance	140.56
Mrs C. Funnell	13,064.80	Mrs S. Wright	260.00
Mrs C. Gritzner	1,973.40		
Ms S. M. Hall	1,063.40		
Mr J. L. Jones	11,525.80		
Mrs (Professor) J. Keats	1,560.00		
Mrs K. McLean	5,971.00		
Professor D. Pennington	1,560.00		
Mr T. G. Purt	7,074.60		
Mrs B. Webster	795.60		
Mrs Ishbel White	260.00		
Mrs Fiona Wright	7,633.60		

The above table represents payments made directly to Council Members by the NMC but does not relate directly to the number of days committed by Council Members.

#### 15. Debtors

	2003	UKCC
	£'000	£'000
Other Debtors	1,007	208
Prepayments and Accrued Income	349	340
	<b>1,356</b>	<b>548</b>

#### 16. Creditors

	2003	UKCC
	£'000	£'000
(amounts falling due within one year)		2002
Bank Overdraft	–	138
Other Creditors	1,984	2,534
Other Taxes and Social Security	104	112
Deferred Income – Periodic Fee for 2002–2003	–	7,324
Deferred Income – Periodic Fee for 2003–2004	9,194	–
Deferred Income – Grant from Government Bodies	333	97
	<b>11,615</b>	<b>10,205</b>

## 17. Creditors

	<b>2003</b>	UKCC 2002
	<b>£'000</b>	£'000
(amounts falling due after more than one year)		
Deferred Income – Periodic Fee 2003–2004	–	4,803
Deferred Income – Periodic Fee 2004–2005	<b>6,466</b>	2,069
Deferred Income – Periodic Fee 2005–2006	<b>2,443</b>	4
Deferred Income – Periodic Fee 2006–2007	<b>6</b>	–
	<u><b>8,915</b></u>	<u>6,876</u>

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

## 18. Provision for Liabilities and Charges

	<b>£'000</b>
At 1 April 2002	–
Provision for the year	<b>225</b>
	<u><b>225</b></u>

The £225,000 provision relates to the potential Income tax and National Insurance liabilities on Members' (£75,000) and Panellists' (£150,000) expenses and daily allowances.

## 19. 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 11).

## 20. Pension Commitments

The Council participates jointly with the NHS Education for Scotland and Health Professions Wales 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 2000, using the projected unit method of valuation. At the date of the valuation the market value of the fund of the scheme was £42,721,219. The actuarial value of the assets represented 98% 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 the remaining service lives of the employees. The main assumptions used in the valuation were a real return on investments above salary increases of 2.5% per annum and above pension increases of 3.5% per annum.

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

	<b>2003</b>	UKCC 2002
	<b>£'000</b>	£'000
Council's (employer's) contributions to all schemes made in year	<b>509</b>	607
	<u><b>509</b></u>	<u>607</u>
Council's (employer's) contribution	<b>20.6%</b>	20.6%
Employee's contribution	<b>6%</b>	6%

If the scheme had discontinued on the valuation date (31 March 2000), the assets would have been approximately 80% 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. The actuary has recommended the Employer's contribution to be increased to 22.4%.

**20. Pension Commitments Cont'd** Accounting standard, FRS 17: Retirement Benefits, is being introduced which changes the method by which pension information is calculated and presented in the financial statements. Since this is a multi-employer scheme, it is not possible to identify NMC's 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 2002–2003 this expenditure amounted to £53,584 (2002–£52,524).

Whilst the actuaries are currently valuing the Scheme as at 31 March 2003, early indications from them are that the Scheme has a sizeable deficit. Advice from the actuaries and Scheme trustees will be carefully considered following the receipt of their valuation report and NMC's contributions may need to be increased.

**21. Capital Commitments** At 31 March 2003, 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.

<b>22. Reconciliation of Net Outgoing Resources to Net Cash Outflow from Operating Activities</b>	UKCC	
	2003 £'000	2002 £'000
Net outgoing resources	(3,228)	(5,231)
Notional Capital Charges	449	–
Investment income	(878)	(959)
Depreciation Charges	442	462
Deficit on Disposal of Tangible Fixed Assets	4	4
Increase in Debtors (Note 25)	(798)	(69)
Increase in Creditors (Note 26)	3,812	2,394
	<u>(197)</u>	<u>(3,399)</u>

<b>23. Reconciliation of Net Cash flow to Movement in Net Funds</b>	UKCC	
	2003 £'000	2002 £'000
Increase in cash in Period	533	8,310
Net funds at 1 April 2002	9,364	1,054
Net funds at 31 March 2003	<u>9,897</u>	<u>9,364</u>

<b>24. Analysis of changes in Net Fund</b>	1 Apr 02 £'000	Cash Flows £'000	31 Mar 03 £'000
	Bank overdraft	(138)	138
Cash at Bank and in hand	9,502	395	9,897
Total	<u>9,364</u>	<u>533</u>	<u>9,897</u>

<b>25. Movement in Debtors</b>	Debtors £'000	Interest £'000
	Figure per Accounts 31 March 2003	1,356
At 1 April 2002	548	–
Increase in Debtors	(808)	–
Transfer Interest Debtor	10	(10)
Total per Cash Flow Statement	<u>798</u>	<u>868</u>

<b>26. Movement in Creditors/Fixed Asset Addition</b>	<b>Creditors</b>	<b>Fixed Asset Addition</b>
	<b>£'000</b>	<b>£'000</b>
Figure in Accounts 31 March 2003	<b>20,755</b>	<b>138</b>
At 1 April 2002	<b>17,081</b>	
Increase	<b>3,674</b>	
Relating to Bank overdraft (2001–2002)	<b>138</b>	–
Net Increase	<b>3,812</b>	<b>138</b>

<b>27. Leasing Commitments</b>	<b>2003</b>	<b>UKCC 2002</b>
	<b>£'000</b>	<b>£'000</b>
At 31 March 2003 the Council had commitments for payments in the following year under non-cancellable operating leases as set out below:		
Operating leases which expire:		
within 1 year	<b>46</b>	49
in the second to fifth years inclusive	<b>1</b>	62
Annual commitment at 31 March 2003	<b>47</b>	111

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.

<b>28. Movement in Restricted Funds</b>	<b>2003</b>	<b>UKCC 2002</b>
	<b>£'000</b>	<b>£'000</b>
Restricted funds comprised grants from the Department of Health and devolved Boards for Scotland and Wales given for specific purposes as follows:		
● NMC set-up cost – Department of Health	<b>1,500</b>	464
● Quality Assurance Expenditure for 2002–03 and 2003–04		
– NHS Education for Scotland	<b>385</b>	–
– Health Professions Wales	<b>280</b>	–
● Professional Conduct Activities – Department of Health	<b>369</b>	–
	<b>2,534</b>	464
	<b>2003</b>	<b>UKCC 2002</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2002	–	–
Income	<b>2,298</b>	367
Expenditure	<b>(2,298)</b>	(367)
Balance at 31 March 2003	–	–

Grants for a total of £2,534,000 (2001/02–£464,000) were receivable from the Department of Health and devolved National Boards for Scotland and Wales to fund the setting up of the new body – the NMC and for the Quality Assurance activity. £332,500 (2001/02–£97,000) of these grants are to be utilised in the following year and are therefore included in deferred income (see note 16).

**29. Analysis of Assets and Liabilities between Funds**

	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Total £'000</b>
Fixed Assets			
Tangible Assets	11,168	–	11,168
Investments	4,961	–	4,961
	<u>16,129</u>	<u>–</u>	<u>16,129</u>
Current Assets			
Debtors	519	837	1,356
Cash at bank and in hand	9,897	–	9,897
	<u>10,416</u>	<u>837</u>	<u>11,253</u>
<b>Total Assets</b>	<b><u>26,545</u></b>	<b><u>837</u></b>	<b><u>27,382</u></b>
Current Liabilities			
Creditors falling due within one year	10,778	837	11,615
Provision for liabilities and charges	225	–	225
Creditors falling due after more than one year	8,915	–	8,915
	<u>19,918</u>	<u>837</u>	<u>20,755</u>
<b>Total Liabilities</b>	<b><u>19,918</u></b>	<b><u>837</u></b>	<b><u>20,755</u></b>
<b>Net Assets</b>	<b><u>6,627</u></b>	<b><u>–</u></b>	<b><u>6,627</u></b>

**30. FRS 13 Financial Instrument**

**Currency and Liquidity Risk**

The Nursing and Midwifery Council has no borrowings and relies primarily on registration fee and departmental grants for its cash requirements, and is therefore not exposed to liquidity risk. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

**Interest Rate Risk**

NMC's Registrants pay registration fee in advance for three years period. Prepaid fees are held in the following accounts to maximise return.

- Treasury Stock – fixed interest rates of 12.5%.
- Money Master – all unused funds are transferred from the Council's current account to money master account every night to maximise interest.
- Money Market – the majority of prepaid fees are held for fixed short-term periods earning a fixed interest rate.

The Council reviews its accounts on regular basis to minimise the interest risks.

NURSING AND MIDWIFERY COUNCIL

**Membership of the Central Council**

**1 April 2002 – 31 March 2003**

Appointed or selected by the Privy Council

President

Mr J. Asbridge Nursing Representative, ENGLAND Apt by Privy Council

**Members**

	<i>Address/COUNTRY</i>	<i>Appointed or elected 1 April 2002 unless stated otherwise*.</i>
Mrs M. Ali	SCOTLAND	Apt by Privy Council
Mrs E. Bannon	Midwifery Representative, NORTHERN IRELAND	Apt by Privy Council
Reverend W. A. G. Buxton	ENGLAND	Apt by Privy Council
Mrs J. N. Carter	ENGLAND	Apt by Privy Council
Ms M. Cowpe	Health Visiting Representative, WALES	Apt by Privy Council
Professor G. Dickson	SCOTLAND	Apt by Privy Council
Professor A. Ferguson OBE	NORTHERN IRELAND	Apt by Privy Council
Mrs C. Funnell	ENGLAND	Apt by Privy Council
Mrs C. Gritzner	ENGLAND	Apt by Privy Council
Ms. S. M. Hall	Nursing Representative, WALES	Apt by Privy Council
Professor M. Hanratty	NORTHERN IRELAND	Apt by Privy Council
Mr J. L. Jones	WALES	Apt by Privy Council
Mrs (Professor) J. Keats	Midwifery Representative, WALES	Apt by Privy Council
Mrs K. McLean	Nursing Representative, SCOTLAND	Apt by Privy Council
Professor D. Pennington	ENGLAND	Apt by Privy Council
Mr T. G. Purt	ENGLAND	Apt by Privy Council
Ms. H. Shaw	Midwifery Representative, SCOTLAND	Apt by Privy Council
Mrs C. L. Warwick	Midwifery Representative, ENGLAND	Apt by Privy Council
Mrs B. Webster	Health Visiting Representative, ENGLAND	Apt by Privy Council
Mrs Ishbel White	Health Visiting Representative, SCOTLAND	Apt by Privy Council
Mrs Fiona Wright	Health Visiting Representative, NORTHERN IRELAND	Apt by Privy Council

**Alternates**

	<i>Address/COUNTRY</i>	<i>Appointed or elected 1 April 2002 unless stated otherwise*.</i>
Chrissie Hayes	Midwifery Representative, WALES	Apt by Privy Council
Maureen Jamison	Health Visiting Representative, NORTHERN IRELAND	Apt by Privy Council
Nancy Kirkland	Nursing Representative, SCOTLAND	Apt by Privy Council
Paul Lewis	Midwifery Representative, ENGLAND	Apt by Privy Council
Mrs Heather Livesey	Health Visiting Representative, ENGLAND	Apt by Privy Council
Angela O'Connor	Nursing Representative, NORTHERN IRELAND	Apt by Privy Council
Ms Eileen Pollock	Midwifery Representative, NORTHERN IRELAND	Apt by Privy Council
Angela Roberts	Health Visiting Representative, WALES	Apt by Privy Council
Professor David Sines	Nursing Representative, ENGLAND	Apt by Privy Council
Mary Vance	Midwifery Representative, SCOTLAND	Apt by Privy Council
Mrs Sheena Wright	Health Visiting Representative, SCOTLAND	Apt by Privy Council

NURSING AND MIDWIFERY COUNCIL

**The Council's Advisors**

**Architects, Surveyors**

Geoff Beardsley and Partners  
4 Whitton Road  
Twickenham  
Middlesex TW1 1BJ

**Bankers**

HSBC  
117 Great Portland Street  
London  
W1A 4UY

**Computer Services**

Electronic Data Systems Ltd  
4 Roundway Avenue  
Stockey Park  
Uxbridge  
Middlesex UB11 1BQ

**Joint Auditors**

Lawrence and Co  
Chartered Accountants  
49-51 Central Street  
London  
EC1V 8AB

**Joint Auditors**

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

**Solicitors**

Hempsons  
33 Henrietta Street  
London  
WC2 8NH

