

COUNCIL FOR THE REGULATION OF HEALTHCARE PROFESSIONALS

ANNUAL ACCOUNTS FOR 2003/04

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Foreword

Introduction

This is a foreword to the Council for the Regulation of Healthcare Professional's (CRHP's) annual accounts for the first full year of operation until March 31st 2004. Most of the work in 2003/2004 was focused on setting up CRHP's offices and functions. The Council met regularly throughout the year to consider and develop policy in healthcare regulation.

Accounts have been prepared in a form directed by the Secretary of State for Health with the consent of HM Treasury. The Comptroller and Auditor General is the auditor of the Council under the National Health Service Reform and Healthcare Professions Act 2002.

History and principal activities

CRHP was established in December 2002 by the National Health Service Reform and Health Care Professions Act 2002 (the Act) and has a statutory remit to:

- Promote the interests of the public and patients in relation to regulation of the healthcare professions.
- Promote best practice in the regulation of the healthcare professions.
- Develop principles for good professionally-led regulation of healthcare professions.
- Promote co-operation between regulatory bodies and other organisations.

The statutory powers of the Council are:

- Performance reviews and recommendations (section 26 of the Act).
- Co-operation: Each regulator must in the exercise of its functions co-operate with the Council.
- Changes in regulators' rules (section 27): If the Council considers that it would be desirable to do so for the protection of members of the public, it may give directions requiring a regulatory body to make rules to achieve an effect which must be specified in the directions.
- Reference of regulators' decisions to court for undue leniency (section 29).

The Secretaries of State of the four UK nations may ask the CRHP for advice on any matter connected with a profession appearing to him or them to be a health care profession.

The Council and its members

CRHP is funded through the Department of Health but accountable to the UK Parliament. CRHP's remit encompasses the nine regulatory bodies responsible for healthcare professionals, and the Council consists of the Presidents of these organisations together with 10 lay members.

The nine regulatory bodies responsible for healthcare professionals are the General Chiropractic Council, the General Dental Council, the General Medical Council, the General Optical Council, the General Osteopathic Council, the Health Professions Council, the Nursing and Midwifery Council, the Royal Pharmaceutical Society of Great Britain, the Pharmaceutical Society of Northern Ireland.

The following council members were in post during the year;

Mrs Jane Wesson (chairman)
Mr Jonathan Asbridge
Professor Norma Brook
Sir Graeme Catto
Mr Nigel Clarke
Dr Michael Copland-Griffiths
Mr Marshall Davies
Dr Frances Dow
Mrs. Sheelagh Hillan
Mrs. Sue Leggate
Mr. Hew Mathewson (appointed 1st June 2003)
Mr. Jim McCusker (appointed 1st November 2003)
Mr Peter North
Mr Hugh Ross
Mr David Smith
Mrs Rosemary Varley
Dr Kieran Walshe
Ms Sally Williams
Ms Lois Willis
Professor Nairn Wilson(retired 31st May 2003)

Financial results for the year ending 31st March 2004

The financial accounts cover the period 1st April 2003 to 31st March 2004, and are the second set of accounts. The establishment of the Council was handled by the Department of Health and the expenditure incurred prior to July 2003 was paid via its procedures, and finance organisation. Offices were identified, interim staff engaged, and the initial set up activity was handled via DH financial and IT systems. The Council's operations commenced in May 2003 with interim staffing and accommodation.

The Council's accounts are presented on an accruals basis and show a true and fair view of the state of affairs at the year end. They are the income and expenditure account, balance sheet, and cash flow for the financial year. They reflect the need for propriety and regularity in public finances and for the keeping of proper records, as set out in the **Non-Departmental Public Bodies' Accounting Officers' Memorandum** issued by the Treasury and published in **Government Accounting**.

The Council's financial performance during the year is identified within the Income and Expenditure Account. It shows that the Council received £1,470,453 income, via grant in aid and incurred expenditure of £1,459,959. After allowing for the write back of capital charges, the Council achieved a surplus of £10,591.

Fixed assets

The Council acquired its own fixed assets progressively during the year. It occupies 11 The Strand under a memorandum agreement with the tenant of the building, the Department of Health. It spent £27,781 in the conversion and set up of offices. Movements on fixed assets are shown in note 7.

Compliance with public sector payment policy

Liberata UK was appointed to a three year contract for accounting and financial services. The Council's target is to make all payments not in dispute within 30 days or less of acceptance of the relevant goods and services, or the receipt of a legitimate invoice if that is later. Processes have been set up during the year to this end and all invoice payments are made by BACS. Measurement of this compliance is planned for the next financial year.

Terms of employment, employee relations and communications

At the end of the period there were eight directly employed staff. Consultation and communication with staff takes place on a regular basis. This has resulted in a set of HR policies which are being progressively implemented. These are aimed to create an environment in which all employees can give of their best and contribute to the Council and their own success. Secondees in this period remained subject to their parent organisations' terms and conditions of employment and temporary staff to those of their employing organisations.

Governance

This statement of accounts includes on pages 7 to 9 a Statement on Internal Control in accordance with the Treasury's decision that public bodies implement the Combined Code and the Turnbull Report.

The Council's systems of internal control are being designed to manage the risks the Council faces, to safeguard its assets against unauthorised use or disposition, to maintain proper accounting records and to communicate

reliable information for internal use or publication. These systems have begun to be progressively implemented during the period ended March 2004.

Audit Committee

The Audit Committee is chaired by Nigel Clarke. There are four other members: Marshall Davies, David Smith, Sally Williams and Lois Willis.

Remuneration Committee

The Remuneration Committee is chaired by Jane Wesson. There are three other members: Nigel Clarke, Hugh Ross and Rosemary Valley.

Section 29 cases

Two of the outcomes of the Councils' appeals under section 29 cases have been appealed. Of the other five cases referred in 2003/2004 three have been heard and one has been withdrawn.

Post balance sheet events

The Council is classified as an arms length body. In October 2003, the Secretary of State for Health announced his intention to review the Department of Health's Arms Length Bodies . In May 2004, the Secretary of State for Health outlined the first stage of this review.

There are 42 separate arms length bodies which employ 22,000 staff with a combined budget of £2.5 billion. The Secretary of State announced that by 2007/08 there will be a 50% reduction in the number of arms length bodies reducing total expenditure by £0.5 billion and staff posts by 25%.

The final outcome of the review should be announced before the Parliamentary summer recess. As at the date of signing these financial statements, the implications of the review for the Council have not yet been announced

Much has been achieved by the office team in the year. Isabel Nisbet was the initial accounting officer until I took up post on November 17th 2003. The Council is grateful for their efforts.

Alexander Forrest
Accounting Officer
20 July 2004

STATEMENT OF THE COUNCIL'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

The Council's Responsibilities

Under the Cabinet Office's Guidance on **Codes of Best Practice for Board Members of Public Bodies**, the Council is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 7 paragraph 15 of the National Health Service Reform and Healthcare Professions Act 2002, the Council is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Department of Health, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Council is required to:

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Council for the Regulation of Healthcare Professionals will continue in operation.

The Accounting Officer's Responsibilities

The Accounting Officer for the Department of Health has appointed the Director of the Council for the Regulation of Healthcare Professionals as the Council's Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the **Non-Departmental Public Bodies' Accounting Officers' Memorandum** issued by the Treasury and published in **Government Accounting**.

STATEMENT ON INTERNAL CONTROL

1. *Scope of responsibility*

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Council's objectives and goals and safeguards the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in **Government Accounting**.

2. *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically

The system of internal control has been progressively put in place in CRHP for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Department of Health guidance.

3. *Capacity to handle risk*

The risk management process will be handled by quarterly meetings of key senior executives to review the risk register. The minutes and action from this meeting will feed forward to the next meeting of the Audit Committee.

Business planning and staff objectives include reference to the management of risk in their performance which is related to agreed workstreams. The internal audit service has already given a full presentation to the Audit Committee on the importance of this approach. The full Council logs on the strategic impact of risk management will be addressed early in 2004/05.

The aim of the Council to be an exemplar to other regulatory bodies will mean that it is considering developing a model assurance framework to be applied to any healthcare professional context. In this way good practice

will be shared in a learning context. Close liaison has been established with the Better Regulation Task Force and officials are reflecting upon their last report on Independent Regulators.

4. *The risk and control framework*

The key elements of the risk management strategy are addressed by assessing the controls in place to identify, and evaluate performance. The direct feedback and assurance on risk management is gained from responsible managers and professional outsourced services.

Council and its Audit Committee receive regular updates on business and finance performance. Members are encouraged to join working groups that are active in the development and implementation of policy and key investments. Further assurance is gained by the reports and opinions of internal and external audit.

My job description and objectives require me to seek value for money and promote probity in the conduct of Council business.

The above control framework provides the evidence to support this Statement on Internal Control.

5. *Review of effectiveness*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and by comments made by the external auditors. I also place reliance on the executive managers within the organisation, who have responsibility for the development and maintenance of the system of internal control and the Assurance Framework.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, and the senior executive team. A process to address weaknesses and ensure continuous improvement of the system is in place. The Head of Internal Audit's required annual opinion confirms the adequacy of the arrangements.

Good governance is seen as a key factor for an effective regulatory body. As such it is likely to form a feature of internal and external performance review.

6. Significant internal control weaknesses

I have reviewed the risks presented to the Council and have established a framework to manage their impact. There is a continuing need to embed risk management in our processes. Internal audit support and advice is in place to assess and advise me in my role as Accounting Officer. The unique scope and scale of the Council's functions is such that their operational risks are limited. Staffing its small office will always provide a challenge to secure effective services. Hence outsourcing of support functions has been optimised to sustain management focus on key policy issues. Much effort, however, has been placed to establish good document and information management systems. The conduct of meetings and taking of decisions by Council are areas for further attention. This set of process documentation is planned to evolve as the Council's business and activities develop in the year ahead. The major reputational dangers are regularly addressed by members in plenary session.

Signed on behalf of the Council for the Regulation of Healthcare Professionals

Alexander Forrest
Accounting Officer
20 July 2004

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament and the Members of the National Assembly for Wales

I certify that I have audited the financial statements on pages 12 to 28 under the National Health Service Reform and Health Care Professions Act 2002. 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 to 19.

Respective responsibilities of the Council, the Director and Auditor

As described on page 5 the Council and Director are responsible for the preparation of the financial statements in accordance with the National Health Service Reform and Health Care Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury and for ensuring the regularity of financial transactions. The Council and Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Reform and Health Care Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury, 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 Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 7 to 9 reflects the Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risks and control procedures.

Basis of audit opinion

I conducted my 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council

and Director 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.

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 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 have also evaluated 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 Council for the Regulation of Health Care Professionals at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the period then ended and have been properly prepared in accordance with the National Health Service Reform and Health Care Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury; 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

21 July 2004

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

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2004

		Year ended 31 March 2004		Four months to 31 March 2003	
	Note	£	£	£	£
Income					
Grant in Aid	2	1,450,000		48,310	
Transfer from Deferred Government Grant Reserve	11	20,453		-	
			<u>1,470,453</u>	<u>48,310</u>	
Expenditure					
Staff Costs	3	377,949		911	
Members' Remuneration	4	127,262		5,645	
Other Operating Costs	5	936,315		58,304	
Depreciation	7	18,336		-	
Notional Cost of Capital	6	97		(166)	
			<u>1,459,959</u>	<u>64,694</u>	
Operating surplus/(deficit)			10,494	(16,384)	
Notional cost of capital reversal	6		<u>97</u>	<u>(166)</u>	
Retained surplus /(deficit) for the year	11		<u>10,591</u>	<u>(16,550)</u>	

All operations are continuing.

The notes on pages 16 to 28 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2004

	Year 31 2004	ended March	Four to 31 2003	months March
	£		£	
Retained surplus/(deficit) for the year	10,591		(16,550)	
Total recognised gains/(losses) for the year	<u>10,591</u>		<u>(16,550)</u>	

The notes on pages 16 to 28 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2004

	Note	2004 £	£	2003 £	£
Fixed assets					
Tangible fixed assets	7		48,813		-
Current Assets					
Debtors	8	194,869		-	
Cash at bank and in hand	9	<u>20,787</u>		<u>-</u>	
		215,656		-	
Creditors: amounts falling due within one year	10	<u>(221,615)</u>		<u>(16,550)</u>	
Net current assets/(liabilities)			<u>(5,959)</u>		<u>(16,550)</u>
Creditors: amounts falling due after more than one year			-		-
Net Assets/(liabilities)			<u>42,854</u>		<u>(16,550)</u>
Reserves					
Income and expenditure Account	11		(5,959)		(16,550)
Government Grant Reserve	11		<u>48,813</u>		<u>-</u>
			<u>42,854</u>		<u>(16,550)</u>

The notes on pages 16 to 28 form part of these accounts

Alexander Forrest
Accounting Officer
20 July 2004

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Note	Year ended 31 March 2004	Four months to 31 March 2003
		£	£
Net cash inflow from operating activities	12	20,787	-
Capital expenditure			
Payments to acquire tangible fixed assets		(69,266)	-
Net cash inflow before financing		(48,479)	-
Financing			
Grant in aid for capital expenditure		<u>69,266</u>	<u>-</u>
Increase in cash	9	<u><u>20,787</u></u>	<u>-</u>

The notes on pages 16 to 28 form part of these accounts

Notes to the Accounts

1. Accounting Policies

a. Basis of preparation

These financial statements have been prepared in accordance with the Accounts Direction given by the Secretary of State with the consent of Treasury and HM Treasury's guidance *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance*. The particular accounting policies adopted by the Council for the Regulation of Healthcare Professionals are described below. They have been applied consistently in dealing with items considered material in relation to these financial statements.

b. Accounting convention

The financial statements have been prepared under the historical cost convention as modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate.

c. Grant in aid and government grant reserve

The Council is financed by grant in aid from the Department of Health.

Grant in aid applied to revenue is accounted for on a cash receivable basis. A proportion of the grant in aid received, equal to expenditure on fixed asset acquisitions in the year, is taken to the government grant reserve at the end of the financial year. Each year, an amount equal to the depreciation charge on the fixed assets acquired through grant in aid is released from the government grant reserve to the income and expenditure account.

d. Tangible fixed assets

Fixed assets are valued in the balance sheet at their modified historic cost less depreciation. Assets are revalued at current replacement cost by using price index numbers for current cost accounting published by the Office of National Statistics.

Fixed assets other than computer software are capitalised as tangible fixed assets as follows:

- Equipment with an individual value of £1,000, or more;

- Grouped assets of a similar nature with a combined value of £1,000 or more;

- Refurbishment costs valued at £1,000 or more.

Any surplus on revaluation is credited to the Government Grant Reserve. A deficit on revaluation is debited to the income and expenditure account, unless the downward revaluation is solely due to fluctuations in market value in which case the amount is debited to the Government Grant Reserve until the carrying value reaches the level of depreciated historic cost.

e. Depreciation

Depreciation is provided on a straight-line basis, calculated on the revalued amount to write off assets, less any estimated residual balance, over their estimated useful life. The useful lives of tangible fixed assets have been estimated as follows:

Refurbishment costs	From 1 April 2003 to the end of the lease in December 2005
Computer Equipment	2 years

Depreciation is charged from the month in which the asset is acquired.

f. Section 29 costs and recoveries

Under its Section 29 powers, the Council can appeal to the High Court against a regulatory body's disciplinary decisions. Costs incurred by the Council in bringing Section 29 appeals are charged to the income and expenditure account on an accruals basis.

As a result of judgements made by the High Court, costs may be awarded to the Council if the case is successful (income), or costs may be awarded against the Council if the case is lost (expenditure). Where costs are awarded to or against the Council, these may subsequently be revoked or reduced as a result of a successful appeal either by the defendant or by the

Council. Therefore in bringing either income or expenditure to account, the Council considers the likely outcome of each case on a case by case basis.

In the case of costs awarded to the Council, the income is not brought to account unless there is a final uncontested judgement in the Council's favour. Where a case has been won but the final outcome is still subject to appeal, and it is highly probable that the case will be won on appeal and costs will be awarded to the Council, a contingent asset is disclosed.

In the case of costs awarded against the Council, expenditure is recognised in the income and expenditure where there is a final uncontested judgement against the Council. In addition, where a case has been lost, but the final outcome is still subject to appeal, and it is probable that costs will be awarded against the Council, a provision is recognised in the accounts. Where it is possible but not probable that the case will be lost on appeal and that costs may be incurred by the Council, or where a sufficiently reliable estimate of the amount payable cannot be made, a contingent liability is disclosed.

g. Notional charges

In accordance with the *Executive Non-Departmental Public Bodies Annual reports and Accounts Guidance* published by HM Treasury, a notional charge for the cost of capital employed during the year is included in the income and expenditure account along with an equivalent notional income to finance the charge. With effect from 1 April 2003 the cost of capital charge was reduced from 6 per cent to 3.5 per cent, and was applied to the mean value of capital employed during the year, excluding non-interest bearing cash balances held with the Office of the Paymaster General.

h. Value added tax

Value added tax (VAT) on purchases is not recoverable, hence is charged to the income and expenditure account and included under the heading relevant to the type of expenditure.

i. Pension costs

The Council participates in the NHS Pension Scheme which is an unfunded multi-employer defined benefit scheme, and the Council is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the NHS Pension Scheme was carried out at 31 March 2003. Details of this valuation and the benefits provided by the scheme is provided in the scheme's account which is available on the NHS Pensions Agency website www.nhspa.gov.uk.

This is a statutory defined pension scheme, the provisions of which are contained in the NHS Pension Scheme Regulation (SI 1995 No. 300). Under these regulations the Council is required to pay an employer's contribution, currently 7% of pensionable pay, as specified by the Secretary of State. For 2003/2004, employers contributions of £6,851 were payable to the NHS Pension Scheme. These contributions are charged to the income and expenditure account as and when they become due. The Government Actuary reviews the employer contributions every four years following a full scheme valuation and sets contributions rates to reflect past experience and benefits when they are accrued, not when costs are actually incurred.

Employees pay 6% of pensionable pay. Employer and employee contributions are used to defray the cost of providing the scheme benefits. These are guaranteed by the Exchequer, with the liability falling to the Secretary of State, not to the Council. Index linking costs under the Pensions (Increase) Act 1971 is met directly by the Exchequer.

The scheme is notionally funded. Scheme accounts are prepared annually by the Department of Health and are examined by the Comptroller and Auditor General

j. Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on an accruals basis.

An operating lease for Kierran Cross, 11 Strand, London, WC2N 5HR is in force with the Department of Health until 31 December 2005. As the Council are only deemed as occupiers at these premises, there are no longer term future lease commitments.

2. Income

	Year ended 31 March 2004 £	Four months to 31 March 2003 £
Grant in Aid received from the Department of Health	1,519,266	48,310
Transfer to government grant reserve in respect of fixed asset additions	(69,266)	-
	<hr/> 1,450,000	<hr/> 48,310
	<hr/> <hr/>	<hr/> <hr/>

3. Staff Costs

	Year ended 31 March 2004 £	Four months to 31 March 2003 £
Salaries	139,788	-
Seconded staff costs	187,518	-
Social Security Costs	14,574	-
Superannuation Costs	6,851	-
Agency/Temporary Costs	29,218	911
	<hr/> 377,949	<hr/> 911
	<hr/> <hr/>	<hr/> <hr/>

The average number of full time and part-time staff employed, including secondees and temporary staff, during the year is as follows:

	Year ended 31 March 2004 WTE	Four months to 31 March 2003 WTE
Management and Administrative	3	-
	<hr/> 3	<hr/> -
	<hr/> <hr/>	<hr/> <hr/>

a) Director's emoluments

The salary and pension entitlements of the Director were as follows:

Name	Age	Salary (£)	Real increase in pension at age 60 (£000)	Total accrued pension at 31 March 2004 (£000)
Isabel Nisbet (for the period 22 April 2003 to 16 November 2003) (*)	53	75,983	N/A	N/A
Alexander Forrest (from 17 November 2003) (**)	50	44,667	£0-2.5k	£0-2.5k

(*) Isabel Nisbet was seconded to the Council from the General Medical Council (GMC). The GMC is responsible for paying her pension contribution costs for the year.

(**) The Director is a member of the NHS Pension Scheme.

There were no benefits in kind paid this year.

b) Other senior managers' remuneration

Treasury guidance (DAO3/00) requires the Council to provide information on the salary of named individuals who are "the most senior managers" of the Council.

The salary for the senior manager of the Council was:-

Name	Salary (£'000)
Frances J Stone (Head of Policy and Fitness to Practice)	10-20

4. Members' Remuneration

The Chairman, Jane Wesson who was appointed from the 23rd January 2003 for an initial period of three years, received a salary of £26,509 (2002-03: £5,645). Council members' remuneration and the Chairman's salary are not subject to superannuation. Members receive an annual remuneration of £5,426.

Members' remuneration during the year amounted to £127,262 including social security costs. Payments to individual members are disclosed in the following ranges:

	Year ended 31 March 2004 £'000	Four months to 31 March 2003 £'000
Mr Jonathan Asbridge	5-10	-
Professor Norma Brook	5-10	-
Sir Graeme Catto	5-10	-
Mr Nigel Clarke	5-10	-
Dr Michael Copland-Griffiths	5-10	-
Mr Marshall Davies	5-10	-
Dr Frances Dow	5-10	-
Mrs Sheelagh Hillan	5-10	-
Mrs Sue Leggate	5-10	-
Dr Hew Mathewson (appointed 1 June 2003)	0-5	-
Mr Jim McCusker (appointed 1 st November 2003)	0-5	-
Mr Peter North	5-10	-
Mr Hugh Ross	5-10	-
Mr David Smith	5-10	-
Mrs Rosemary Varley	5-10	-
Dr Kieran Walshe	5-10	-
Ms Sally Williams	5-10	-
Ms Lois Willis	5-10	-
Professor Nairn Wilson (resigned 30th May 2003)	0-5	-

In addition, expenses amounting to £42,000 were reimbursed to the members (note 5).

5. Other Operating Costs

Other operating costs include:

	Year ended 31 March 2004	Four months to 31 March 2003
	£	£
Professional fees	415,937	18,932
Consultancy fees	103,089	-
Rent and office accommodation	122,646	-
Accountancy services	51,690	-
Training and recruitment	31,862	32,059
Computer consumables and web site development costs	81,585	4,001
Impairment of fixed assets	2,117	-
Printing and Stationery	17,000	-
Council members expenses	42,000	1,151
External audit fee (*)	17,000	2,000
Repairs and maintenance	17,280	-
Other Costs	34,109	161
Total other operating costs	<u>936,315</u>	<u>58,304</u>

(*) The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work. No such work was undertaken.

6. Notional Cost of Capital

In accordance with the *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance* published by HM Treasury, a notional charge for the cost of capital employed during the year is included in the income and expenditure account along with an equivalent notional income to finance the charge. With effect from 1 April 2003 the cost of capital charge was reduced from 6 per cent to 3.5 per cent, and was applied to the mean value of capital employed during the year, excluding non-interest bearing cash balances held with the Office of the Paymaster General.

	Year ended 31 March 2004	Four months to 31 March 2003
	£	£
Capital employed as at beginning of period	(16,550)	-
Capital employed as at 31 March	22,119	(16,550)
Mean capital employed	2,785	(8,275)
Notional charge/(credit)	<u>97</u>	<u>(166)</u>

7. Tangible Fixed Assets

	Furniture & IT Fittings – conversion costs	Equipment	Total
	£	£	£
Valuation			
At 1 April 2003	-	-	-
Additions	27,781	41,485	69,266
Revaluations	(133)	(3,929)	(4,062)
At 31 March 2004	<u>27,648</u>	<u>37,556</u>	<u>65,204</u>
Depreciation			
At 1 April 2003	-	-	-
Charge for year	10,102	8,234	18,336
Revaluations	(48)	(1,897)	(1,945)
At 31 March 2004	<u>10,054</u>	<u>6,337</u>	<u>16,391</u>
Net Book Value			
At 31 March 2004	<u>17,594</u>	<u>31,219</u>	<u>48,813</u>
At 31 March 2003	<u>-</u>	<u>-</u>	<u>-</u>

8. Debtors

	31 March 2004	31 March 2003
	£	£
Debtors	124,916	-
Prepayments	69,953	-
	<u>194,869</u>	<u>-</u>

9. Cash at Bank and in hand

	31 March 2004	31 March 2003
	£	£
At 1 April	-	-
Increase in cash in year	20,787	-
At 31 March	<u>20,787</u>	<u>-</u>
Bank account at Office of Paymaster	20,735	
General		
Cash in hand	<u>52</u>	
	<u>20,787</u>	

10. Creditors: Amounts falling due within one year

	31 March 2004	31 March 2003
	£	£
Trade Creditors	153,706	14,550
Other Creditors	17,368	-
Accruals	50,541	2,000
	<u>221,615</u>	<u>16,550</u>

11. Reserves

	Government Grant Reserve £	Income and expenditure account £	Total £
At 1 April 2003	-	(16,550)	(16,550)
Surplus for the year	-	10,591	10,591
Grant for Fixed Asset Additions (note 2)	69,266	-	69,266
Depreciation transferred to income and expenditure account	(18,336)	-	(18,336)
Release to income and expenditure account for impairment	(2,117)	-	(2,117)
Balance as at 31 March 2004	48,813	(5,959)	42,854

12. Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow from Operating Activities

	Year ended 31 March 2004 £	Four months to 31 March 2004 £
Operating (deficit)/surplus	10,494	(16,384)
Adjustment for non-cash transactions:		
Depreciation	18,336	-
Cost of capital	97	(166)
Deficit on revaluation of fixed assets	2,117	-
Release from government grant reserve	(20,453)	-
Adjustment for movements in working capital other than cash:		
Increase in creditors	205,065	16,550
(Increase) in debtors	(194,869)	-
Net cash inflow from operating activities	20,787	-

13. Contingent Liabilities

The Council referred seven cases to the High Court in the financial year ended 31 March 2004 under its Section 29 powers. Each decision incurs legal costs for such an appeal of a regulatory body's disciplinary decision. Five cases remained unheard at the financial year end. Judgement by the High Court may permit recovery of these Council costs or alternatively a charge to the Council of the costs of the regulatory body and its registrant. At the balance sheet date, it is not possible to forecast the level of probability of any potential liability.

Two High Court cases decided in March 2004 have been referred to the Court of Appeal in April 2004. There is thus uncertainty on the financial consequences until a final judgement is made.

14. Capital Commitments

The Council had capital commitments of £1,615 at the balance sheet date.

15. Related Party Transactions

The Council is a non-Departmental Public Body sponsored by the Department of Health.

The Department of Health is regarded as a related party. During the year to 31 March 2004 the Department of Health provided total grant in aid of £1,519,266. Apart from this there were no related party transactions entered into.

The Council maintains a register of interests for Chairman and Council members. On a periodic basis the register is updated by the Council Secretary to reflect any change in Council members' interests. During the period ending 31 March 2004 no Council member undertook any transactions with the Council.

16. Losses and special payments

There were no losses or special payments made during the financial year.

17. Post Balance Sheet Events

The Council expanded its office space at 11 Stand under the occupancy agreement with the Department of Health. This was to permit confidential and secure accommodation for its activities. It moved offices in June 2004. The net book value of the interim conversion costs will therefore need to be written off during 2004-2005.

18. Financial Instruments

The Council has no borrowings and relies primarily on grant in aid from the Department of Health for its cash requirements, and therefore it is not exposed to any risk of liquidity. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk