

The unit

Is it resident to the UK? Yes

Is the unit a household? No

Is it an institutional unit? Yes

NMC is:

a) owns goods or assets in its own right, including buildings and other operational assets like vehicles and IT equipment according to its annual accounts for 2013/14.

The UKCC (the NMC's predecessor body) acquired the leasehold interest in 23 Portland Place, London W1B 1PZ from the General Nursing Council for England and Wales at nil cost. The lease expires in the year 2933.

b) able to take economic decisions and engage in economic activities for which it is held accountable at law. It is accountable to Parliament through the Privy Council. The Nursing and Midwifery Order 2001 sets out the reporting mechanisms required from NMC.

c) able to incur liabilities on its own behalf, to take on other obligations or further commitments and to enter into contracts. According to its 2013/14 accounts it had creditors of about £49m. Furthermore it is also able to invest its surplus funds as it sees fit.

d) able to keep a set of accounts and has been filing annual accounts since 2002/03.

As such, NMC appears to meet the requirements for classification as an institutional unit.

Does it have subsidiaries? No

Is it a special purpose entity? No

Is the unit an NPI? Yes

The NMC is a registered charity and as a charity it is not allowed to distribute its surplus fund

NPI

- (a) The appointment of officers**
- (b) The provisions of enabling instruments**
- (c) Contractual agreements**
- (d) The degree of financing**
- (e) The degree of government risk exposure**

A. The Council members are appointed by the Privy Council. The Privy Council is classified to the central government sector.

According to the NMC website:

"The 12 members of the Council are appointed by the Privy Council. The Nursing and Midwifery Order 2001, and other applicable legislation, states that one half of Council members (six members) must have a background in nursing or midwifery. The other half are known as 'lay members' and are selected for skills and expertise gained in other professional fields."

B. None

C. The Nursing and Midwifery Council Standing Orders (the Standing Orders) are designed to ensure that Council and committee business is conducted as effectively as possible. The following committees have to be established:

- Investigating Committee
- Conduct and Competence Committee
- Health Committee
- Midwifery Committee

The council can establish other committees as it considers appropriate and delegate functions to them other than the power to make rules.

The Standing Orders ensure consistent governance processes are in place across the organisation, enabling Council members, as trustees, to have the information they need to make decisions on the NMC's strategic direction, as well as assurance that senior staff are implementing Council's decisions effectively.

D. The NMC is financed by membership fees but periodically receives grants from the Department of Health to help improvements to the framework.

E. High - The Privy Council is the sponsoring body for NMC

Any other relevant information

Is the unit controlled by Government? Yes

Is the unit a market producer?

Market Producers

3.24 Definition: market producers are local KAUs or institutional units the majority of output of which is **market output**.

If a local KAU or institutional unit is a market producer, its main output is by definition market output, as the concept of market output is defined after having applied the distinction market, for own final use and non-market output, to the local KAU and institutional unit that have produced that output.

Market Output

3.17 Definition: market output consists of output that is disposed of on the market or intended to be disposed of on the market.

3.18 Market output includes:

- (a) products sold at economically significant prices;
- (b) products bartered;
- (c) products used for payments in kind (including compensation of employees in kind and mixed income in kind);
- (d) products supplied by one local KAU to another within the same institutional unit to be used as intermediate inputs or for final uses;
- (e) products added to the inventories of finished goods and work-in-progress intended for one or other of the above uses (including natural growth of animal and vegetable products and uncompleted structures for which the buyer is unknown).

Economically Significant Prices

3.19 Definition: economically significant prices are prices that have a substantial effect on the amounts of products that producers are willing to supply and on the amounts of products that purchasers wish to acquire. Such prices arise when both of the following conditions apply:

- (a) the producer has an incentive to adjust supply either with the goal of making a profit in the long run or, at a minimum, covering capital and other costs; and
- (b) consumers have the freedom to purchase or not purchase and make the choice on the basis of the prices charged.

Not economically significant prices are likely to be charged in order to raise some revenue or achieve some reduction in the excess demand that may occur when services are provided completely free.

The ability to undertake a market activity at economically significant prices will be checked notably through a quantitative criterion (the 50 % criterion), using the ratio of sales to production costs. To be a market producer, the unit shall cover at least 50 % of its costs by its sales over a sustained multi-year period.

The Quantitative Market Test

3.33 In applying this quantitative market-non-market criterion, sales and production costs are defined as follows.

- (a) Sales shall mean the sales excluding taxes on products but including all payments made by general government or the institutions of the Union and granted to any kind of producer in this type of activity, i.e. all payments linked to the volume or value of output are included, but payments to cover an overall deficit or settle debts are excluded.

This definition of sales corresponds to that of output at basic prices except that:

(1) output at basic prices is only defined after it has been decided on whether the output is market or non-market: sales are only used in valuing market output; non-market output is valued at costs;

(2) the payments made by general government to cover an overall deficit of public corporations and quasi-corporations constitute part of other subsidies on products as defined in point (c) of paragraph 4.35. As a consequence, market output at basic prices includes the payments made by general government to cover an overall deficit.

(b) Sales exclude other sources of revenue like holding gains (though they could be a normal and expected part of business revenue), investment grants, other capital transfers (e.g. debt redemption) and the purchase of equity.

(c) For the purpose of this criterion, production costs are equal to the sum of intermediate consumption, compensation of employees, consumption of fixed capital, other taxes on production plus costs of capital. Other subsidies on production are not deducted. To ensure consistency of the concepts 'sales' and 'production costs' when applying the quantitative market-non-market criterion, 'production costs' shall exclude all costs incurred for own-account capital formation. For the sake of simplicity, the costs of capital may in general be approximated by the net actual interest payments. **However, for producers of financial services, the interest charge is taken, i.e. a correction is made for financial intermediation services indirectly measured (FISIM).**

The quantitative market-non-market criterion is applied by looking over a range of years. Minor fluctuations in the size of sales from one year to another do not require a reclassification of institutional units (and their local KAUs and output).

3.34 Sales may consist of various elements. For example, in the case of health care services provided by a hospital, sales may correspond to:

(a) purchases by employers to be recorded as income in kind paid to their employees and final consumption expenditure by these employees;

(b) purchases by private insurance companies;

(c) purchases by social security funds and general government to be classified as social benefits in kind;

(d) purchases by households without reimbursement (final consumption expenditure).

Only other subsidies on production and gifts (e.g. from charities) received are not treated as sales.

Similarly, as an illustrative example, the sale of transport services by an enterprise may correspond to intermediate consumption by producers, income in kind provided by employers, social benefits in kind provided by the government and purchases by households without reimbursement.

3.35 Private non-profit institutions serving businesses are a special case. They are usually financed by contributions or subscriptions from the group of businesses concerned. The subscriptions are treated not as transfers but as payments for services rendered, i.e. as sales. These NPIs are therefore market producers and are classified in the non-financial corporations or the financial corporations sector.

3.36 In applying the criterion of comparing sales and production costs of private or public NPIs, including in sales, all the payments linked to volume of output may be misleading in some specific cases.

This can be the case, for example, in relation to the financing of private and public schools. Payments by general government can be linked to the number of pupils but be the subject of negotiation with general government. In such a case, those payments are not recorded as sales, although they may have an explicit link with a measure of the volume of output, such as the number of pupils. This implies that a school mainly financed by such payments is a non-market producer.

3.37 Public producers can be market producers or non-market producers. Market producers are classified in the non-financial and financial corporations sectors. If the institutional unit is a non-market producer, it is classified in the general government sector.

3.38 Local KAUs as market producers and as producers for own final use cannot supply non-market output. Their output can thus only be recorded as market output or output for own final use and valued correspondingly (see paragraphs 3.42 to 3.53).

3.39 Local KAUs as non-market producers can supply as secondary output market outputs and output for own final use. The output for own final use consists of own-account capital formation. The occurrence of market output should in principle be determined by applying the qualitative and quantitative market-non-market criteria to individual products. Such secondary market output by non-market producers might be the case for instance when government hospitals charge economically significant prices for some of their services.

3.40 Other examples are sales of reproductions by government museums and sales of weather forecasts by meteorological institutes.

3.41 Non-market producers may also have revenues from the sale of their non-market output at not economically significant prices, e.g. the museum's revenues from tickets for entrance. These revenues pertain to non-market output. However, if both types of revenues (revenues from tickets and those from the sale of posters and cards) are difficult to distinguish, they can all be treated as either revenues for market output or revenues from non-market output. The choice between these two alternative registrations should depend on the assumed relative importance of both types of revenues (from tickets versus those from the sale of posters and cards).

Market/non-market delineation

Notion of economically significant prices

20.19 Non-market producers provide all or most of their output to others free of charge or at prices that are not economically significant. Economically significant prices are prices which have a substantial influence on the amounts of products producers are willing to supply and on the amounts of products that purchasers wish to acquire. **It is the criterion that is used to classify output and producers as market or non-market**, thus deciding whether an institutional unit in which government has a controlling interest is to be designated as a non-market producer and so classified in the general government sector, or as a market producer and so classified as a public corporation.

20.20 Whereas the assessment of whether a price is economically significant is carried out at the level of each individual output, the criterion determining the market/non-market character of a unit is applied at the level of the unit.

20.21 When the producers are private corporations, it can be presumed that prices are economically significant. By contrast, when there is public control, a unit's prices may be established or modified for public policy purposes, which may cause difficulties in determining whether the prices are economically significant. Public corporations are often established by government to provide goods and services that the market would not produce in the quantities or at the prices to meet government policy. For such public units enjoying government support, the sales may cover a large part of their costs, but they will respond to market forces differently from private corporations.

20.22 To analyse the difference between a market and a non-market producer, in relation to changes in market conditions, it is useful to specify which units are the consumers of the goods and services in question and whether the producer actually competes on the market or is the only supplier.

Criteria of the purchaser of the output of a public producer

The output is sold primarily to corporations and households.

20.23 Economically significant prices normally result when two major conditions are fulfilled:

(1) the producer has an incentive to adjust supply either with the goal of making a profit in the long run or, **at a minimum, covering capital and other production costs, including consumption of fixed capital, by sales**; and

(2) consumers are free to choose on the basis of the prices charged.

The output is sold only to government.

20.24 Some services are typically required as ancillary services. They include activities such as transportation, financing and investment, purchasing, sales, marketing, computer services, communications, cleaning, and maintenance. A unit that provides this type of services exclusively to its parent unit or to other units in the same group of units is an ancillary unit. It is not a separate institutional unit and is classified with its parent unit. Ancillary units provide all of their output to their owners for use as intermediate consumption or gross fixed capital formation.

20.25 If a public producer sells only to government and is the only supplier of its services, it is presumed to be a non-market producer unless it competes with a private producer. A typical case is tendering for a contract with government on commercial terms and therefore government payments are only for services delivered.

20.26 If a public producer is one of several suppliers to government, it is considered a market producer if it competes with other producers on the market and its prices satisfy the general criteria to be economically significant, as defined in paragraphs 20.19 to 20.22.

The output is sold to government and others.

20.27 If a public producer is the only supplier of its services, it is presumed to be a market producer if its sales to non-government units are more than half of its total output or its sales to government fulfils the tendering condition of paragraph 20.25.

20.28 If there are several suppliers, a public producer is a market producer if it competes with the other producers through tendering for a contract with government.

The market/non-market test

20.29 The sector classification of core government units, engaged in the provision of goods and services on a non-market basis and/or in the redistribution of income and wealth, is straightforward.

For other producers that operate under the control of government, an assessment of their activity and resources is necessary. **In order to decide if they are market units, and charge economically significant prices, the criteria as set out in paragraphs 20.19 to 20.28 are to be checked.** In summary the conditions are as follows:

- (a) the producer is an institutional unit (a necessary condition; see also the decision tree in paragraph 20.17);
- (b) the producer is not a dedicated provider of ancillary services;
- (c) the producer is not the only supplier of goods and services to government, or, where that producer is, it has competitors; and
- (d) the producer has an incentive to adjust supply to undertake a viable profit-making activity, **to be able to operate in market conditions** and to meet its financial obligations.

The ability to undertake a market activity will be checked notably through the usual quantitative criterion (the 50 % criterion), using the ratio of sales to production costs (as defined in paragraphs 20.30 and 20.31). To be a market producer, the public unit shall cover at least 50 % of its costs by its sales over a sustained multi-year period.

20.30 For the market/non-market test, sales of goods and services correspond to sales receipts, in other words to the market output (P.11) increased by payments for non-market output (P.131), if any. Own-account production is not considered as part of sales in this context. Sales exclude also all payments received from government unless they are granted to other producers undertaking the same activity.

20.31 Production costs are the sum of intermediate consumption, compensation of employees, consumption of fixed capital and other taxes on production. For the purpose of the market/non-market test, production costs are increased by the net interest charge and decreased by the value of any imputed production, notably own-account production. Subsidies on production are not deducted.

Financial intermediation and the government boundary

20.32 The case of units engaged in financial activities needs special consideration. Financial intermediation is the activity in which units acquire financial assets and at the same time incur liabilities on their own account by engaging in financial transactions.

20.33 A financial intermediary places itself at risk by incurring liabilities on its own account. For instance, if a public financial unit manages assets but does not place itself at risk by incurring liabilities on its own account, it is not a financial intermediary and the unit is classified in the general government sector rather than in the financial corporations sector.

20.34 Applying the quantitative criterion of the market/ non-market test to public corporations involved in financial intermediation or in managing assets is generally not relevant, because their earnings arise from both property income and holding gains.

According to their 2013-14 annual accounts the NMC says this about their registration fee:

"The registration fee level is reviewed annually by the Council. The volume and complexity of fitness to practise referrals have continued to increase, together with a need to invest in our other regulatory commitments. This means that despite significant efficiency improvements and savings that we have made, and with no immediate prospect of legislative change, the cost of regulation remains at £120 per registrant."

From the above evidence, NMC set their membership fees according to the cost of regulating the nurses and midwives. The NMC are obligated to act as regulators through legislation and therefore they will have to continue to provide the services regardless of the price of the membership fees. The nurses and midwives are required through legislation to register with the NMC in order to practice and therefore cannot change the services they wish to receive.

ESA 2010 chapter 3.19 defines economically significant prices as *'[...] prices that have a substantial effect on the amounts of products that producers are willing to supply and on the amounts of products that purchasers wish to acquire'*

Thus this service can be classified as non-market output.

Transactions

Which units are involved in the transaction? Nursing and Midwifery council

What is causing the flow? Membership Fees

Is it a financial or distributive transaction?

Are the payments compulsory?

Are the payments unrequited?

Is it dependent /contingent on some prerequisite/event? All qualified nurses and midwives have to register in order to practice in the UK

Other comments/assessment