Annual report and accounts
2007/08

council for
healthcare
regulatory
excellence

Annual report and accounts
2007/08

The Council for Healthcare Regulatory Excellence is referred to in the National Health Service Reform and Health Care Professions Act 2002 as the Council for the Regulation of Healthcare Professionals.

Presented to Parliament pursuant to schedule 7, section 16(2) of the National Health Service Reform and Health Care Professions Act 2002

Laid before the Scottish Parliament by the Scottish Ministers under the National Health Service Reform and Health Care Professions Act 2002

Laid before the Northern Ireland Assembly in accordance with the National Health Service Reform and Health Care Professions Act 2002

Laid before the National Assembly for Wales in accordance with the National Health Service Reform and Health Care Professionals Act 2002

Ordered by the House of Commons to be printed 30 June 2008

HC688
SG/2008/92
NIA 169/07-08 London: The Stationery Office £13.90

© Crown Copyright 2008

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

Contents

1 Chair's introduction 3

2 Council report 4

What we do 4

CHRE mission, values and vision 5

Organisational priorities 5

CHRE strategic and business plans 5

Partnership with social care regulators 6

Who we are 6

Council members 6

Committees and working groups of the council 7

Operations 8

Summary 8

3 Management commentary 9

Fitness to practise 9

Performance review 9

White Paper 10

Health and Social Care Bill 10

Strengthening relationships across the four countries of the UK, in Europe and worldwide 11

CHRE operations 11

Financial summary 13

Staff 14

Contact details 14

4 Remuneration report 15

5 Statement of the Council's and the Accounting Officer's responsibilities 20

The Council's responsibilities 20

The Accounting Officer's responsibilities 20

6 Statement on internal control 21

Scope of responsibility 21

The purpose of the system of internal control 21

Capacity to handle risk 21
The risk and control framework 21
Review of effectiveness 22

7 Certificate and report of the Comptroller and Auditor General to the Houses of Parliament 24
Respective responsibilities of the Council, Accounting Officer and Auditor 24
Basis of audit opinions 24
Opinions 25
Opinion on regularity 25
Report 25

8 Operating cost statement and statement of recognised gains and losses 26

9 Balance sheet 27

10 Cash flow statement 28

11 Notes to the accounts 29

1 Chair's introduction

This annual report documents a year of significant activity. 2007/08 marked the beginning of a period of considerable reform in health professional regulation. I am pleased to be able to report that, despite the pressures and uncertainties this entails, the Council for Healthcare Regulatory Excellence continues to develop its work in protecting the public and promoting excellence in regulation. We have maintained our scrutiny of fitness to practise cases, highlighted learning points for the regulatory bodies and introduced a standards based self-assessment process for our annual performance review of their functions. We are grateful to all the regulators for their co-operation with the pilot phase of the performance review and will be working with them further to improve the process. We believe the new approach is fair, robust and more helpful to the regulatory bodies. A full report on the performance of the nine regulatory bodies is in preparation and will be published this summer.

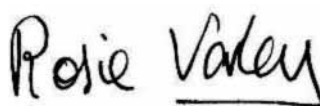
CHRE has also been active in developing regulatory policy. We have produced guidance on the maintenance of clear sexual boundaries between patients and health professionals. We have responded to requests from the Department of Health for views on the change to the civil standard of proof in fitness to practise cases and for advice on student registration and fitness to practise. We have played a role in contributing to thinking arising from the White Paper, *Trust, Assurance and Safety – The Regulation of Health Professionals in the 21st Century*, particularly in the areas of governance of regulatory bodies and non-medical revalidation.

The Council has been concerned to ensure that the legislation affecting the future of CHRE as set out in the Health and Social Care Bill will enable us to fulfil the roles envisaged for us in the White Paper. We have monitored the Bill and suggested improvements. We await the final conclusions of parliament but we hope the legislation will provide CHRE with the powers it needs and the independence necessary to do its job.

In anticipation of new roles the Council has strengthened the staff team to enhance scrutiny and quality, to improve policy research and analysis and to improve communications. We take a particular interest in European and international aspects of professional regulation.

This is the last annual report of the Council for Healthcare Regulatory Excellence in its current form. So that we can report more fully on the Council's work over the first period we are publishing two documents this year. This is the statutory annual report and will be followed by a review of CHRE's work, and our perspectives on the policy issues facing health professional regulation in the future.

I am grateful to all the members of the Council for their commitment to its work this year; we have met fully our statutory duties and continued to expand our role during a period of change and uncertainty. It is right for professional regulation to change and for CHRE to become independent of the regulators themselves. Our current membership will therefore be standing down and I thank them for their work. I believe that as Council we leave CHRE ready for its new roles and responsibilities in promoting the health and safety of the public.



Rosie Varley OBE
Acting Chair

2 Council report

1. The Council for Healthcare Regulatory Excellence (CHRE) was set up in April 2003 by the National Health Service Reform and Health Care Professions Act 2002[1]. Our mission is to protect the public by setting standards and helping regulators to improve, spreading good, consistent practice and shaping future developments in healthcare regulation.

What we do

2. Each year we carry out a performance review which looks at how each regulator carries out its functions and their general performance against agreed standards. The reviews highlight good practice and identify issues that might benefit from a co-ordinated approach.

3. We look at final stage decisions made by the regulators on professionals' fitness to practise. If we consider that a decision fails to protect the public interest, we have the power to investigate that decision. If, after examining all the information, we still consider the decision too lenient, and there is no other effective means of protecting the public, we can refer it to the High Court (the Court of Sessions for Scotland or the High Court of Justice for Northern Ireland). We do this for all cases except those where the health of the professional is under review.

4. We work with the regulators to improve quality and share good practice.

5. We can give advice to the Secretary of State and to the health ministers of Scotland, Wales and Northern Ireland about anything connected with a healthcare profession.

6. We report to the UK parliament, and work with the devolved administrations in Scotland, Wales and Northern Ireland. We also take an overview of international developments in health regulation, particularly in Europe.

7. We oversee and work with the nine regulators of healthcare professions:

- the General Chiropractic Council (GCC), which regulates chiropractors
- the General Dental Council (GDC), which regulates dentists, dental hygienists, dental therapists, clinical dental technicians, orthodontic therapists, dental nurses and dental technicians
- the General Medical Council (GMC), which regulates doctors
- the General Optical Council (GOC), which regulates dispensing opticians and optometrists
- the General Osteopathic Council (GOsC), which regulates osteopaths
- the Health Professions Council (HPC), which regulates arts therapists, biomedical scientists, chiropodists and podiatrists, clinical scientists, dieticians, occupational therapists, operating department practitioners, orthoptists, paramedics, physiotherapists, prosthetists and orthotists, radiographers, and speech and language therapists
- the Nursing and Midwifery Council (NMC), which regulates nurses and midwives
- the Pharmaceutical Society of Northern Ireland (PSNI), which regulates pharmacists in Northern Ireland
- the Royal Pharmaceutical Society of Great Britain (RPSGB), which regulates pharmacists in England, Wales and Scotland.

There are contact details and web addresses for each of the regulators on our website, www.chre.org.uk.

8. We are funded by the Department of Health (DH) in England and in 2007/08 we also received funding from the devolved administrations in Scotland and Wales. We are promised a proportionate contribution from Northern Ireland in future.

1 Available at: www.opsi.gov.uk/acts/acts2002/20020017.htm

CHRE mission, values and vision

9. CHRE's core purpose is laid out in legislation and during the year the Council and executive worked to refine and clarify our mission, vision and values. These are described below.

Mission

10. CHRE exists to deliver public protection in healthcare provision by:

- helping the professional regulatory bodies become better regulators
- setting and driving up standards for professional regulation
- fostering greater harmonisation of regulatory practice and outcomes
- anticipating and influencing future developments.

Vision

11. CHRE's vision is to be a strong and independent influence within the regulation of healthcare professionals. CHRE's priorities and work plan are directed towards this vision.

Values

12. Our values act as a framework for our decision making. They are at the heart of who we are and how we would like to be seen by our stakeholders. The values governing CHRE are:

- fairness
- patient and public focus
- proportionality
- transparency
- adding value to regulation.

Organisational priorities

13. Over the next three years, CHRE's strategic priorities will be:

- identifying and spreading good practice through high quality scrutiny and performance review of regulatory bodies
- anticipating change and adapting and responding to the changing needs of healthcare professions
- communicating effectively with patients, the public, government and related bodies and other key stakeholders
- providing an advisory service to those who wish to develop and improve regulation
- ensuring that CHRE's systems, processes and policies are appropriate to support the delivery of its priorities.

CHRE strategic and business plans

14. As part of its annual review of CHRE's strategic and business plans, Council considered the work streams flowing from the White Paper *Trust, Assurance and Safety – The Regulation of Health Professionals in the 21st Century*, published in February 2007 and the Health and Social Care Bill which was before parliament during the year.

15. Throughout our planning for our transition to new structures and roles the Council has been committed to ensuring that CHRE continues to fulfil all its statutory responsibilities particularly those of scrutinising the healthcare professions' regulators.

16. The full impact of the Bill on CHRE will not be felt until 2008/09. Planning and preparation for the anticipated changes to CHRE have begun however, with implementation of a revised performance review process and discussions with the DH in England and devolved administrations about proposed changes in the governance structure. The impact of new legislation from the European Union which will affect the regulation of healthcare professionals and the work of CHRE is as yet difficult to determine.

17. Council, through the Audit Committee, has worked to ensure that governance matters are not affected during this transition, in particular with reference to the anticipated change in Council structure and membership. Transition governance matters became a standing item on the Audit Committee agenda from February 2008 onwards and a special session of the Committee was held on 8 May 2008 to consider this single item.

Partnership with social care regulators

18. We have continued to work closely with the four UK social care workforce regulators particularly with regard to the Health and Social Care Bill. The Chair of the General Social Care Council, the regulator in England, is an observer on our Council and when our Council meets out of England, the Chair of the relevant regulator for Scotland, Wales or Northern Ireland attends. A member of CHRE's Council also observes the GSCC's meetings. We have continued to organise regular meetings between the chief executives of the health and social care workforce regulators and at operational level GSCC staff are involved in cross-regulatory groups and our projects.

Who we are

19. Our governing Council has 19 members: one representative from each of the nine regulators (usually the president) and 10 public members. The public members include one from each of Scotland, Wales and Northern Ireland. Currently one of the public member positions is vacant.

20. We have a small executive team covering our three areas of work: scrutiny and quality; policy, research and external relations; and our own governance and operations.[2]

Council members

21. Council is made up of nineteen members, and they are:

Members nominated by the regulatory bodies:

Sandra Arthur (until 19 October 2007), NMC
Graeme Catto, GMC
Nigel Clarke, GOsC
Nancy Kirkland (from 22 October 2007), NMC
Hew Mathewson, GDC
Kate McClelland, PSNI
Hemant Patel, RPSGB
Anna van der Gaag, HPC
Rosie Varley, GOC (Acting Chair from 13 April 2007)
Judith Worthington, GCC

Public members:

Frances Dow
Sue Leggate
Jim McCusker
Peter North
Hugh Ross
David Smith
Kieran Walshe
Jane Wesson (Chair until 12 April 2007)
Sally Williams
Lois Willis

A register of interests for each member is available on our website, www.chre.org.uk.

22. Jane Wesson resigned as Chair and public member of Council in April 2007. Rosie Varley was appointed Acting Chair. Council considered the appointment of a new public member to be Chair but decided, in consultation with the DH and the Appointments Commission, to confirm Rosie Varley as Acting Chair until the new legislation allows the appointment of a permanent Chair.

23. There were changes in Council membership during the year as a result of the NMC electing a new president.

24. Schedule 7 of the National Health Service Reform and Health Care Professions Act 2002 provides directions for the appointment of members to the Council.[3]

2 Information about CHRE's staff may be found on page 14.
3 Available at: http://www.opsi.gov.uk/acts/acts2002/ukpga_20020017_en_15#sch7

25. The annual appraisal process for members was delayed to early 2008/09, due to the change in Chair and uncertainty during the year regarding the appointment of a permanent Chair. The Acting Chair, being a member nominated by a regulatory body, is not appointed to the Council and is therefore unable to be appraised by the Appointments Commission. Training is provided for members participating in Section 29 panel meetings and for any other matters deemed relevant and necessary by Council. The Audit Committee and Finance Committee each review their members' training needs on an annual basis.

26. During the coming year, as a result of the Health and Social Care Bill, the present Council will be replaced. The current membership is committed to a smooth and effective transition and to handing over to its successors an organisation with a clear sense of direction, that is well managed, committed to protecting the public and with a legacy of knowledge and experience of improving health professional regulation.

Attendance at public meetings

There were five public meetings in 2007/08.

Graeme Catto	4	Peter North	5
Nigel Clarke	5	Hemant Patel	2
Frances Dow	4	Hugh Ross	4
Anna van der Gaag	5	David Smith	5
Nancy Kirkland[4]	5	Rosie Varley	5
Sue Leggate	3	Kieran Walshe	4
Hew Mathewson	4	Sally Williams	5
Kate McClelland	4	Lois Willis	5
Jim McCusker	4	Judith Worthington	3

Committees and working groups of the Council

Audit Committee

Hugh Ross, Chair
Graeme Catto
Sue Leggate
Jim McCusker
Lois Willis

Finance Committee

Nigel Clarke, Chair
Nancy Kirkland (from 13 February 2008)
Hew Mathewson
Sally Williams

Remuneration Committee

Rosie Varley, Chair

Nigel Clarke

Peter North

Hugh Ross

Scrutiny Committee

Frances Dow, Chair
Frances Blunden (independent member)
Hew Mathewson
Kieran Walshe

4 Replaced Sandra Arthur.

Operations

27. CHRE's creditor payment policy is that all creditors are paid within 30 days of receipt of invoice except in the instance where there may be a query or dispute regarding an invoice.

2007/08	Number	£
Total invoices paid	872	1,485,314
Total invoices paid within 30-day target	870	1,484,960
Percentage of invoices paid within 30-day target	99.8%	99.9%

28. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

29. During the year CHRE was required, under direction from the Department for Work and Pensions, to publish and implement a Disability Equality Scheme under the Disability Discrimination (Public Authorities) (statutory Duties) Regulations (SI 2005/2966). This was completed in December 2007.

30. A job evaluation process was commenced in late 2007 and is expected to be completed in early 2008/09. It is possible that the outcome of this process may result in a back-dated increase in salary for some staff members.

31. CHRE's contract for the provision of outsourced human resources services with the NHS Counter Fraud Security Management Service (CFSMS), a division of the NHS Business Services Authority, ended on 31 March 2008. A tender exercise was undertaken in March 2008 and proposals were sought from three organisations, excluding CFSMS which was unable to continue providing this service. Northgate has been appointed to provide human resources services to CHRE.

32. At its retreat in September 2007, Council agreed to produce a Code of Conduct for members. This responsibility was delegated to the Audit Committee which delivered the Code to Council in October 2007 where it was accepted. A copy of the Code is available on CHRE's website.

33. The external auditor for CHRE is the Comptroller and Auditor General. South Coast Audit provides the internal audit function.

34. The Council is very grateful to the staff for continuing to work effectively and without interruption to the business of the organisation during a year of considerable change.

35. CHRE's accounts have been prepared according to Determinations by the Secretary of State pursuant to Schedule 7, Paragraph 15 of the National Health Service Reform and Health Care Professions Act 2002.

Summary

36. This has been an important year of transition and change for CHRE with new leadership and the promise of new roles and responsibilities. As set out in this report the Council has acted to maintain its statutory functions, to complete a range of work streams, to contribute to the future through the White Paper projects and to prepare for its own new functions. The Council has had to balance existing work with effective transition planning and has done so within the resources available to it.

37. During 2007/08, following the appointment of the new Chief Executive in August 2007 and alongside the development of the strategic and business plans, CHRE reviewed its organisational structure which now comprises three areas:

- policy, research and external relations
- scrutiny and quality
- operations.

38. The heads of each area (the management team) meet on a regular, formal basis with the Chief Executive to review and discuss a range of issues including the budget, policy development and performance review.

39. The review of CHRE's organisational structure identified the need for additional staff and recruitment commenced in February 2008 with the appointment of a Good Practice Officer, Finance Manager and Public Affairs Manager, all of whom joined CHRE early in 2008/09.

Fitness to practise

40. Under Section 29 of the National Health Service Reform and Health Care Professions Act 2002 we can refer fitness to practise decisions to court if we consider that a decision is too lenient and that a referral is necessary for the protection of the public. We have continued to use the important powers in Section 29 where necessary for the protection of the public.

41. The principal aim of the scrutiny of fitness to practise cases is to improve the quality of the regulators' fitness to practise procedures, and the standard of the decisions made by their panels and committees.

42. This can usually be achieved by feeding back learning points to the regulators, rather than referring cases to court. We do this in writing and through feedback meetings with the regulatory bodies. These meetings have resulted in agreed action, often involving additional training for the panel members. We have also contributed to many of the regulators' training sessions for panel members and legal assessors on matters such as the writing of determinations.

43. We have continued to see an increase this year in the number of fitness to practise cases notified to CHRE by the regulators (from 915 in 2006/07 to 1,231 in 2007/08). Of the 1,231 cases we considered between 1 April 2007 and 31 March 2008, 1,129 were closed with no requirement for more information, and we sought and considered additional information in the remaining 102 cases. Council members considered 10 of these cases and we referred five cases to court (one of which we later withdrew). Of these, two were NMC cases, one was a GDC case, one case was from the RPSGB, and the case we withdrew was from the GMC.

44. We received judgments from the High Court on five cases this year. Two of the appeals were upheld and the other three were settled by agreement.

45. Following the recommendations in the White Paper, *Trust, Assurance and Safety – The Regulation of Health Professions in the 21st Century*, we have started a project to consider how we should audit the initial stages of the regulators' fitness to practise processes. The project is due to conclude in September 2008.

Performance review

46. During this year we have undertaken a major revision of the performance review process. The new process is based on a set of standards which were compiled in consultation with the regulators. These set out the minimum standards which we believe a regulator needs to meet in order to be able to carry out its functions to an acceptable standard. We have piloted this new standards-based approach with all of the regulators for this year's performance reviews. Each regulator completed a self assessment against all of the standards. We have discussed these self assessments with officials and in some cases members of the regulators and will shortly be publishing our findings on the extent to which regulators have met the standards.

47. The Minister of State for Health in England, following an adjournment debate in parliament, asked CHRE to report on the NMC and to give particular consideration to issues relating to our standards for governance. The Minister for Health, Social Services and Public Safety in Northern Ireland asked us to report on the PSNI. These reports will be published as part of CHRE's annual performance review of professional regulation.[5]

48. At the end of the pilot performance review process we will be consulting on the standards, taking into account the regulators' experience of the pilot. We have sought comments on the draft standards from a wide range of patient and public representatives. These comments will inform our review of the pilot performance reviews and the revision of the standards.

White Paper

49. The White Paper *Trust, Assurance and Safety – The Regulation of Healthcare Professionals in the 21st Century* was published in February 2007, and is the culmination of consultation work previously undertaken by the DH. The Health and Social Care Bill, brought forward by parliament in October 2007 will provide the enabling legislation for many of the activities proposed in the White Paper.

50. The White Paper outlines several streams of activity to be undertaken both at national and local level. The national groups are as follows;

- revalidation of medical professionals
- revalidation of non-medical professionals
- extending professional regulation to other groups
- tackling concerns nationally
- tackling concerns locally
- health for health professionals
- enhancing confidence in regulation.

51. CHRE has played an important supporting role in several of the national groups, assisting with developing high level strategic principles. These principles will be further developed in more detail within smaller working groups.

52. In addition CHRE has been managing projects on common protocols for the investigation of concerns, thresholds for referral to regulatory bodies, a single standard definition of good character and information sharing at the point of entry to the register. The White Paper indicates several streams of work for CHRE that are likely to continue for the next three years, leading to the next review of healthcare regulation in 2011.

53. In the last year we have been asked to provide advice to the Minister of the Department of Health for England on the implications of all the regulatory bodies moving to apply the civil standard of proof in all fitness to practise cases, and additionally whether or not students should be registered with their future professional regulatory body. The latter completes the work CHRE started in 2006 with the regulatory bodies to explore how students could be more involved with their regulatory bodies throughout their pre-registration period in order to instil the concept of professionalism during studentship.

Health and Social Care Bill

54. The Health and Social Care Bill brought forward by the government in the 2007/08 parliamentary session provides the legislative background to enable many of the changes to CHRE and other aspects of the regulatory framework proposed by the White Paper to be taken forward. The Bill proposes for CHRE a statutory main objective of promoting the health, safety and wellbeing of patients and other members of the public, with a duty to inform and consult the public. It proposes that the governing Council of CHRE will be smaller, more strategic and independent of the regulators.

55. Currently the Bill proposes new responsibilities for CHRE, including: auditing the early stages of the regulators' fitness to practise processes; monitoring the GMC's and GOC's use of their power of appeal against the decisions of the new independent adjudicator; and adding to CHRE's existing Section 29 remit in cases where a health professional's fitness to practise is in question due to health reasons.

5 See paragraph 66.

56. The government will take forward measures in secondary legislation for reforming the governing Councils of the regulators, making them smaller, independently appointed and with greater public involvement. CHRE will continue to provide evidence to the consultations on all the secondary legislative changes.

Strengthening relationships across the four countries of the UK, in Europe and worldwide

57. Scotland, Wales and Northern Ireland all had parliamentary elections during 2007, in each case resulting in a change in government. CHRE was aware of the impact of government changes on relationships and priorities for health and worked to offer support where appropriate.

58. We have continued to build the relationship with the Scottish Executive[6] health department.

59. In October CHRE held a public meeting in Edinburgh to demonstrate our continued commitment to working with Scotland and to enable a better dialogue with the Scottish public.

60. The new government arrangements in both Wales and Northern Ireland triggered reviews of public administration and their health delivery systems. Again, CHRE maintained close working relationships with senior officials.

61. The Directive 2005/36 EC on the recognition of professional qualifications was transposed into UK law in 2007. CHRE worked closely with the DH and the regulatory bodies to ensure that the health section of the Directive was completed by December 2007.

62. The directive requires that language testing for EU residents' entry to the register on the basis of the person's country of origin should no longer occur as it is deemed to be both a discriminatory action and a barrier to freedom of movement.

CHRE operations

63. Funding of £1,711,500 was provided as grant in aid through the DH in 2007/08. Additional funding for 2007/08 of £100,000 was provided specifically for work arising from the White Paper.

64. Following a reduction in legal costs for our work on Section 29 in 2006/07, the notional budget allocation to this area was reduced from £500,000 to £400,000. This reduction was the result of CHRE referring fewer cases and the timing of court orders associated with cases in the previous year. However, costs in this area remain unpredictable as they are dependent entirely on the outcome of cases referred, the progression and outcome of the case, and then the timing of the court order.

65. CHRE continues to settle cases by agreement wherever possible, thereby avoiding the need for costly contested hearings.

66. As anticipated in 2006/07, the DH in England sought support for CHRE in 2007/08 from the Scottish Executive, Welsh Assembly Government and Northern Ireland Executive under the Barnett formula. Funding was provided by the Scottish Executive (£245,000) and the Welsh Assembly Government (£127,000). While funding was not provided by the Northern Ireland Executive in 2007/08 CHRE continued to undertake work for Northern Ireland. The Northern Ireland Executive has indicated that funding will be forthcoming in 2008/09.

67. CHRE was under-spent by £725,000 in 2007/08 against a budget of £2,939,000 and this was largely as the result of the following:

- *Scrutiny and quality*
  lower than anticipated expenditure on legal costs
- *Policy, research and external affairs*
  delay in the commencement of some of the White Paper work streams
- *Operations*
  change in senior management and staffing, and reduction in staff costs, delay in recruitment

  reduction in occupancy levels at 11 Strand

  reduced Council expenses following the departure of the previous Chair

  a re-assessment of CHRE's dilapidations liability under the lease.

6 The Scottish Executive is now referred to in Scotland as the Scottish Government.

68. Positive discussions have been undertaken with the DH in England and Arms' Length Body (ALB) Business Support Unit with regard to funding for the 2008/09 business plan.

69. CHRE has maintained a strong financial position at year end, as shown on the balance sheet (page 27), and has maintained positive cash balances and net working capital at all times during the year.

70. The financial performance and cash flow of CHRE for the year ended 31 March 2008 is shown in the operating cost statement (page 26), cash flow statement (page 28) and supporting notes (pages 29 to 42).

71. An analysis of accounting policies is shown in note 1 to the accounts. There have been no changes to these during the year.

72. Since its establishment in April 2003, and consistent with the ALB review framework, CHRE's back-office functions have been outsourced to a range of organisations. The functions supported in this way include finance, payroll, human resources, legal services, information technology support and maintenance, website support and maintenance, and building and office services.

73. In early 2007/08 we completed the re-tendering process for legal advice to support our work on for fitness to practise, including Section 29. We were supported in this process by the NHS Purchasing and Supply Agency and the tender was advertised widely, including in the Official Journal of the European Union. We appointed a panel of three legal firms, who were contracted to provide advice to CHRE from 1 July 2007.

74. All supplier contracts are reviewed as their terms stipulate. From 2008/09, however, reviews will be undertaken on a rolling basis every six months and as required according to specific terms and conditions. This will enable the executive to provide assurance to the Council that the organisation continues to achieve value for money in the purchase of all goods and services. The first reviews are expected to take place in August 2008 and will assess, among other things, whether CHRE is continuing to receive value for money.

75. In November 2007 CHRE commissioned a comprehensive report on its potential dilapidations liability under the lease for the First Floor, 11 Strand. This report was received in late January 2008 and provides detailed information about the state of the building and CHRE's likely obligations.

76. It supports the information provided previously by the Consultancy and Interim Management Support section of the Office of Government Commerce. It does not, however, take into account the possibility of the landlord undertaking significant works to the building as the result of all the leases ending at the same time.

77. It is difficult to predict whether the landlord will seek to undertake any significant work on the building before the lease ends, but CHRE continues to liaise with the other tenants in the building and has asked the landlord for a forward maintenance plan in an attempt to obtain as much information as possible on this aspect of the lease. At the time of writing this report a forward maintenance report had not been received.

78. CHRE received capital funding of £33,000 in 2007/08. This was used predominantly to replace the IT network which suffered several failures during the year. These failures were the result of the previous network configuration of the server equipment, however each piece of equipment can still be used independently to support the new network structure. There was no loss of data or major business disruption caused by the network failures.

79. As part of CHRE's business continuity plan a server has been set aside for disaster recovery purposes. This will run a live connection from a secure hosted location directly into CHRE's network. This is expected to be in place in early 2008/09.

80. Five members of staff, including the Director, left the organisation in 2007/08. Details of our employees and temporary workers may be found in note 5 to the accounts. The number of employees is expected to increase in 2008/09 as a result of additional work resulting from the White Paper, the Bill and new commissions from the DH.

81. CHRE's performance is monitored internally by Council through its oversight of the strategic and operational functions of the organisation. Reports to the Council and its committees include financial updates, risk assessment, progress against business plan objectives and regular reports from internal and external auditors. In addition, formal quarterly reviews are held between CHRE executives, the DH and ALB Business Support Unit.

82. This report has been prepared in accordance with the Accounting Standards Board's *Reporting Statement: Operating and Financial Review*.

83. While CHRE is a small organisation efforts are made, wherever possible, to ensure that we consider environmental matters.

84. Details about the NHS Pension Scheme and the treatment of pension liabilities in the accounts are set out in the notes to the accounts in accounting policies (1i).

85. As far as the Accounting Officer is aware, there is no relevant audit information of which CHRE's auditors are unaware, and the Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that CHRE's auditors are aware of that information.

Financial summary

86. Our financial performance during the year, and position as at 31 March 2008, is identified respectively in the operating cost statement and the balance sheet in the full accounts of CHRE. During the year we received grant in aid funding from the DH in the sum of £1.812 million, funding of £245,000 from the Scottish Executive and £127,000 from the Welsh Assembly Government. We also recovered £60,000 associated with Section 29 cases taken to the High Court where we were successful in proceedings.

87. We incurred net expenditure of £2.214 million including £239,000 Section 29 non pay costs. After allowing for write back of capital charges, we achieved an under spend of £725,000 against a budget of £2,939,000. Our full accounts can be found on pages 26 to 42.

Staff

Michael Andrews	Head of Scrutiny and Quality
Valerie Baldino	Office Manager
Douglas Bilton	Project Manager
Michael Blomfield	Policy Analyst
Harry Cayton	Chief Executive (from 1 August 2007)
Francesca Compton	Council Secretary
Alexander Forrest	Director (until 30 April 2007)
Rosemary Macalister-Smith	Head of Policy, Research and External Relations[7]
Rachael Martin	Fitness to Practise Assistant
Briony Mills	Fitness to Practise Officer
Unnati Patel	Finance Assistant (until 18 October 2007)
Elisa Pruvost	Policy Manager (until 31 January 2008)
Beata Santa	Finance Assistant (from 16 October 2007)
Dan Scott	Receptionist/Administrator
Kristin Smyth	Head of Operations

A register of interests for senior managers is available on the CHRE website.

Contact details

Council for Healthcare Regulatory Excellence
11 Strand
London
WC2N 5HR

Phone: 020 7389 8030
Fax: 020 7389 8040
E-mail: info@chre.org.uk
Website: www.chre.org.uk

7 Rosemary Macalister-Smith was Accounting Officer and Acting Director from 1 May to 31 July 2007 inclusive.

88. The policy on remuneration for senior managers[8] commissioned by the Remuneration Committee[9] in June 2004, states that they should be based on a spot rate pay value dependent on market value. Each year salary levels are uplifted to incorporate a cost of living increase from October.

89. Previously CHRE had received pay data from the Office of Manpower Economics' yearly survey of pay awards for non-manual employees outside the public services sector. This survey no longer exists. However, CHRE considers detailed pay data on inflation, settlements and earnings from published sources.

90. Assessment of whether or not performance conditions were met is undertaken according to CHRE's performance appraisal policy and procedure. Remuneration is not subject to performance conditions although progression on the pay band (which applies to staff on levels 1 through to 5) is subject to satisfactory appraisal.

91. Following the review of the organisation structure in 2007/08 a job evaluation and review of the pay structure was commissioned from CHRE's human resources providers. This was not complete at year end however it is expected to be completed by different consultants early in 2008/09. This review will potentially have an impact on some salaries for the 2007/08 financial year if the final recommendations propose increasing salaries, and this is approved by the Remuneration Committee.

92. The policy on termination of contracts is determined by the level of responsibility of the position. For all staff up to and including pay band level 4 there is a one-month notice period. For level 5 staff and the Head of Research, Policy and External Relations there is a three-month notice period and for the Chief Executive a six-month notice period. Contracts are offered on a permanent basis, subject to certain requirements being met, and successful completion of a probationary period. Contracts are occasionally offered on a fixed-term basis, generally to reflect the nature of, and context for, the work involved. CHRE treats termination payments and provisions for compensation for termination on a case-by-case basis in consultation with our advisors.

93. Immediately prior to the departure of the previous Director in April 2007, the three senior managers took on a greater level of responsibility within the organisation. In the organisation structure review implemented by the new Chief Executive the position titles for these senior staff members (Michael Andrews, Rosemary Macalister-Smith and Kristin Smyth) were amended to reflect the new organisation structure. These individuals are now considered to meet the Financial Reporting Manual definition of senior managers and are included in the remuneration report as senior managers from 1 April 2007.

8 CRHP Job Evaluation Exercise, Liberata UK Ltd.
9 See page 7 for Committees of the Council.

94. Senior managers' contracts.

Name	Title	Date of contract	Unexpired term	Notice period
Alexander Forrest (until 30 April 2007)	Director	17 November 2003 to 30 April 2007	N/A	N/A
Rosemary Macalister-Smith	Head of Policy, Research and External Relations[10]	1 December 2005	Permanent contract	3 months
Harry Cayton (from 1 August 2007)	Chief Executive	1 August 2007	Permanent contract	6 months
Kristin Smyth[11]	Head of Operations	27 October 2003	Permanent contract[12]	3 Months
Michael Andrews	Head of Scrutiny and Quality	19 January 2004	Permanent contract	3 months

95. There have been no awards made in respect of early termination to past senior managers.

96. Senior managers' salaries

Name	Salary (£'000) 2007/08	Salary (£'000) 2006/07	Real increase in pension at age 60 (£'000)	Total accrued pension at 31 March 2008 (£'000)
Alexander Forrest (until 30 April 2007)	15-20 (full year equivalent £130-135)	125-130	0-2.5	2.5-5
Rosemary Macalister-Smith	80-85	N/A[13]	0-2.5	37.5-40
Harry Cayton (from 1 August 2007)	80-85 (full year equivalent £120-125)	N/A	0-2.5	5-7.5
Kristin Smyth	55-60	N/A[13]	0-2.5	2.5-5
Michael Andrews	55-60	N/A[13]	0-2.5	2.5-5

This table is subject to audit by the Comptroller and Auditor General.

10 Rosemary Macalister-Smith was Accounting Officer and Acting Director from 1 May – 31 July 2007 inclusive. During this period she received an additional salary of £5,000 to £10,000 which is included in the total 2007/08 salary.
11 Head of Operations from 16 October 2007. Previously Head of Business Governance.
12 Fixed-term contract from 27 October 2003. Permanent contract from 1 October 2004.
13 See paragraph 93.

All senior managers in the year were members of the NHS Pension Scheme.

Note: the following were not provided: allowances; benefits in kind; bonuses; expenses allowance; compensation for loss of office or termination of service (2006/07: £Nil).

97. Pensions

Name	Title	Value of accrued pension (£'000)	Related lump sum (£'000)	Real increase in related lump sum (£'000)	Cash Equivalent Transfer Value as at 1 April 2007 (to nearest £1,000)	Cash Equivalent Transfer as at 31 March 2008 (to nearest £1,000)	Real increase in the cash equivalent transfer value during the reporting year (to nearest £1,000)
Alexander Forrest (until 30 April 2007)	Director	2.5 – 5	12.5 – 15	0 – 2.5	72	75	0
Rosemary Macalister-Smith	Head of Policy, Research and External Relations	37.5 – 40	112.5 – 115	10 – 12.5	571	661	53
Harry Cayton (from 1 August 2007)	Chief Executive	5 – 7.5	15 – 17.5	2.5 – 5	65	91	11
Kristin Smyth	Head of Operations	2.5 – 5	7.5 – 10	0 – 2.5	31	42	7
Michael Andrews	Head of Scrutiny and Quality	2.5 – 5	7.5 – 10	0 – 2.5	26	37	7

This table is subject to audit by the Comptroller and Auditor General.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure, and from 2005/06 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

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

98. The services of an interim senior manager were procured through an agency during the year, from 2 April to 14 December 2007. This was to provide additional support to the senior management team during the recruitment period for the Chief Executive and because the Council anticipated additional responsibilities for the organisation arising from the White Paper. The costs for these services were £175,238. Other than this payment there has been no compensation paid to former senior managers, or payments made to third parties for the services of a senior manager. This statement is subject to audit by the Comptroller and Auditor General.

Members' remuneration

99. From 13 April 2007 Rosie Varley assumed the role of Acting Chair[14].

100. Frances Dow's initial period of appointment to the Council ended on 31 March 2007. The Scottish Executive was unable to confirm her re-appointment due to protocols relating to the Scottish parliamentary election in May 2007.

101. Under the powers of *Schedule 7 s.13 NHS Reform and Health Care Professions Act 2000*, the Acting Chair requested that Frances Dow assist the Council in the discharge of its duties from 1 April 2007 until such time as her re-appointment was confirmed. CHRE was notified of Frances Dow's re-appointment by the Scottish Executive on 25 June with effect from 2 July 2007.

102. Council members' remuneration and the Chair's salary are not subject to superannuation.

103. Members received annual remuneration of £7,500 pa (2006/07: £7,500) and the Audit Committee Chair received additional remuneration of £5,000 pa.

104. Members' remuneration during the year amounted to £184,292 (2006/07: £216,222) including social security costs and, Section 29 panel attendance fees of £10,938 (2006/07 £11,188) which were distributed between 12 members of Council who sat on panels during the year.

14 See paragraph 22.

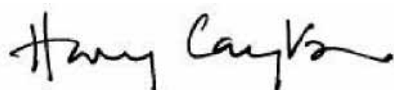
105. Payments to individual members are disclosed in the following ranges:

	2007/08			2006/07		
	Salary (bands of £5,000)*	S29 panel attendance fees[15]	Benefits in kind	Salary (bands of £5,000)*	S29 panel attendance fees	Benefits in kind
	£'000	£	£	£'000	£	£
Chair:						
Mrs Jane Wesson (Chair until 12 April 2007)	0-5	275	–	30-35	1,325	20,414[16]
Mrs Rosie Varley (Acting Chair from 13 April 2007)	30-35	2,150	N/A	5-10	275	N/A
Members:						
Mrs Sandra Arthur (until 19 October 2007)	0-5	–	N/A	0-5	–	N/A
Sir Graeme Catto	5-10	825	N/A	5-10	–	N/A
Mr Nigel Clarke	5-10	413	N/A	5-10	1,463	N/A
Dr Frances Dow (from 2 July 2007)[17]	5-10	350	N/A	5-10	975	N/A
Mrs Sue Leggate	5-10	550	N/A	5-10	550	N/A
Dr Hew Mathewson	5-10	2,025	N/A	5-10	175	N/A
Dr Kate McClelland	5-10	550	N/A	5-10	825	N/A
Mr James McCusker	5-10	625	N/A	5-10	825	N/A
Mr Peter North	5-10	1,525	N/A	5-10	1738	N/A
Mr Hemant R Patel	5-10	–	N/A	5-10	–	N/A
Mr Hugh Ross (Audit Committee Chair)	10-15	–	N/A	10-15	–	N/A
Mr David Smith	5-10	275	N/A	5-10	412	N/A
Dr Anna van der Gaag	5-10	550	N/A	0-5	–	N/A
Dr Kieran Walshe	5-10	–	N/A	5-10	550	N/A
Ms Sally Williams	5-10	275	N/A	5-10	–	N/A
Ms Lois Willis	5-10	550	N/A	5-10	825	N/A
Mrs Judith Worthington	5-10	–	N/A	5-10	–	N/A
Ms Nancy Kirkland (from 22 October 2007)	0-5	–	N/A	–	–	N/A
Sir Jonathan Asbridge (until 4 August 2006)	–	–	N/A	0-5	700	N/A
Professor Norma Brook CBE (until 7 July 2006)	–	–	N/A	0-5	550	N/A

* Includes S29 panel attendance fees

In addition, expenses amounting to £30,196 (2006/07: £52,156) were reimbursed to the members.

Members' remuneration is subject to audit by the Comptroller and Auditor General.



WHR Cayton
Accounting Officer

11 June 2008

15 Panel attendance fees are paid according to the Determination by the Secretary of State for Health for the Remuneration and Allowances payable by the Council for the Regulation of Healthcare Professionals, as amended from time to time.
16 Second home allowance (£12,000 net).
17 Consultancy fees were paid to Frances Dow for the period 1 April to 1 July 2008 in the sum of £1,875 (see note 6).

5 Statement of the Council's and the Accounting Officer's responsibilities

The Council's responsibilities

106. 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 Health Care 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.

107. 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 judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer's responsibilities

108. The Accounting Officer for the Department of Health has appointed the Chief Executive 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 *Managing Public Money*.

6 Statement on internal control

Scope of responsibility

109. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CHRE's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

110. CHRE reports directly to the UK parliament and works closely with the devolved administrations in Scotland, Wales and Northern Ireland; and, the Department of Health and its Arms' Length Body Business Support Unit team in delivering its statutory obligations as well as the key objectives of the business plan. This includes identifying and responding appropriately to both internal and external risks.

The purpose of the system of internal control

111. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in CHRE for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

112. The Audit Committee has oversight of CHRE's risk management and this is a standing item on their meeting agendas.

113. The management team comprising the Chief Executive, Head of Operations, Head of Scrutiny and Quality, and the Head of Policy, Research and External Relations, meets regularly to consider a number of matters including risk management.

114. It is recognised that while CHRE has made significant progress in developing and implementing its systems of internal control, risk management is still not sufficiently embedded in the organisation. Steps are being taken to address this for the future and are likely to include training for key staff and a more structured programme of reporting within the management team as well as to the Audit Committee and Council.

The risk and control framework

115. In 2007/08 the risk register was revised to reflect the organisation's new operational structure: scrutiny and quality, policy, research and external relations and operations. In addition the scoring was enhanced to include both inherent and residual risk and the top risks were identified separately.

116. The risks associated with all the planned activities of the organisation have also been identified and included in CHRE's business plan for the first time.

117. The top risks identified in the risk register are consistent with the top risks identified separately through the business planning process.

118. The restructure of the risk register, reflecting the three new business areas of CHRE, has resulted in greater clarity for users. The level of complexity that existed in the previous version has been focused into a more accessible and useable document.

119. Each strand of the business plan continues to link to the relevant strand of the risk register and the senior manager responsible for delivering that area of work, which in the case of the new register means three areas rather than the previous eight.

120. The members of the management team identify and respond to the risks associated with their particular area of work. This is an ongoing process which is reviewed regularly by them and the Audit Committee, and is supported by relevant guidance.[18]

121. CHRE's risk appetite continues to be low. Significant new risks that have had to be considered in 2007/08 include the White Paper work streams (as much of this work was outside CHRE's control yet the organisation played a central role in its delivery), and the forthcoming Bill which is expected to change CHRE's governance structure and significantly enhance its role in the healthcare regulatory environment.

122. CHRE has previously participated in a Risk Management Forum with representatives from the healthcare regulatory bodies. The forum did not meet in 2007/08 however a meeting is planned in early 2008/09 to discuss the future of the group.

123. In November 2007 and January 2008 CHRE participated in Cabinet Office questionnaires concerning the control of information held by the organisation. CHRE holds very little personal information and where it does, the processes for managing this information have been reviewed.

124. No amendments to our current systems of control over risk to information were therefore considered necessary, and the questionnaires and associated documents issued by Cabinet Office and the DH were useful in reminding the organisation of its responsibility to manage its information in accordance with the Data Protection Act 1998 and Freedom of Information Act 2000.

Review of effectiveness

125. 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 the executive managers within the department 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the previous Accounting Officers[19], Council and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

126. While I do not consider that CHRE has any significant weaknesses in its system of internal controls, a programme of continuous improvement exists, in consultation with the Audit Committee, internal auditors and external auditors, to ensure that CHRE meets best practice standards in all areas of its operations.

127. CHRE's risk management policy seeks to identify the risks facing the organisation and treat them according to established guidelines. The risk appetite is low and managers make sound decisions on the risks the organisation retains, those it reduces through strategic or operational change, and those it may transfer.

128. The risk register clearly defines the risks associated with each of the strategic business plan priorities as well as the operational risks in the day-to-day running of the organisation. These are identified through consultation with Council and key staff members. Evaluation and control of risks is undertaken by defining the risk event and consequences, and then assessing the controls.

129. Council and its Audit Committee oversee the risk management process and receive regular updates on business performance.

130. During 2007/08 the risk register was presented in detail to the Audit Committee. During the year the Committee agreed to refine the process for considering risk and in future will receive the top 6-10 risks, with two to three of these risks analysed in detail at each meeting.

131. The executive will continue to provide evidence regarding the process for identifying risks and placing them on the register, and will continue to provide any updates regarding the

18 HM Treasury 'Orange Book' and the Australian/New Zealand *Standard for Risk Management* 4360:2004.

19 Alexander Forrest 1-30 April 2007, and Rosemary Macalister-Smith 1 May-31 July 2007.

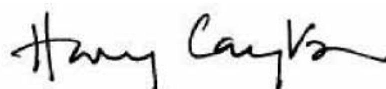
prioritisation of risks and ongoing management of the top risks as appropriate. The detailed risk register will remain available to the Committee.

132. Horizon scanning remains a part of regular review and this involves consideration and contribution from the Council, Audit Committee and the executive team. External and internal influences are considered and any potentially significant risks are discussed with key stakeholders as soon as they become apparent.

133. In 2006/07 the Head of Internal Audit Opinion was that a 'satisfactory' level of assurance could be given and stated that 'slight improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance'. In 2007/08 this is again 'satisfactory' for the same reasons as stated in the 2006/07 Opinion.

134. Throughout 2007/08 CHRE obtained assurance from Moorepay regarding their provision of outsourced payroll services through evidence of risk control systems, disaster recovery plans and accreditation of each organisation with the British Standards Institute.

135. All CHRE staff are entitled to membership of the NHS Pension Scheme and control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with.



WHR Cayton
Accounting Officer

11 June 2008

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

Council for Healthcare Regulatory Excellence

I certify that I have audited the financial statements of the Council for the Regulation of Healthcare Professionals for the year ended 31 March 2008 under the National Health Service Reform and Healthcare Professions Act 2002. These comprise the operating cost statement, the balance sheet, the cash flow statement and statement of recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and Auditor

The Council and Chief Executive as Accounting Officer are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with the National Health Service Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the approval of the Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and the Accounting Officer's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the approval of the Treasury. I report to you whether, in my opinion, the information, which comprises the management commentary and Council report included in the annual report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on internal control reflects the Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the approval of the Treasury, of the state of the Council's affairs as at 31 March 2008 and of its net operating cost for the year then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with National Health Service Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the approval of the Treasury; and
- information, which comprises the management commentary and Council report included in the annual report, is consistent with the financial statements.

Opinion on regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

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

17 June 2008

8 Operating cost statement and statement of recognised gains and losses

Operating cost statement
For the year ended 31 March 2008

	Note	Year ended 31 March 2008 £	Year ended 31 March 2007 Restated £
Operating costs	2	2,280,820	2,334,977
Operating income	3	(59,630)	(186,890)
Net operating cost before capital charges reversal		2,221,190	2,148,087
Capital charges reversal	7	(6,972)	(9,246)
Net operating cost		**2,214,218**	**2,138,841**

All operations are continuing. There were no material acquisitions or disposals in the year.

Statement of recognised gains and losses
For the year ended 31 March 2008

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Net unrealised gain on revaluation of fixed assets	–	2,003
Recognised gains for the year	**–**	**2,003**

The notes on pages 29 to 42 form part of these accounts.

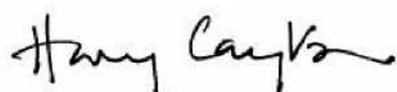
9 Balance sheet

Balance sheet as at 31 March 2008

	Note	2008 £	£	2007 £	£
Fixed assets					
Tangible fixed assets	8		182,538		211,514
Current assets					
Debtors	9	204,932		290,591	
Cash at bank and in hand	10	142,886		68,621	
		347,818		359,212	
Creditors: amounts falling due within one year	11	(171,231)		(129,325)	
Net current assets			176,587		229,887
Provisions for liabilities and charges	12		(142,210)		(193,768)
Net assets			216,915		247,633
Reserves					
General reserve	13		213,441		242,675
Revaluation reserve	13		3,474		4,958
			216,915		247,633

The notes on pages 29 to 42 form part of these accounts

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



WHR Cayton
Accounting Officer

11 June 2008

10 Cash flow statement

Cash flow statement for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Net cash outflow from operating activities	14	(2,070,848)	(1,960,259)
Capital expenditure			
Payments to acquire tangible fixed assets	8,11	(38,387)	(25,827)
Fixed asset disposal proceeds		–	1,288
Net cash outflow before financing		(2,109,235)	(1,984,798)
Financing			
Grant in aid from the Department of Health for revenue expenditure	13	1,778,500	2,000,000
Devolved administration funding:			
Scotland		245,000	–
Wales		127,000	–
Grant in aid from the Department of Health for capital expenditure	13	33,000	33,000
Increase/(decrease) in cash	10	74,265	48,202

The notes on pages 29 to 42 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 in accordance with HM Treasury's Financial Reporting Manual. The particular accounting policies adopted by the Council 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.

Revenue grant in aid received from the DH used to finance activities and expenditure which support the statutory and other objectives of CHRE is treated as contributions from a controlling party giving rise to a financial interest in the residual interest in CHRE and therefore is accounted for as financing by crediting them directly to the general reserve on a cash receivable basis.

Financial contributions to the activities of CHRE from the devolved administrations is also accounted for as financing by crediting them directly to the general reserve on a cash receivable basis.

d. Tangible fixed assets

Under the principles of modifed historic cost accounting depreciated replacement cost is deemed a suitable proxy where the asset has a short useful economic life or is of low value. On this basis indexation has not been applied this year. Asset valuations are to be reviewed on an annual basis at each balance sheet date to ensure that the carrying value fairly reflects current cost. Depreciation is still charged on the remaining useful economic life of the brought forward re-valued asset base.

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.

Computer software costs are charged to the operating cost statement on an accruals basis.

Any surplus on revaluation is credited to the government grant reserve. A deficit on revaluation is charged to the operating cost statement, unless the downward revaluation is solely due to fluctuations in market value in which case the amount is debited to the revaluation 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, furniture and fittings	From 1 April 2003 to the end of the lease in December 2010
Computer equipment	3 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 operating cost statement 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 be subsequently 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 or an agreement between parties of the proportion of costs that will be paid and submitted to the courts . When 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 Financial Reporting Manual published by the Treasury, a notional charge for the cost of capital employed during the year is included in the operating cost statement along with an equivalent notional income to finance the charge. The cost of capital charge is calculated at 3.5 per cent (2006/07: 3.5 per cent), 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 operating cost statement and included under the heading relevant to the type of expenditure.

i. Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

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

a) Full actuarial (funding) valuation

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

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

b) FRS17 accounting valuation

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

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

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

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

Scheme provisions as at 31 March 2008

The Scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years' pensionable pay for each year of service. A lump sum normally equivalent to 3 years' pension is payable on retirement.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50 per cent of the member's pension is normally payable to the surviving spouse.

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the body commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions from 1 April 2008

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

j. Operating leases

Rentals payable under operating leases are charged to the operating cost statement on an accruals basis.

An operating lease for 11 Strand, London, WC2N 5HR is in force until 24 December 2010.

k. Provisions

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

l. Operating income

The majority of CHRE's operating income relates to Section 29 recoveries (see note 1f).

Remittances for re-charges made to other tenants occupying First Floor, 11 Strand in relation to rates and other accommodation costs were disclosed as operating income and recognised on an accruals basis. The nature of these transactions is that CHRE is acting as an agent collecting these charges on behalf of the landlord and this does not represent income to CHRE. These re-charges, which were £14,612 in 2007/08 (2006/07: £8,054) have therefore been offset against the related expenditure so that the accounts reflect the actual cost of these charges to CHRE. The 2006/07 comparatives have been restated on this basis.

2. Operating costs

	Notes	Year ended 31 March 2008			Year ended 31 March 2007 Restated		
		£	£	£	£	£	£
Staff costs	4		904,265			735,166	
Members' remuneration[20]			173,354			205,034	
Other operating costs:							
S29 costs		239,120			328,707		
Other operating costs		871,571			1,006,042		
Total other operating costs	6		1,110,691			1,334,749	
Depreciation	8, 13		85,538			50,782	
Notional cost of capital	7		6,972			9,246	
Total operating costs				2,280,820			2,334,977

3. Operating income

	Year ended 31 March 2008	Year ended 31 March 2007 Restated
	£	£
S29 cost recoveries	59,630	185,214
Other operating income	–	1,676
Total operating income	59,630	186,890

20 Remuneration report

4. Staff costs

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Salaries	570,373	585,958
Social security costs	56,916	54,041
Superannuation costs	72,532	65,165
Agency/temporary costs	204,444	30,002
Total staff costs	904,265	735,166

The decrease in salaries in 2007/08 arose due to the delay in recruiting a new Chief Executive, staff leavers in the year and delay in planned recruitment. This was offset by an annual cost of living rise to salaries of 3.3 per cent from October 2007, agreed by the Remuneration Committee and the DH. The increase in agency costs was the result of the employment of an interim senior manager as referred to in the remuneration report.

5. Average number of staff

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

	Year ended 31 March 2008 WTE (whole time equivalent)	Year ended 31 March 2007 WTE (whole time equivalent)
Management and administrative	*13.07	*12.44
	13.07	12.44

*Includes 1.63 WTE temporary staff members (2006/07 0.99)

6. Other operating costs

Other operating costs include:

	Note Below	Year ended 31 March 2008 £	Year ended 31 March 2008 £	Year ended 31 March 2007 £	Year ended 31 March 2007 Restated £
Professional fees	a.		198,972		300,267
Consultancy fees	b.		25,346		31,131
Rent and office accommodation	c.		345,437		382,618
Accountancy, HR services and other	d.		88,441		80,680
Training and recruitment	e.		72,059		43,604
Staff expenses	f.		25,424		38,145
Computer consumables and web site development costs	g.		112,929		50,861
Non cash expenditure:					
Provision for doubtful debts		5,000		–	
Impairment of fixed assets		–		2,438	
Loss on disposal of fixed assets		–		441	
(Decrease)/increase in provisions	h.	(76,268)		36,268	
			(71,268)		39,147
Council members' expenses	i.		30,196		52,156
External audit fee (*)			19,000		19,010
Repairs and maintenance			54,935		60,101
PR and communications			9,475		10,776
Project costs	j.		92,458		147,894
Other costs	k.		107,287		78,359
Total other operating costs			1,110,691		1,334,749

a. Legal costs associated with undertaking the Section 29 process.
b. Consultancy fees arose through the engagement of various consultants to undertake work including: an analysis of responses on harmonising sanctions; providing administrative support for the Council and the Chief Executive; assessing the potential dilapidations obligations of CHRE at the conclusion of the lease at 1st Floor, 11 Strand, London, and health and safety advisors who undertook further risk assessments of CHRE's premises.
c. From October 2007 CHRE reduced its level of occupancy at 1st Floor, 11 Strand, London from 90.65 per cent to 73 per cent. Rent, rates and service charges have decreased accordingly.
d. Accountancy, human resources services and other costs include payments to Parfitt & Co Chartered Accountants for financial management services and Moorepay for payroll services. Also included are the costs in respect of the outsourced HR provision received from the NHS Counter Fraud Security management Service. The costs for production of the CHRE annual report for 06/07 and South Coast Audit in the provision of internal audit services are also included.
e. Recruitment costs increased in 2007/08 as CHRE recruited additional staff required in relation to the White Paper.
f. Staff expenses are lower than in 2006/07 when a higher level of activity took place at a national and international level, including attendance at the International Association of Medical Regulatory Authorities' conference in New Zealand.
g. Costs of addressing and preventing future computer network failures are included as are the costs of web site development in the year further to the change in website providers to CHRE.
h. Decreases in repairs and maintenance provisions arose further to the assessment of potential dilapidations referred to in b. above.
i. Council member expenses fell significantly due to the changes in the Chair of CHRE and resultant savings in travel costs and second home allowance.
j. Project costs included the costs of completing the Clear Sexual Boundaries Project and initiation of other White Paper projects.
k. Costs included S29 case meeting costs, legal costs, subscriptions and memberships, Council meeting costs, telecommunication costs and other office costs.

*CHRE did not make any payments to the National Audit Office for non audit work.

7. Notional cost of capital

In accordance with the Financial Reporting Manual published by HM Treasury, a notional charge for the cost of capital employed during the year is included in the operating cost statement along with an equivalent notional income to finance the charge. The cost of capital charge of 3.5 per cent 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 2008	Year ended 31 March 2007
	£	£
Capital employed as at 1 April	197,176	331,152
Capital employed as at 31 March	201,215	197,176
Mean capital employed	199,196	264,164
Notional charge	6,972	9,246

8. Tangible fixed assets

	Furniture, fixtures & fittings – conversion costs £	Decom-missioning costs £	IT equipment £	Total £
Valuation				
At 1 April 2007	156,702	117,500	83,556	357,758
Additions			31,852	31,852
Disposals			(272)	(272)
Revaluation		24,710		24,710
Indexation revaluation				
Indexation impairment				
At 31 March 2008	156,702	142,210	115,136	414,048
Depreciation				
At 1 April 2007	66,614	32,046	47,584	146,244
Charge for year	24,023	40,120	21,395	85,538
Eliminated on disposals			(272)	(272)
Revaluation				
Indexation revaluation				
Indexation impairment				
At 31 March 2008	90,637	72,166	68,707	231,510
Net book value				
At 31 March 2008	**66,065**	**70,044**	**46,429**	**182,538**
At 31 March 2007	90,088	85,454	35,972	211,514

9. Debtors

	31 March 2008 £	31 March 2007 £
Debtors	44,204	132,781
Prepayments	160,728	157,810
Total debtors	204,932	290,591

Intra government balances

Intra government balances within the totals for debtors are as follows:

	31 March 2008 £	31 March 2007 £
Balances with other central government bodies	4,062	19,565
Balances with local authorities	73,689	70,818
Total intra government balances	77,751	90,383
Balances with bodies external to government	127,181	200,208
Total debtors	204,932	290,591

10. Cash at bank and in hand

	31 March 2008 £	31 March 2007 £
At 1 April	68,621	20,419
Increase/(decrease) in cash in year	74,265	48,202
At 31 March	142,886	68,621
Bank account at Office of Paymaster General	15,696	50,460
Commercial bank account	127,090	18,061
Cash in hand	100	100
Total cash at bank and in hand	142,886	68,621

11. Creditors: amounts falling due within one year

	31 March 2008 £	31 March 2007 £
Trade creditors	69,584	43,928
Capital creditors	–	6,535
Taxation and social security	24,404	29,519
Other creditors	–	3,616
Accruals	77,243	45,727
Total creditors: amounts falling due within one year	171,231	129,325

Intra government balances

Intra government balances within the totals for creditors are as follows:

	31 March 2008 £	31 March 2007 £
Balances with other central government bodies	87,263	70,08
Total intra government balances	87,263	70,080
Balances with bodies external to government	83,968	59,245
Total creditors: amounts falling due within one year	171,231	129,325

12. Provisions for liabilities and charges

	£
Balance at 1 April 2007	193,768
Arising during the year	24,710
Utilised during the year	
Reversed unused in the year	(76,268)
Balance at 31 March 2008	142,210

The provisions arising during the year relate to repair and maintenance obligations under the lease for office accommodation at 11 Strand, London, WC2N 5HR.

The cost of decommissioning the accommodation at the conclusion of the lease term in 2010 has been re-valued at £142,210 in the year further to a review of potential CHRE obligations under this lease by GVA Grimley Chartered Surveyors which concluded in January 2008.

All of the closing balance relates to estimated decommissioning costs which are expected to fall due at the conclusion of the lease term in 2010. £76,268 previously provided for accommodation repairs has been reversed unused and a contingent liability recognised for these potential liabilities (see note 15).

13. Reserves

	General reserve £	Revaluation reserve £	Total £
Brought forward as at 1 April 2007	242,675	4,958	247,633
Funding – Department of Health	1,811,500		1,811,500
Funding – devolved administrations			
Scotland	245,000		245,000
Wales	127,000		127,000
Realised revaluation	1,484	(1,484)	–
Net operating costs	(2,214,218)		(2,214,218)
Carried forward as at 31 March 2008	213,441	3,474	216,915

14. Reconciliation of operating surplus to net cash inflow from operating activities

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Net operating costs for the year before cost of capital reversal	(2,221,190)	(2,148,087)
Adjustment for non-cash transactions:		
Depreciation	85,538	50,782
Deficit on indexation revaluation of fixed assets	–	2,438
Capital charges	6,972	9,246
Revaluation/loss on disposal of fixed assets	–	441
Adjustment for movements in working capital other than cash:		
Increase/(decrease) in creditors	41,906	43,625
Less: capital creditor	6,535	(6,535)
Decrease/(increase) in debtors	85,659	51,563
(Decrease)/increase in provisions	(76,268)	36,268
Net cash (outflow) from operating activities	(2,070,848)	(1,960,259)

15. Contingent liabilities

Three High Court cases, under CHRE Section 29 powers, were undecided as at the year end. There is thus uncertainty on the financial consequences until a final judgement is made.

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, the recovery of costs was not virtually certain and therefore no provision has been made for these recoveries in the accounts.

At year end a job evaluation process was in progress to review the roles and responsibilities and remuneration of staff within the organisation. The outcome of the review was not concluded as at the year end date but there is a possibility that CHRE might be liable for additional staff pay as at this date.

CHRE has a possible liability under the lease for 11 Strand, London, WC2N 5HR, in respect of extraordinary service charge works that might be necessary to the building during the lease term.

16. Capital commitments

The Council has no capital commitments as at the balance sheet date.

17. Related party transactions

The Council is a non-departmental public body sponsored by the Department of Health.

The DH is regarded as a related party. During the year to 31 March 2008 the DH provided total grant in aid of £1,811,500 (2006/07: £2,033,000).

CHRE received funding contributions to its activities in the year from the devolved administrations in Scotland (£245,000) and Wales (£127,000). Further contributions are expected from the devolved administrations in Scotland, Wales and Northern Ireland in 2008/09.

Apart from the above there were no related party transactions entered into.

The Council maintains a register of interests for the 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 2008 no Council member undertook any transactions with the Council.

The following disclosure relates to Council members who are in a position of influence resulting from their appointment to the CHRE Council by virtue of their nomination by the nine regulatory bodies.

Sandra Arthur – immediate past President, Nursing and Midwifery Council

Graeme Catto – President, General Medical Council

Nigel Clarke – Chairman, General Osteopathic Council

Hew Mathewson – President, General Dental Council

Rosie Varley – Chairman, General Optical Council

Hemant Patel – President, Royal Pharmaceutical Society of Great Britain

Kate McClelland – Past President, Pharmaceutical Society of Northern Ireland

Anna van der Gaag – President, Health Professions Council

Judith Worthington – Vice-Chair, General Chiropractic Council and Chair, Deputy Chair, Investigating Committee – Royal Pharmaceutical Society of Great Britain Chair, Fitness to Practise panels – General Medical Council, Member of Appointments Board – NMC

Nancy Kirkland – President, Nursing and Midwifery Council (from 22 October 2007)

All of the regulators overseen by CHRE appoint a member to the Council for Healthcare Regulatory Excellence.

In relation to Section 29, no member can have any involvement in CHRE's consideration of any case which originates from the regulatory body which they represent. CHRE has had transactions with some of these bodies in 2007/08 in relation to appeals made under Section 29 in which costs have been awarded by the High Court.

18. Losses and special payments

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

19. Post balance sheet events

Two of the three High Court cases undecided at the balance sheet date (see note 15) were settled, in April 2008 and June 2008, in CHRE's favour. Costs awarded to CHRE will be accounted for as income in 2008/09 in accordance with the accounting policy for income (note 1f).

There are no other material post balance sheet events.

The accounts have been authorised for issue on 17 June 2008 by the Accounting Officer.

20. 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.

21. Commitments under operating leases

Expenses of the CHRE include rent and service charge payments under operating lease rentals in the sum of £280,705 (2006/07: £320,242).

CHRE have the following obligations under non-cancellable operating leases:

	31 March 2008 £'000	31 March 2007 £'000
Expiring between 1 and 5 years	259	322
Total commitments under operating leases	259	322

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5822179 06/08

Printed on Paper containing 75% recycled fibre content minimum.

Council for Healthcare Regulatory Excellence
11 Strand
London
WC2N 5HR

Telephone: **020 7389 8030**
Fax: **020 7389 8040**
Email: **info@chre.org.uk**
Web: **www.chre.org.uk**

© CHRE 2008

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7023474
Fax orders: 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone: 0870 240 3701

TSO Shops
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX

TSO@Blackwell and other Accredited Agents