

Nursing and Midwifery Council
Annual Report and
Accounts 2013–2014
and Strategic Plan
2014–2017

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Annual Report and Accounts 2013–2014 and Strategic Plan 2014–2017

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Foreword

We are pleased to report a year of continuing improvement for the Nursing and Midwifery Council.

Our reconstituted Council took office in May 2013. Our first priority was to address Sir Robert Francis QC's report into the grievous failings of care in Mid-Staffordshire. Our action plan set out how we would take forward lessons from the report. We publish regular updates against it, so that our progress is visible for all to see.

The Francis report was clear - the interests of patients and the public must always come first. Our Patient and Public Engagement Forum has been vital in helping us do that.

The public rightly expects compassion and care from nurses and midwives. Our Code sets the fundamental standards nurses and midwives must meet. We are revising the Code to enshrine these values. The public also expects nurses and midwives to provide safe care throughout their careers. We began a major programme to introduce revalidation in late 2015 designed to provide this assurance. We are pleased that the professions and the public across all four countries are helping us shape this important change to nursing and midwifery regulation.

We value the stronger relationships we now have with all our stakeholders. Working with them, we have delivered various improvements including to how we assure the quality of education and training; tightening our checks on those trained overseas seeking to practise here; and introducing online registration. We have also made significant improvements in fitness to practise, including progressing cases more quickly and providing better support to witnesses.

The Professional Standards Authority's performance review 2013-2014 recognised these and other improvements in how we regulate. An independent external review has now confirmed that, alongside this, we have also made a substantial number of improvements in our governance and organisational management. It found that the NMC is now much stronger than in 2012.

We know there is more to do. Our current legislation is outdated and cumbersome. It serves neither the public nor nurses and midwives well. Radical reform is essential for us to provide the speedy and agile response the public deserves. We are disappointed that the legislative change promised has yet to materialise and continue to urge Government to bring this forward as soon as possible. Until that happens, we are determined to make further improvements as best we can.

We are focusing on improving our customer service, developing a more intelligent approach to how we regulate, and collaborating more effectively with our health care partners to protect the public better. Looking to the future, our five year strategy will describe how we will continue our journey of improvement to 2020.

We are proud of what has been achieved so far. This is due to the dedication and commitment of our Council members, our staff, partners and stakeholders. We thank them and look forward to continuing to work together to help keep the public safe.

Mark Addison CB
Chair, NMC
9 October 2014

Jackie Smith
Chief Executive and Registrar, NMC
9 October 2014

Our role

- 1 The Nursing and Midwifery Council (NMC) is the independent regulator for nurses and midwives in the UK. Our primary purpose is to protect patients and the public through effective and proportionate regulation of nurses and midwives. We are accountable to Parliament, through the Privy Council, for the way in which we carry out our responsibilities.
- 2 We set and promote standards of education and practice, maintain a register of those who meet these standards, and take action when a nurse's or midwife's fitness to practise is called into question. By doing this well, we promote public confidence in nurses and midwives and in regulation.
- 3 The Professional Standards Authority for Health and Social Care (PSA) oversees our work and reviews our performance each year. Our work is also scrutinised by the UK parliamentary Health Committee. The findings and recommendations of both help inform and shape our work.

Performance review 2013–2014

- 4 Our strategic corporate plan sets three strategic goals. These focus our activities on delivering efficient and effective regulation for the public benefit.
- 5 Sir Robert Francis QC's report into the tragic events in Mid-Staffordshire (the Francis report) has had a major influence on our work, as it has on all those involved in health care. We published an action plan in July 2013, setting out how we would address the recommendations directed at us. We also contributed to HM Government's final response "*Hard truths: the journey to putting patients first*" (2013). As a co-signatory, along with other healthcare leaders, to the "Statement of common purpose" we committed publicly to learning the lessons from Mid-Staffordshire, helping to build better patient care and doing everything possible to ensure that such events are not repeated.
- 6 We also engaged with the series of independent reviews commissioned by the government following the Francis report including: the Berwick review into patient safety "*A promise to learn-a commitment to act: improving patient safety in England*" (2013); "*The Cavendish review: an independent review of healthcare assistants and support workers in the NHS and social care settings*" (2013); the Clwyd-Hart review "*A review of the NHS hospitals complaints system: Putting patients back in the picture*" (2013) and "*More care: less pathway: a review of the Liverpool Care Pathway*" (2013). We describe how we have taken forward actions from Francis and related reports, where relevant, under each of our goals below. In doing so, we have been mindful that whilst these reports are focused on England, our remit extends to Scotland, Wales and Northern Ireland.
- 7 The most important message we have taken from all these reviews is that the interests of patients and the public must be central to all we do. We have published regular updates against our action plan on our website, so that our progress is transparent to all.

Goal 1 – Public protection will be at the centre of all our activities. Our work will be designed around and measured against the benefits we can bring to the public.

Registration

- 8 Keeping the register of nurses and midwives who are legally allowed to practise in the UK is fundamental to protecting the public. Only those who demonstrate that they meet our standards can be admitted to, or remain on, the register. It is against the law for a nurse or midwife to practise if they are not on our register or if their registration has lapsed.
- 9 On 31 March 2014, there were 680,858 nurses and midwives on the register. Anyone can check the registration status of a nurse or midwife through an online register search on our website or by calling us or writing to us.
- 10 As part of our registration improvement programme, we have:
 - Worked to improve the accuracy of our register to ensure it reflects changes resulting from fitness to practise cases, including putting strengthened controls in place.
 - Ensured we are ready to implement a new requirement for all registered nurses and midwives to hold appropriate cover under an indemnity arrangement from July 2014, including providing guidance to help nurses and midwives understand the new requirements.
 - Begun roll out of online registration. From December 2013, a pilot group of nurses and midwives were able to make some changes to their details online. Following the success of the pilot phase, all nurses and midwives have been able to renew their registration online from summer 2014.
 - Committed to introduce arrangements for nurses and midwives to pay registration fees by instalments from 2016 and are working towards this.
 - From April 2013, strengthened our processes for applications from nurses or midwives trained outside the European Economic Area (“overseas”) who are seeking to practise in the UK. This followed a short pause in accepting overseas applications in early 2013 due to some concerns about how such applications had been considered in the past. An extensive independent audit confirmed that there had been a gradual strengthening of our controls since 2007. In September 2013, we tightened our checks on the identity of such applicants and their supporting documents and introduced the latest technology to help us do this.
 - Undertaken public consultation on our plans to bring in a competency test for overseas applicants to replace existing programmes. We aim to put this in place during 2014–2015.
- 11 Throughout 2013–2014, we worked with other healthcare regulators to ensure that changes proposed to the EU Directive on mutual recognition of professional qualifications would not affect our ability to protect the public. We will be preparing

over the next two years for this to be implemented into UK law. With other regulators, we are working with the Department of Health and the Department for Business, Innovation & Skills to ensure that the provisions of the amended directive are brought into force in the UK in a way which best supports public protection. This will include seeking a proportionate and robust solution to measure and, where necessary, assess the language competence of EU-trained nurses and midwives before they are able to practise in the UK.

- 12 We aim to provide an effective and prompt registration service and measure this through a key performance indicator with a target to register 90 percent of applications within 90 days. We received 28,959 new applications during 2013–2014 and our target was to register 90 percent within 90 days. Overall performance fluctuated as it is affected by the number of applications of each type received.
- UK applications: we exceeded the target, achieving just under 100 percent throughout the year.
 - EU and overseas applications: performance was affected by the pause in considering overseas applications but steadily improved during the year from 36 percent in April 2013 to 74 percent by the end of March 2014.

Education and training

- 13 Setting high standards for education and training is fundamental to ensuring that nurses and midwives admitted to the register are safe to practise. We set up a new Education Advisory Group made up of representatives from each of the four UK countries, patients, educators, senior nurse and midwifery practitioners and students, as well as two Council members. The Group provides expert advice and input to our work and is overseeing development of our Education Strategy.
- 14 Only institutions that meet our standards are permitted to deliver education and training in the UK. By September 2013, all approved educational institutions (AEIs) had introduced programmes based on the new standards we set in 2010 for pre-registration training of nurses. The first nurses to have completed courses based on these new standards will register with the NMC in autumn 2014. In line with the commitment we made in responding to the Francis report, we will begin an evaluation of the standards for pre-registration education of nurses and midwives during 2014.
- 15 Our quality assurance framework is designed to ensure public protection by approving and monitoring programmes for the education and training of nurses and midwives. We work closely with AEIs to assess whether our standards are being met and take action where we believe that they may not be meeting our standards. We currently approve 79 AEIs to deliver over 900 education and training programmes.
- 16 Last year we:
- Implemented a new, combined quality assurance framework for both education and local supervising authorities (LSAs). The new framework is proportionate and outcome based. Our monitoring visits now include 'lay' reviewers who are neither nurses nor midwives. This builds on already extensive requirements for

AEIs to involve patients and the public in the design and development of training programmes.

- Published for the first time, the list of AEIs and LSAs to be visited during 2013-2014 to improve openness and transparency about this important area of regulation. Outcomes from the quality assurance monitoring will be published in a separate annual report.
- Published details of the approach we will take when concerns are identified. This involves a graduated response depending on the nature and seriousness of the issue guided by the need to protect the public.
- Introduced a new webpage to provide an easily accessible guide for patients and the public on our role in relation to the education and training of nurses and midwives. This includes information about how the public can get involved in quality assurance of nursing and midwifery programmes.

17 We are working closely with partner bodies across the four countries who also have a role in education, workforce or commissioning matters such as Health Education England, local education and training boards and NHS Education Scotland to ensure that our work is complementary and secures the best outcomes for patients and the public.

Standards

18 The Francis report and related reviews reinforced the importance of ensuring our standards and guidance are focused on patient safety and public protection. We have sought to ensure that this is reflected in our standards and guidance to influence the behaviour of nurses and midwives.

19 Our work this year has focused on strengthening our approach including:

- Setting an overarching policy which requires our standards and guidance to be patient-centred, outcome-focused and in line with right touch regulation.
- Developing clear methodologies (including criteria) for the development and review of standards and guidance and evaluating their impact on public protection.
- Agreeing a cycle of planned reviews of existing standards based on an analysis of risk.

20 In response to the Liverpool Care Pathway review, *More Care, Less Pathway* (2013), we looked closely at how best to provide guidance on ensuring end of life care meets the wishes and needs of patients and their families. We concluded that the most effective and proportionate approach would be to address this in our review of the Code for nurses and midwives (see below). We also worked collaboratively with the Leadership Alliance for the Care of Dying People to develop a system-wide approach to improving end of life care and the outcomes of this work will be launched shortly.

21 Nurses and midwives have a professional duty to take action if they have concerns about the safety or well-being of those in their care. To help them, we refreshed

our guidance "*Raising Concerns: Guidance for nurses and midwives*". We were pleased that Helene Donnelly, a nurse who raised concerns at Mid-Staffordshire NHS Foundation Trust, helped us relaunch the guidance. The YouTube video of her presentation had been viewed over 3,800 times and the webpage received more than 23,000 views by 31 March 2014.

- 22 We initiated a wider debate about professionalism and regulation hosting a roundtable discussion with a range of stakeholders in March 2014. Stephen Dorrell, then Chair of the Health Committee gave a key note speech that informed a discussion about professionalism and the role of the regulator in upholding professional standards. Attendees included nursing and midwifery leaders, students and educators, alongside those with a policy and academic interest. The discussion identified the need for the Code and the NMC to have a higher profile amongst registrants and students. The themes and conclusions are informing both the revision of the Code (see below) and the Council's five-year strategy.

The Code: Standards of conduct, performance and ethics for nurses and midwives

- 23 The Code sets the fundamental standards all registered nurses and midwives must meet. It requires nurses and midwives to make the care of patients their primary concern, treat them as individuals and respect their dignity. In June 2013, we began work to revise the Code to prepare for revalidation (see below). We are also taking into account the recommendations made by the Francis report and other major independent reviews, including the Berwick report into patient safety, *A promise to learn - a commitment to act* (2013). We are engaging widely with the public and stakeholders to seek views on the changes we should make. During 2014, we will consult on a revised draft of the Code, with a view to agreeing the final content by the end of the year.

Revalidation

- 24 At present, nurses and midwives must renew their registration every three years. Building on this process and using existing legislation, we intend to introduce a system of revalidation to provide the public with a greater level of assurance that nurses and midwives on our register continue to meet our standards. We aim to introduce this by December 2015.
- 25 In September 2013, the Council approved for consultation purposes a proposed model for the first phase of revalidation based on the existing three-year renewal cycle. The model proposes a requirement for nurses and midwives to obtain confirmation from a third party on their continuing fitness to practise as well as show how they are using feedback from patients, colleagues and others to improve their standards of care.
- 26 Expert advice and input to our work is provided by our Revalidation Strategic Advisory Group made up of a wide range of stakeholders including representatives from the four countries, professional bodies and unions, professional and system regulators, employers, educators and senior practitioners. The Group's role is also to provide assurance that the outcomes and benefits of the revalidation programme are focused on public protection.

- 27 Following the Council's approval of the proposed model for consultation, we have engaged widely with stakeholders to flesh out the practical working of the model and establish the potential impact of the proposals.
- 28 We have:
- Received close to 10,000 responses to the first part of our formal public consultation between January and March 2014. The second part of the consultation, on our proposed revalidation guidance and a draft of the revised Code, will run during summer 2014. The consultation is being carried out by an independent research company and the outcomes will inform the final content of the revised Code and revalidation guidance.
 - Engaged widely with stakeholders, patients and the public to seek views to help us develop the model and how it can work in practice, as well as to inform revision of the Code.
 - Begun a series of revalidation summits across the UK to raise awareness of revalidation and secure feedback on our proposals from nurses, midwives, students, managers, employers, professional body and union representatives, educators and academics.
- 29 Our revalidation webpages contain a wide range of materials and information to help everyone understand our proposals, see how our work is progressing and the key stages we need to meet along the way. Since launch, these have been viewed over 77,000 times.
- 30 As part of our revalidation programme, our work in 2014-2015 will include examining with employers and others the impact of the model and our approach to risk analysis. We are on track to pilot our approach during 2015 and implement revalidation from the end of 2015.

Midwifery matters

- 31 Our Midwifery Committee continues to provide expert input and advice on midwifery matters, including on the revision of the "*Standards for preparation of supervisors of midwives*" which came into effect in January 2014. The Committee also oversaw publication of our annual report on LSAs which provides the outcomes of our quality assurance monitoring. The report is available on our website.
- 32 The regulation and supervision of the work of midwives is set out in long-standing legislation. We have commissioned an independent review by the King's Fund of the current arrangements. This followed concerns about potential conflict between regulation and supervision identified in a report by the Parliamentary and Health Service Ombudsman in England, *Midwifery supervision and regulation: Recommendations for change* (2013). The review will look at how to ensure regulation of midwives continues to be effective across modern care settings, with public protection at its core.

Fitness to practise

- 33 Protecting the public from nurses or midwives whose fitness to practise may be impaired is an important aspect of our role. We have the power to stop or restrict a nurse's or midwife's practice in the UK if they pose a risk to public safety. Our annual fitness to practise report, published alongside this report, explains how we deal with fitness to practise concerns raised with us and the outcomes of our work.
- 34 Our fitness to practise cases involve only a very small number of nurses and midwives: 0.7 percent of those on our register, with less than 0.2 percent receiving a sanction. The number of concerns raised with us increased by 14 percent in 2013–2014. We continue to monitor this closely and are particularly mindful of the potential for referrals to increase as we continue to raise public awareness of our work.

Fitness to practise improvement programme

- 35 We continue to seek to improve all aspects of our fitness to practise processes and have made significant investment to this end. Currently 78 percent of our resources are spent on fitness to practise.
- 36 Major legislative change is essential to modernise our processes so that we can significantly improve the speed with which we conclude cases. We welcomed the Government's commitment to sweep away our outdated legislation in its response to the Francis report. We have engaged closely with the work of the Law Commissions and support the resulting proposals to modernise the regulation of health professionals. We are disappointed that this has yet to materialise and will continue to press for a bill to be introduced to take forward this critical work.
- 37 Alongside this, we have worked in close collaboration with the Department of Health to make the more limited changes that can be achieved within the existing legal framework. This includes introducing case examiners from 2015, which should help both the speed with which we can resolve cases and the consistency of decision making.
- 38 We are also developing plans for a regional liaison capacity, in accordance with the commitments we made in our response to the Francis report. We have sought views from stakeholders to help consider how we can best provide cost effective liaison, guidance and support across the four countries of the UK. This includes looking at what benefits and value we can add and what regional liaison might involve. Our aim is to introduce a regional capability from early 2015.
- 39 In the meantime, we continue to take steps to improve the timeliness with which we progress cases and the quality of our decision making. We:
- Increased to 30 the number of hearings and meetings held each working day.
 - Concluded more than 1500 of our oldest and most complex cases.
 - Further improved our support, training, and guidance for fitness to practise panel members and chairs.

- Rolled out new processes introduced in early 2013 which enable us to conclude cases by consent: consensual panel determination and voluntary removal from the register. We are continuing to refine and improve these processes, learning from our own internal reviews as well as the Professional Standards Authority's initial stages audit report for 2013. These approaches mean we can resolve cases more quickly and without the expense of a full public hearing, whilst at the same time ensuring we protect the public - our foremost priority.

40 In 2012–2013, we accepted a grant of £20 million from the Department of Health to help us improve fitness to practise performance and achieve financial stability. Our key performance indicators set clear targets to improve the speed of case progression and were agreed with the Department as a condition of the grant. The targets are to be met by December 2014.

- **Improving the speed of investigations**

Our key performance indicator is to complete investigations within 12 months. We set a target to complete 90 percent within 12 months by March 2014. We achieved 87 percent in March 2014, just missing our target, although we met or exceeded it at times during the year. This is due to our caseload containing a mix of both old and new cases. During 2013–2014, we completed on average 87 percent of investigations in 12 months, a significant improvement compared to an average of 68 percent in 2012–2013.

- **Improving the speed of adjudications**

Our adjudication target is to improve our performance so that by December 2014, 90 percent of cases will reach the first day of an adjudication stage hearing or meeting within six months of completing the investigation. We measure our progress by forecasting the level of performance we expect to meet each month based on the age of the caseload. During 2013–2014, we achieved this on average in 31 percent of cases which was generally in line with our forecasts due to the large volume of older cases in the caseload. We are confident that we are on track to meet the target in December 2014.

41 In addition, we have set a challenging target to ensure we protect the public quickly in the most serious cases.

- **Protecting the public quickly**

Our target is to impose 80 percent of interim orders within 28 days of receiving a case where urgent action is needed to protect the public. Our performance generally exceeded the target and we achieved an average of 84 percent for the year.

42 Improving the quality of our customer service to all those involved in fitness to practise cases is important to us. We have:

- Provided customer service training initially to over 100 FTP staff and plan to roll this out more widely during 2014–2015.

- Made it easier for customers to provide feedback by enabling forms to be completed online. Initial analysis of customer feedback shows improved satisfaction across all areas measured by our survey.
- Met our customer service pledge to notify participants in fitness to practise cases of our decisions within five working days in 99 percent of cases.
- Improved the experience of witnesses involved in fitness to practise hearings, through better information, support and witness facilities. We aim to build on this by recruiting and training a witness support team by summer 2014.

Equality and diversity

43 We are committed to meeting our obligations under the Equality Act 2010. Our Equality and Diversity annual report, available on our website, describes our progress towards our equality and diversity strategy and objectives. An equality and diversity steering group, drawn from representatives of each directorate, provides oversight and focus for this work. During the year, we:

- Developed an equality analysis toolkit to help us identify and reduce or remove potential impacts on different groups of people throughout our policy development cycle and programme framework. We also updated our diversity monitoring questionnaire as a first step to improving the quality of equality and diversity data we hold.
- Conducted equality analyses on key recruitment processes, our revised data protection policy, staff pay and grading review policy and proposed new FTP initiatives, such as the introduction of case examiners.
- Delivered equality and diversity training courses for Council members and fitness to practise panel members.
- Reviewed our HR policies including compassionate and special leave for staff, disciplinary and grievance, bullying and harassment, and capability.
- Developed stronger partnerships with external equality and diversity best practice organisations to identify and share good practice, including benefiting from membership of the Stonewall Diversity Champions programme.

Goal 2 – We will have open and effective relationships that will enable us to work in the public interest.

- 44 In our response to the Francis report, we committed to raising our profile with patients and the public, working more closely with other regulators and engaging more effectively with employers of nurses and midwives.
- 45 Our widespread engagement and consultation with all of these groups, across all four countries, to inform the development of our revalidation model and the revision of the Code exemplifies this. We have participated in some 80 events and used print, digital and social media communications to reach as wide an audience as possible. To ensure the needs of service users are taken fully into account, we

have made use of opinion surveys and are holding deliberative workshops with patients and seldom heard groups. We are working closely with our stakeholders, including professional bodies, trade unions, employers and system regulators, to engage their audiences and memberships, as well as working with HR directors and directors of nursing and midwifery in both the NHS and independent sectors. We are also engaging with frontline nurses and midwives including those working in harder-to-reach settings like practice nursing, community nursing, occupational health nursing and agency nursing.

Public and patients

- 46 Our Patient and Public Engagement Forum helps ensure our work is more patient and user focused. The forum is made up of more than a hundred patient groups, patient advocates and health charities. It meets four times a year and has helped inform various aspects of our work such as our response to the Francis report, development of our revalidation model and public involvement in education. We intend to hold forum-style events in Scotland and will be engaging with patient groups and health charities in Wales and Northern Ireland during 2014.
- 47 Other steps taken to improve public awareness, understanding and involvement in our work included:
- Adopting 'plain English' in our communications. We have trained key staff and obtained 'crystal mark' approval for important publications, including our '*Raising Concerns*' guidance and leaflets for the public about our work.
 - Distributing new leaflets about our work including how to refer cases to us and our role in education, which were produced with the help of the Forum.
 - Publishing an annual review to help make our work more visible and open to patients, the public and stakeholders so that they can assess the progress we are making.
 - Making it easier for patients and the public to see how we are responding to learning in the Francis report and track progress against our commitments on our dedicated Francis report webpage, which has been viewed over 43,000 times.
 - In partnership with the General Medical Council and the Richmond Group of Charities (a coalition of 10 leading health and social care charities) held an event in September 2013 looking at how health organisations and regulators can improve the way complaints are managed and how patient feedback can be used effectively.
 - Sending monthly e-newsletters with updates on our work including fitness to practise outcomes to around 17,000 patients and members of the public. Similar newsletters go to 19,000 employers and managers, over 200,000 nurses and midwives, and 29,000 educators and students.
 - Responding to 403 Freedom of Information requests and 297 subject access requests under data protection law.

- Redeveloping our website: we aim to launch our improved website at the end of 2014. We are involving patients and the public in the design and testing to help ensure the site is easier to use and meets their needs, as well as those of nurses, midwives, students, educators and employers.

Other regulators, partners and stakeholders

48 We continue to engage regularly with professional bodies and trades union and value their input into our work. We welcome the positive feedback they have provided about the constructive nature of our relationships with them. We held a number of listening events with stakeholders to help shape and inform key aspects of our work.

49 We are improving our engagement and collaboration with both senior nursing and midwifery professionals and other regulators. For example:

- Agreeing a revised Memorandum of Understanding with the Care Quality Commission and working on an operational protocol to underpin this. We are taking forward similar initiatives with Healthcare Improvement Scotland, the Healthcare Inspectorate Wales and the Northern Ireland Regulation and Quality Improvement Authority.
- Working jointly with the General Medical Council on guidance around the duty of candour and reporting of 'near misses' as proposed in *Hard truths* (2013), the government response to the Francis report.
- Visiting the eleven trusts placed in special measures following the mortality review conducted by Sir Bruce Keogh in 2013. These helped build constructive dialogue with directors of nursing across our regulatory functions including education quality assurance, midwifery supervision, our revalidation model and referring fitness to practise cases to us. In England, we are also working in partnership with the Trust Development Authority (TDA) to engage with the directors of nursing in the trusts for which the TDA is responsible.
- Attending all of the regional Quality Surveillance Groups in England, significantly adding to our insight into quality and risk intelligence and increasing our visibility to nurse leaders on the ground.
- Playing a full and proactive role as a member of the Alliance of UK Health Regulators on Europe (AURE) which brings together the nine professional healthcare regulators to influence European Union policy. Currently, the group is engaged in preparations for transposition of the Mutual Recognition of Professional Qualifications Directive including liaising with stakeholders at UK and EU level.

50 As a UK regulator, we are alert to the differing approaches to healthcare across the four countries and the implications for our work. Engagement with partners and stakeholders in all four countries is of key importance to us. We have:

- Worked collaboratively with the Chief Nursing Officer in Scotland and now convene a senior stakeholders group which meets regularly to provide us with expert input and advice.

- Participated in the Scottish Government’s annual event for health regulators. This is an excellent opportunity to engage with professionals and members of the public from Scotland.
- Engaged in productive discussions about joint working with Welsh Assembly Government members responsible for health and social care, the Health Care Inspectorate Wales, the Ombudsman for Wales, the Welsh Older People’s Commissioner and the Board of Community Health Councils in Wales
- Held engagement events in Northern Ireland, Wales and Scotland and joint parliamentary receptions in each of the administrations.

Goal 3 – Our staff will have the skills, knowledge and supporting systems needed to help us provide excellent services to the public and the people we regulate.

51 During the year, we have worked hard to ensure that we are equipped to deliver improvements in performance.

Staff

52 Tackling high staff turnover is a priority and the Council monitors progress through a key performance indicator. The Council set a target to reduce the staff turnover rate to 23 percent by March 2014. Although we did not quite achieve this, we did see a reduction from 33 percent in 2012–2013 to 26 percent in 2013–2014. We are continuing to work towards further improvements, through improving our understanding and use of workforce data including why staff join or leave the organisation. Our recruitment efforts are proving increasingly successful, with a success rate of filling 9 out of 10 vacancies at the first attempt.

53 Other actions taken to help us achieve a more stable workforce included:

- Conducting a staff survey and sharing the results with staff.
 - Ensuring that we focus all our efforts on our core statutory purpose to protect the public is our priority. We were encouraged that 94 percent of staff said that they understood our role; 93 percent understood how they contributed to achieving our aims and 85 percent cared about the future of the NMC. The survey also provided insight into a range of staff concerns.
 - We used the results to create a corporate action plan and action plans for each of our five directorates and recently reported on progress to all staff. Each of the plans addresses areas for development by involving and engaging with staff locally to improve outcomes.
 - We will be launching another all staff survey during June 2014, to measure progress and update local action plans as part of our efforts to achieve continuous improvement.
- Revitalising internal staff communications, developing new values and behaviours and rolling out a comprehensive programme of training and

development. The new behaviours are being incorporated into an updated staff performance and development review process from April 2014.

- Reviewing and revising our staff rewards package, including harmonisation of annual leave. Following an independent review, we introduced a new pay and grading structure from 1 January 2014, based on the creation of job families designated by professional area to improve our approach to career progression, talent and succession management.
- Addressing learning and development: we are committed to staff development and provided a range of learning opportunities to staff including, e-learning, training courses and policy seminars. We revitalised induction events to welcome new staff members. An all staff conference in January 2014 was used to assess the progress made and focus on future organisational priorities. The event provided an opportunity to recognise the contributions made by teams and individuals from across our diverse workforce.
- Introducing a defined contributions pension scheme which staff could join on a voluntary basis from October 2013. We met the deadline for introduction of auto-enrolment from April 2014 enabling staff to benefit from affordable pension provision. In the interests of financial stability and to limit costs and risk exposure, we closed our existing defined benefits pension scheme to employees joining the NMC after 1 November 2013.
- Embedding workforce planning into the annual business planning cycle, to ensure we have the resources and capabilities to deliver our corporate plan.

54 We recognise that there is more to do and during 2014–2015 we will be implementing e-recruitment; piloting action learning sets as part of our approach to becoming a learning organisation; and training our managers in coaching techniques to improve staff performance and development.

ICT systems

55 Our ICT strategy seeks to stabilise and then transform our systems to support our regulatory functions more effectively. During the year, we completed a number of planned infrastructure upgrades to office, telephony and document management systems providing a more stable platform from which to make transformational change.

56 As we enter the transformation phase of the strategy, we have set up a new ICT Programme Board consisting of the directors and two independent external advisors to provide oversight. Work on a strategic upgrade to the Registration system (WISER) will begin in 2014 for completion in 2016. Online capabilities are being extended during 2014, firstly to enable nurses and midwives to renew registration online during 2014 and later to add facilities for overseas applications to be made online from late 2014. The ICT strategy will also bring improvements to our data sharing and analysis capabilities by 2016 in line with the Francis report recommendations.

Effective use of resources

- 57 We re-established our Corporate Efficiency Board to oversee and monitor financial efficiency improvements across the NMC and ensure that resources are used effectively.
- 58 The work of the Corporate Efficiency Board includes a more strategic approach to procurement and contract management, focusing first on where the maximum financial benefit can be derived. The Financial Strategy approved by the Council in 2012 targeted £25 million of savings over a three year period and we remain on track to deliver them. The budget for 2014-2015 includes further target savings.

Embedding continuous improvement

- 59 Since taking office in May 2013, the Council has taken a strategic approach, streamlined governance structures and devolved operational management to the Chief Executive and Registrar, supported by an Executive Board. The Council and Executive have sharpened the focus on assessing performance and risk using a refreshed risk management framework and a revised set of fewer, higher level, key indicators. The Council scrutinises performance against these key indicators and targets and discusses action to address risks at each public meeting.
- 60 We adopted a new Corporate Quality Assurance Strategy, supported by a dedicated team. The strategy is focused on three outcomes:
- Implementing a risk based, outcome focused performance and quality management framework across the organisation.
 - Undertaking an annual programme of corporate quality assurance reviews.
 - Embedding a culture of learning and continuous improvement. We have put in place systematic processes to capture organisational learning and carry through improvements, starting with serious event reviews and extending to complaints, quality assurance reviews, internal audit or external reports.
- 61 During the year the Council has developed its thinking on our future strategic direction. For example, we know that we need to move towards a more evidence-based, intelligence-led approach to our work by improving our ability to use our own data, and data others share with us. This is reflected in our corporate objectives for 2014–2017 and is informing development of the Council's five year strategy for the period 2015–2020. We will be engaging with the public, patients, partners and stakeholders on the content of this in the year ahead.

Managing our transformation

- 62 Our Change Management Portfolio Board has continued to coordinate all organisational improvement activities to build our capacity and capability to become a more effective and efficient regulator. The Board has:
- Overseen ongoing delivery of our registration and fitness to practise improvement plans - discussed earlier in this report - such as registrations online and our website redevelopment project.

- Introduced "*Shaping the Future*", an internal newsletter to keep staff informed about the major changes taking place and the contribution they can make.
- Put in place a more systematic and strengthened approach to programme and project management across the organisation.
- Overseen the major ICT programme to deliver improvements to our telephone systems and infrastructure to stabilise and upgrade key corporate systems. We continue to make progress in implementing our targeted information security action plan.
- Taken regular stock of our progress against the recommendations made in the PSA Strategic Review 2012, including through assessments made by our corporate quality assurance team. We will be commissioning an independent review of whether we have delivered against the recommendations during 2014.

63 The Board's work for the first two years has been focused on delivering the Strategic Review recommendations. We are now reshaping its work and developing a more proactive programme to help take forward our three-year corporate plan and the themes from the Council's emerging five year strategy. This will ensure that we continue to develop as a more effective and efficient regulator which deserves the confidence of the public, those we regulate and other stakeholders.

Strategic plan 2014-2017

- 64 Our strategic corporate plan for 2014–2017 is based around our three goals. It sets out what we intend to achieve over the next three years and how we will measure our success.

Goal 1: Protecting the public

Objective 1: We will protect the public's health and wellbeing by keeping an accessible accurate register of all nurses and midwives who meet the requirements for registration and who are required to demonstrate that they continue to be fit to practise.

Objective 2 We will set evidence-based and accessible standards of education and practice. We will assure the quality of education programmes for nurses and midwives and the quality of supervision of midwives, so that we can be sure that everyone on our register is fit to practise.

Objective 3 We will take swift and fair action to deal with individuals whose integrity or ability to provide safe care is questioned, so that the public can have confidence in the quality and standards of care provided by nurses and midwives.

Goal 2: Open and effective relationships

Objective 4 We will maintain open and effective regulatory relationships with patients and the public, other regulators, employers, parliamentarians and the professions. This will help us positively influence the behaviour of nurses and midwives to make the care of people their first concern, treat them as individuals, and respect their dignity.

Objective 5 We will develop and maintain constructive and responsive communications so that people are well informed about the standards of care they should expect from nurses and midwives, and our role when standards are not met.

Objective 6 We will improve the collection and use of both our own data and intelligence from other sources, and share what we know with other regulators and relevant partner organisations to improve public protection.

Goal 3: Services, systems and staff

Objective 7 We will promote equality and diversity in carrying out our functions and in delivering our services as a regulator and as an employer.

Objective 8 We will develop effective policies, efficient services and governance processes that support our staff to fulfil all our functions.

Objective 9 We will build an open culture which engages and empowers staff to perform to their best and which encourages learning and improvement.

- 65 Our focus will continue to be on protecting the public through effective delivery of our core regulatory functions. Over the next three years, we aim to:
- Continue to improve our fitness to practise processes.
 - Strengthen further our registration processes, offer increased services online and prepare for the changes resulting from EU legislation.
 - Implement a model for ensuring that nurses and midwives continue to be fit to practise.
 - Deliver a robust engagement strategy, including developing further our links with bodies representing patients and the public, nurses, midwives and employers.
 - Further improve our ICT systems.
 - Secure our longer term financial stability.
- 66 During 2014, we will produce our five-year strategy for the period 2015–2020 which will set out our future direction and how we will continue to develop as an effective and trusted regulator.

Financial review

- 67 The net outgoing resources for the year amounted to £5.397 million (2012–2013: net incoming resources £10.089 million).
- 68 During the year, income totalled £65.193 million (2012–2013: £73.355 million) and comprised fee income of £62.772 million (2012–2013: £52.080 million), a grant of £1.438 million from the Department of Health (2012–2013: grant income £20 million) and investment income of £0.983 million (2012–2013: £1.275 million).
- 69 The grant of £1.438 million represents funding from the Department of Health to support improvements to the way we assess and process applications to the register from overseas applicants. The grant funding for 2013–2014 was principally to support an historical audit of overseas registrations and the implementation of electronic ID verification for overseas applicants. A second grant application is being made in 2014–2015 to support the development and implementation of competency testing for overseas applicants to the register.
- 70 The grant of £20 million in 2012–2013 provided additional financial resources to support the achievement of the NMC's Fitness to Practise adjudication key performance indicator by December 2014; the clearance of the historic backlog of cases by December 2014; and the delivery of the minimum risk-based reserves level by January 2016. The grant was paid in January 2013 and was recognised in full as restricted revenue in 2012–2013. The grant is being released in equal monthly instalments over the term of the grant, and the restricted reserves balance will reduce accordingly each month, with the final amount being in December 2015.
- 71 During the year expenditure totalled £70.590 million (2012–2013: £63.266 million). This is further analysed within note 10 to the accounts.
- 72 The reserves of £52.868 million at 31 March 2014 included the value of the lease of the NMC's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2014 on an existing use basis at £17.185 million.
- 73 Our expenditure is primarily driven by the volume and complexity of our fitness to practise caseload. In recent years these have increased significantly. In summer 2012, the Council consulted on a fee increase to £120, which was the amount required per registrant to cover the cost of regulation. The acceptance of a grant of £20 million from the Department of Health allowed us to limit the fee increase to £100 for two years, with effect from 1 February 2013.
- 74 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. Therefore in March 2014, the Council took the decision to consult publicly on increasing the fee from £100 to £120, to take effect from early 2015. The results of the consultation will inform the Council's final decision in late 2014.

- 75 We understand the significant hardship nurses and midwives face in making a lump sum payment in these tough economic times. We have listened to nurses, midwives and their professional bodies, along with the Health Committee, and have committed to introducing phased payments by the end of 2016 to make it easier for nurses and midwives to pay the fee. As well as making necessary changes to our IT system and processes, we are seeking changes to our rules so that all who want to do so can make phased payments. We also continue to encourage nurses and midwives to claim the tax relief to which they are entitled, as only around 30 percent do at present.
- 76 At 31 March 2014 negotiations are ongoing with HMRC in relation to a potential refund of income tax and National Insurance payments made in prior years in relation to Fitness to Practise panellists. This followed a ruling by HMRC in April 2012 that HMRC now considers that the NMC's Fitness to Practise panellists are not classed as office-holders and therefore employees for income tax and National Insurance purposes, but consider them to be self-employed. The amount of the potential refund is yet to be established and therefore it is not disclosed as a contingent asset in the financial statements.

Reserves policy

- 77 The NMC has had a risk-based reserves policy in place since September 2012 which provides that our free reserves level should be based on an assessment of the financial impact of the risks faced by the NMC, plus an amount to cover our estimated share of the pension deficit. Free reserves are that part of a charity's unrestricted funds that are freely available to spend, that is, excluding restricted funds, tangible fixed assets and amounts designated for essential future spending.
- 78 Until September 2012, the NMC's reserves policy required that free reserves should equate to at least three months' worth of budgeted operating expenditure, plus an amount to cover our estimated share of the pension deficit based on the latest pension scheme valuation.
- 79 The reserves policy is reviewed annually by the Council as part of the business planning process and as a core component of the NMC's financial strategy. The Council considers the latest assessment and quantification of major risks, and agrees an appropriate range in which the risk-based element of reserves (also known as 'available free reserves') should be maintained. This methodology gives rise to a lower reserves requirement than was the case under the previous policy.
- 80 In March 2014 the Council reviewed the risks underpinning the reserves policy and agreed that the target range of available free reserves should continue to be held in a range of £10 million to £25 million.
- 81 This level of reserves is considered sufficient to meet the NMC's operating priorities and working capital requirements in the event of a significant unplanned circumstance, whilst alternative funding is secured.
- 82 The Council's financial strategy is based in part on the projection that available free reserves should be restored to a minimum level of £10 million by January 2016, which is one of the conditions attaching to the Department of Health grant of £20 million.

- 83 The total free reserves of the NMC were £17.115 million at 31 March 2014 (£15.276 million at 31 March 2013) after taking into account the net book value of fixed assets of £23.753 million (2012–2013: £20.391 million) and the available free reserves at 31 March 2014 (excluding the NMC’s estimated share of the pension deficit) were £7.6 million (£7.4 million at 31 March 2013).
- 84 This level of available free reserves is not currently in accordance with our reserves policy of maintaining available free reserves in the range of £10 million to £25 million. Charity Commission guidance is that free reserves may be reduced in the short term from the level required by the policy, but only in circumstances where there is a clear and robust plan for building them back up to the required level. The financial strategy agreed by the Council and the Department of Health grant of £20 million will build reserves back up to the required level.
- 85 The Council monitors the reserves position closely through a key performance indicator and set an interim target for reserves of £7.4 million by 31 March 2014. As indicated above, this was achieved: available free reserves stood at £7.6 million at the year end. This means we are on track to meet this commitment to the Department of Health, as well as the fitness to practise target as described earlier in this report

Investment policy

- 86 The NMC has the power to invest its surplus funds as it considers appropriate to generate income. Currently the NMC has a formal investment policy, which limits investment to low and no risk options.
- 87 NMC funds are held in fixed interest deposit accounts spread across five UK high street banks. The revenue generated from the investments in 2013-2014 was £0.983 million (2012-2013: £1.275 million).

Fixed assets

- 88 Information relating to changes in tangible fixed assets is given in note 13 to the accounts. The cost of fixed assets additions during the year was £2.521 million.
- 89 As part of the NMC’s drive to become a modern, efficient and effective regulator, the Council approved in 2012 a £10 million investment in the development of information technology. During 2013-2014, the first phase was completed, including upgrading the underlying infrastructure, desktop and software. This provided the platform for the second, more transforming phase from 2014-2015.

Mark Addison CB
Chair
NMC
9 October 2014

Jackie Smith
Chief Executive and Registrar
NMC
9 October 2014

Remuneration report

90 The financial aspects of this report are audited by independent auditors and the National Audit Office.

Council members' allowances and expenses

91 The Council is the governing body of the NMC and has ultimate decision-making authority as described in the Annual Governance Statement. The members of the Council are the trustees of the NMC. The Chair of the Council during 2013-2014 was Mark Addison CB. On 1 May 2013, the Council was reconstituted and reduced in size from 14 to 12 members. The Chair of the Council has appointed two members to act as Vice-Chairs.

92 Council members do not receive remuneration for their services but receive an annual allowance of £12,000 based on the requirement for members to spend two to three days per month on NMC business. The Chair receives an annual allowance of £48,000 based on the requirement to spend an average of two days per week on NMC business. An attendance allowance of £260 per day is paid for training and induction activity prior to taking up appointment.

93 It is a legal requirement that Registration Appeals Panels are chaired by a Council member. Council members receive a daily allowance of £340, and a daily reading fee of £290 where required, for performing this role. During 2013–2014, allowances totalling £26,485 were paid to Council members to chair appeal panels.

94 Allowances paid to Council members in 2013–2014 amounted to £207,485 (2012–2013: £198,871). This includes the allowances of £26,485 for chairing registration appeals referred to above. Full details of the amounts paid are set out in the table on pages 27-28. No special payments¹ were made to any Council member in 2013–2014.

95 Allowances payments to Council and committee members are made through a separate payroll with deductions for income tax and National Insurance. Expenses directly incurred in the performance of duties are reimbursed in accordance with the NMC's Travel and subsistence policy for members.

96 Where meetings are held in London, expenses are considered to be a taxable benefit in kind. The NMC pays the income tax and National Insurance arising through a PAYE settlement agreement with HMRC. In 2013–2014, £38,551 was provided for this tax liability in relation to Council members (2012–2013: £26,000). The tax payable on deemed benefits in kind cannot be disclosed for each individual Council member, as an overall calculation is produced based on the total expenses and the proportion of Council members and partner members of committees.

97 The expenses upon which the tax liability arises are included in the following table.

¹ Special payments in this instance refers to special severance payments paid to employees and others that are above normal statutory or contractual requirements when leaving employment whether they resign, are dismissed or reach an agreed termination of contract. Special severance payments always require approval by HM Treasury.

Council members	Allowance paid to member 2013–2014 (£)	Allowance paid to member 2012–2013 (£)	Expenses deemed benefit in kind 2013–2014 (£)	Expenses deemed benefit in kind 2012–2013 (£)
Mr M Addison – Chair ²	48,000	26,800	836	333
Mrs A Aitken ³	1,000	12,000	1,295	3,787
Dr K Bharj OBE ⁴	1,000	12,000	1,244	5,155
Professor J Ellis MBE ⁵	12,170	30,000	60	729
Mrs J Fletcher ⁶	-	2,000	-	827
Mrs S Hooton ⁷	1,000	9,633	1,034	1,943
Mrs L Jacobs ⁸	2,940	21,895	1,587	4,270
Mr G Owen ⁹	1,485	14,910	832	4,112
Ms N Patterson ¹⁰	6,000	9,633	3,745	2,085
Mr D Pyle ¹¹	1,000	12,000	97	1,994
Mrs C Rees-Williams ¹²	1,000	12,000	220	1,727
Ms R Sawtell ¹³	1,000	12,000	87	897
Mrs B Teuten ¹⁴	1,000	12,000	167	430
Professor J Tunstill ¹⁵	1,000	12,000	-	-
Maureen Morgan OBE ¹⁶	14,590	-	2,501	-
Maura Devlin ¹⁷	7,020	-	3,360	-
Quinton Quayle ¹⁸	11,000	-	2,908	-
Louise Scull ¹⁹	11,000	-	3,238	-
Carol Shillabeer ²⁰	11,000	-	2,305	-

² Appointed Chair of the Council 10 September 2012.

³ Held office to 30 April 2013.

⁴ Held office to 30 April 2013.

⁵ Deputy Chair of the Council 1 April to 10 September 2012. During 2012–13 Professor Ellis was paid the trustees' annual allowance of £12,000, and £18,000 was paid to London Southbank University in respect of her services during her tenure as Deputy Chair. During 2013-2014, allowance payments include £170 for training relating to chairing Registration Appeals Panels.

⁶ Resigned 31 May 2012.

⁷ Held office 12 June 2012 to 30 April 2013.

⁸ Held office to 30 April 2013: includes allowance payments of £1,940 for chairing Registration Appeal Panels.

⁹ Held office to 30 April 2013: includes allowance payments of £485 for chairing Registration Appeal Panels.

¹⁰ Held office 12 June 2012 to 30 September 2013.

¹¹ Held office to 30 April 2013.

¹² Held office to 30 April 2013.

¹³ Held office to 30 April 2013.

¹⁴ Held office to 30 April 2013.

¹⁵ Held office to 30 April 2013.

¹⁶ Appointed to the Council 1 May 2013: includes allowance payments of £3,590 for chairing Registration Appeal Panels.

¹⁷ Appointed to the Council 1 October 2013: includes allowance payments of £1,020 for chairing Registration Appeal Panels.

¹⁸ Appointed to the Council 1 May 2013.

¹⁹ Partner member to 30 April 2013; appointed to the Council 1 May 2013.

²⁰ Appointed to the Council 1 May 2013.

Council members	Allowance paid to member 2013–2014 (£)	Allowance paid to member 2012–2013 (£)	Expenses deemed benefit in kind 2013–2014 (£)	Expenses deemed benefit in kind 2012–2013 (£)
Elinor Smith ²¹	12,455	-	5,088	-
Amerdeep Somal ²²	15,850	-	7,024	-
Stephen Thornton CBE ²³	11,000	-	2,986	-
Lorna Tinsley ²⁴	23,975	-	5,343	-
Dr Anne Wright CBE ²⁵	11,000	-	-	-

98 Partner members, that is, members of committees who are not also members of the Council, receive a daily attendance allowance of £260 and reasonable travel expenses.

Methods used to assess members' performance

99 The Council has an agreed policy and process in place for reviewing and enhancing the effectiveness of both the Council itself and its members. Annual performance reviews of the Chair and individual members took place in 2013-2014.

100 The performance review of the Chair of the Council is undertaken by the Vice-Chairs. The review takes a structured, objective, evidence-based approach. It includes a self-assessment by the Chair, peer assessment by the Council members and assessment by the Chief Executive and Registrar (and through her or him, the directors). The outcomes are used to agree objectives and ascertain development needs for the coming year. A similar process is in place for individual Council members led by the Chair.

Senior management team remuneration and performance assessment

101 The senior management team (called the Executive) comprises the Chief Executive and Registrar and directors who report directly to her or him. They are not members of the Council or trustees of the NMC.

102 The Chief Executive and Registrar is the only employee appointed directly by and accountable to the Council and has decision-making authority to the extent described in the annual governance statement as delegated by the Council. The only remuneration details disclosed in full are therefore those of the Chief Executive and Registrar. The employment contract of the Chief Executive and Registrar normally requires notice of six months to be given by either party to terminate the contract. For directors the period is three months.

²¹ Appointed to the Council 1 May 2013: includes allowance payments of £1,455 for chairing Registration Appeal Panels.

²² Appointed to the Council 1 May 2013: includes allowance payments of £4,850 for chairing Registration Appeal Panels.

²³ Appointed to Council 1 May 2013

²⁴ Includes allowance payments £12,975 for chairing Registration Appeal Panels.

²⁵ Appointed to the Council 1 May 2013.

- 103 The Remuneration Committee considers and recommends to the Council an appropriate reward strategy for the Chief Executive and Registrar and the directors. The Committee approves the reward package of the Chief Executive and Registrar and the directors annually in line with the reward strategy set by the Council. In 2013–2014, a pay increase of 2.3 percent was applied to staff, including members of the Executive.
- 104 The Remuneration Committee approves the process for, and review reports from the Chair regarding, the setting of objectives for and performance appraisal of the Chief Executive and Registrar and reviews reports from the Chief Executive and Registrar regarding the setting of objectives for and performance appraisal of the directors. Directors' performance was assessed through our performance development review process which operated during 2013–2014. No formal link between pay and performance operated during 2013–2014.
- 105 Jackie Smith was appointed to the post of Chief Executive and Registrar for a period of one year, with effect from 8 October 2012. She was appointed to the substantive post on a permanent basis, with effect from 19 June 2013. Her remuneration in 2013–2014 was £164,677²⁶ and the value of her pension benefits was £69,240,²⁷ giving rise to a single total figure of remuneration of £233,917. (In 2012–2013, her remuneration was £151,582 and the value of her pension benefits was £38,794,²⁸ giving rise to a single total figure of remuneration of £190,376.)
- 106 Jackie Smith is an ordinary member of the NMC pension scheme (see note 11 to the accounts). Details of her pension position are as follows:
- The real increase during 2013–2014 in her pension at age 60 was between £2,500 and £5,000 pa (2012–2013: between £0 and £2,500).
 - If she took the maximum tax-free cash payment at age 60, the real increase during 2013–2014 in the value of this lump sum at 31 March 2014 was between £17,500 and £20,000 and the real increase in her residual pension was between £2,500 and £5,000 pa.
 - The accrued pension at age 60 at 31 March 2014 was between £5,000 and £10,000 pa (31 March 2013: between £5,000 and £10,000 pa). If she took the maximum tax-free cash at age 60, the value of this lump sum at 31 March 2014 was between £40,000 and £45,000 and this would leave a residual pension at age 60 at 31 March 2014 of between £5,000 pa and £10,000 pa.
 - The cash equivalent transfer value²⁹ of benefits at the beginning of the year was £126,000.

²⁶ The amount for 2013–2014 is made up of basic pay increased by 2.3 percent in line with the pay rise for all staff, together with payment for 19 days annual leave not taken during 2012–2013 and 2013–2014.

²⁷ The value of pension benefits is calculated as the real increase in pension in the year, multiplied by 20, plus the real increase in any lump sum, less contributions made by the member. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

²⁸ As footnote 27.

²⁹ The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

- The real net increase in the cash equivalent transfer value during the year to 31 March 2014 (adjusted for inflation and taking account of member contributions) is £82,000.
- The cash equivalent transfer value of benefits at 31 March 2014 is £216,000 (31 March 2013: £126,000).³⁰

107 The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2013–2014.

Remuneration and performance assessment of other staff

108 All employees have a six-month probation period on commencing employment and a notice period of one to three months depending on grade.

109 The remuneration of all employees is reviewed annually. Within the budget set by the Council, the Executive Board makes decisions each year on the percentage rises to be applied, taking into account overall affordability, cost-of-living rates, benchmarking data, and recruitment and retention data. In 2013–2014, the Executive Board applied an across-the-board increase to all eligible staff of 2.3 percent with effect from 1 April 2013. This followed a pay freeze imposed during 2012–2013 for all staff with the exception of those in the two-lowest salary bands who were awarded a non-performance linked increase of two percent.

110 During 2013–2014, a full review of pay and grading was undertaken, with expert external support and in consultation with staff. We implemented a new pay structure on 1 January 2014 based on the creation of nine new job families. Following role evaluation, posts were allocated to a new job family and pay level with an appeal mechanism available for staff who wished to contest the allocation. We have a pay guidance document which contains full details of how the pay arrangements operate. Staff previously paid below the new benchmarked minimum for each pay grade were brought to the minimum level. Further development of the pay structure will be considered during 2014–2015 to ensure we are able to attract and retain an appropriately skilled workforce.

111 Our performance and development review process operated normally throughout the year but was not related to pay considerations. Alongside this, we reviewed our current arrangements and we will implement a revised appraisal and development system from April 2014. We are now considering how any links between pay and performance should operate under the new arrangements.

Pension arrangements

112 The NMC operates two pension schemes: a defined benefit pension scheme and a defined contribution pension scheme.

113 Employees who are members of the defined benefit scheme make a contribution of six percent of salary. The employer's contribution into the pension scheme during 2013–2014 was 27.4 percent, as set by the Scheme Actuary. Approximately 48 percent of employees were members of this scheme at 31

³⁰ The minor difference between the transfer value at the beginning of the year, plus the real increase over the year, compared with the transfer value at 31 March 2014 is due to changes in the financial assumptions used to calculate transfer values at the two different dates.

March 2014. The scheme was closed to employees joining the NMC after 1 November 2013.

- 114 The NMC established a defined contribution scheme from 1 November 2013 which employees joining the NMC on or after this date could opt to join. Following a selection process, we appointed *The People's Pension* to operate the scheme. The employer's basic contribution to the scheme is four percent and the employee basic contribution is one percent. Approximately two percent of employees had joined the scheme at 31 March 2014. The defined contribution scheme has been adopted as the NMC's workplace pension scheme for auto-enrolment purposes and will operate from 1 April 2014 when all qualifying employees will be automatically enrolled in the scheme.

NMC pay differentials

- 115 The remuneration of the highest-paid director, the Chief Executive and Registrar, was 6.13 times (2012–2013: 5.74 times) the median remuneration of the workforce, which was £26,859 (2012–2013: £26,400). The increase in differential is due to the payment for 19 days annual leave not taken; if this were excluded the ratio would be 5.71 times the median remuneration of the workforce.
- 116 Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, paid annual leave as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.
- 117 Further information about remuneration is contained in note 11 to the accounts.

Mark Addison CB
Chair
NMC
9 October 2014

Jackie Smith
Chief Executive and Registrar
NMC
9 October 2014

Statement of the responsibilities of the Council and of the Chief Executive and Registrar in respect of the accounts

- 118 The accounts are prepared in accordance with the direction received from the Privy Council which requires the accounts to be prepared in accordance with the Charities Statement of Recommended Practice Accounting and Reporting (SoRP) and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board (Appendix 1).
- 119 The Nursing and Midwifery Order 2001 requires that annual accounts are prepared and audited. The Council and its Chief Executive and Registrar (as Accounting Officer) are responsible for the preparation and approval of the accounts.
- 120 The law applicable to charities registered in England and Wales and Scotland requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of the charity's affairs and of the incoming resources and application of resources of the charity for that period. In preparing these accounts they are required to:
- observe the applicable accounts directions issued by the Privy Council
 - select suitable accounting policies and then apply them consistently
 - observe the methods and principles in the Charities SoRP
 - make judgments and estimates on a reasonable basis
 - prepare the accounts on a going concern basis unless it is inappropriate to presume the Council will continue in operation
 - state whether applicable accounting standards have been followed, and
 - disclose and explain any material departures in the financial statements.
- 121 The Council and its Chief Executive and Registrar are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council and enable them to ensure that the accounts comply with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Nursing and Midwifery Order 2001. They are also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- 122 The Privy Council has appointed the Chief Executive and Registrar as Accounting Officer for the Nursing and Midwifery Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable, and for the keeping of proper records, are set out in the *Accounting Officer's Memorandum*, issued by the Privy Council, and in *Managing public money* (HM Treasury, 2013).

Principal place of business

123 The NMC works across England, Northern Ireland, Scotland, and Wales. Its principal place of business is:

23 Portland Place
London
W1B 1PZ

Advisers

Joint Auditors

haysmacintyre
Chartered Accountants
26 Red Lion Square
London
WC1R 4AG

Joint Auditors

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

Bankers

HSBC
117 Great Portland Street
London
W1A 4UY

Solicitors

Field Fisher Waterhouse
35 Vine Street
London
EC3N 2AA

Internal Auditors

Moore Stephens
150 Aldersgate Street
London
EC1A 4AB

Annual governance statement

124 The NMC is an independent statutory body. Our powers and responsibilities are set out in the Nursing and Midwifery Order 2001 (as amended) (the Order) and in our statutory rules.³¹ We are also a charity registered in England and Wales (number 1091434) and in Scotland (number SC038362). Our charitable object is to protect and safeguard the health and wellbeing of the public. The Council has had due regard to the Charity Commission's guidance and we explain elsewhere in this report how our work demonstrates public benefit.

The Council

125 The Council is the governing body of the NMC and the Council members are the charity trustees. The Council members are collectively responsible for directing the affairs of the NMC, ensuring that it is solvent, well-run, and delivers public benefit.

126 The Council was reconstituted on 1 May 2013 in accordance with the Nursing and Midwifery Council (Constitution) (Amendment) Order 2012.³² This reduced the size of the Council from 14 to 12, whilst maintaining an equal number of registrant and lay members. Lay members are those who have never been a registered nurse or midwife. All members are appointed by the Privy Council.

127 In preparation for reconstitution of the Council, we commissioned an independent review to help develop a fit for purpose model of governance. Since taking office, the Council has implemented the review recommendations: streamlining governance structures and agreeing a new scheme of delegation, standing orders, and code of conduct for members. This has enabled the Council to operate at a strategic level whilst ensuring clear responsibility and accountability for operational matters at executive level.

128 The Council's remit is to (a) set the NMC's strategic direction and corporate objectives, in line with its core purpose; (b) ensure effective systems are in place for managing performance and risk; (c) maintain probity in, and public accountability for, the exercise of the NMC's functions and the use of funds.

129 Attendance by members at Council meetings during the year is set out below.

Council membership and attendance 1 to 30 April 2013

Member	Meetings	Attended
Mark Addison CB (Chair)	1	1
Professor Judith Ellis MBE	1	1
Alison Aitken	1	1
Dr Kuldip Bharj OBE	1	0
Sue Hooton OBE	1	1
Lorna Jacobs	1	1
Grahame Owen	1	1
Nicki Patterson	1	1
David Pyle	1	0
Carole Rees-Williams	1	1

³¹ SI 2002/253

³² SI 2012/2745

Ruth Sawtell	1	1
Beatrice Teuten	1	1
Professor Jane Tunstill	1	1

Council membership and attendance 1 May 2013 to 31 March 2014.

Member	Meetings	Attended
Mark Addison CB (Chair)	7	7
Professor Judith Ellis MBE	7	7
Maureen Morgan OBE	7	6
Nicki Patterson (to 30 September 2013)	4	4
Maura Devlin (from 1 October 2013)	3	2
Quinton Quayle	7	7
Louise Scull	7	6
Carol Shillabeer	7	7
Elinor Smith	7	6
Amerdeep Somal	7	6
Stephen Thornton CBE	7	6
Lorna Tinsley	7	7
Dr Anne Wright CBE	7	7

Committees

130 The Order requires there to be a Midwifery Committee. The Council may establish other committees for specified purposes. During the period 1 May 2013 to 31 March 2014, the Council established an Appointments Board, an Audit Committee and a Remuneration Committee. The remit, membership and attendance of each committee are set out below.

Appointments Board

131 The remit of the Appointments Board is to assist the Council in connection with the exercise of any function relating to the appointment of panel members and legal assessors. Membership and attendance are set out below.

Member	Meetings	Attended
Nigel Ratcliffe (Chair)	3	3
Bridget Anderson	3	3
Mary Dowling	3	2
Stephen McCafferty	3	2

Audit Committee April 2013

132 During the period 1–30 April 2013, the remit of the Audit Committee was to ensure that our business was conducted with the highest integrity, probity and efficiency, and that there were appropriate systems in place for managing risk. The membership and attendance during this period are set out below.

Member	Meetings	Attended
Ruth Sawtell (Chair)	1	1
Beatrice Teuten	1	1
Sue Hooton OBE	1	0
Professor Jane Tunstill	1	1

Julia Drown (partner member)	1	1
Louise Scull (partner member)	1	1

Audit Committee from 1 May 2013 to 31 March 2014

- 133 The revised remit of the Audit Committee from 1 May 2013 is to support the Council and management by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.
- 134 The Council invited Julia Drown (partner member) to continue to serve on the Committee until 18 July 2013 to provide additional continuity in reviewing the annual report and accounts for 2012–2013 before they were approved by the Council.

Member	Meetings	Attended
Louise Scull (Chair)	4	4
Carol Shillabeer	4	4
Stephen Thornton	4	3
Julia Drown (partner member to 18 July 2013)	1	1

Midwifery Committee

- 135 The statutory remit of the Midwifery Committee is to advise the Council on all matters relating to midwifery. Committee membership and attendance are set out below.

Member	Meetings	Attended
Dr Kuldip Bharj OBE (Chair to 30 April 2013)	1	1
David Pyle (to 30 April 2013)	1	1
Dr Anne Wright CBE (Chair from 1 May 2013)	5	5
Lorna Tinsley (from 1 May 2013)	5	5
Marie McDonald (partner member)	6	5
Kirsty Darwent (partner member)	6	2
Ann Holmes (partner member)	6	4
Frances McCartney (partner member)	6	4
Gillian Boden (partner member to 31 December 2013)	4	4
Dorothy Patterson (partner member to 31 December 2013)	4	3
Pradeep Agrawal (from 1 January 2014)	2	2
Patricia Gillen (from 1 January 2014)	2	2

Remuneration Committee

- 136 The remit of the Remuneration Committee is to ensure that there are appropriate systems in place for remuneration and succession planning at the NMC. The membership of the Committee and attendance for the period 1 May 2013 to 31 March 2014 are set out below.

Member	Meetings	Attended
Quinton Quayle (Chair)	2	2
Elinor Smith	2	1
Amerdeep Somal	2	2
Stephen Thornton	2	2

Role of the Executive

- 137 The Chief Executive and Registrar is appointed by and accountable to the Council. The remit of the Chief Executive and Registrar is to direct the affairs and manage the resources of the NMC within the strategic framework established by the Council.
- 138 As the Accounting Officer, the Chief Executive and Registrar has personal responsibility for matters relating to financial propriety and regularity, keeping proper account of financial affairs, avoidance of waste and extravagance and of the effective use of resources.
- 139 As recommended by the external governance review, in June 2013 the Chief Executive and Registrar established an Executive Board, comprising the directors of each of the corporate functions. The Executive Board's remit is to assist the Chief Executive in the performance of her duties through (a) developing and implementing strategies, policies, business plans, and budgets; (b) monitoring operating and financial performance; (c) evaluating and managing risk; (d) prioritising and allocating resources.

Effectiveness of governance

- 140 The Council is committed to high standards of governance. Our practice complies with HM Treasury's *Corporate Governance Code of Good Practice* (2011) to the extent that it is applicable to the organisation. We conduct our business in accordance with the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.
- 141 The Council has undertaken a review of its own effectiveness, as has each Committee. The outcomes indicated a broad level of satisfaction with the governance structure and operations. Areas for future focus include:
- 141.1 Undertaking an analysis of skills and competencies of Council members to inform future recruitment and selection activities.
 - 141.2 Addressing both common and individual member training and development needs, ensuring this is clearly defined and tailored as appropriate.
 - 141.3 Developing further the Council's objectives, building on work already undertaken regarding behaviours and relationships.
 - 141.4 Further improving the quality of information provided to the Council and Committees to ensure this is timely, evidence-based and that risk implications are fully considered.
 - 141.5 Developing a more streamlined approach to the effectiveness review process, including individual member appraisals for 2014–2015.
- 142 The Council receives a performance and risk report at each meeting and has engaged with the Executive to refine the financial and performance information reported throughout the year. An internal audit review provided assurance about the key performance data relied upon by the Council.

Internal control and risk management

- 143 The Council is responsible for instituting and maintaining a sound system of internal control that enables the NMC to deliver its core regulatory purpose. The system of internal control is designed to manage, rather than to eliminate risk, and to provide reasonable, but not absolute, assurance of effectiveness. The Chief Executive and Registrar is responsible for implementing the system of internal control. The Audit Committee provides assurance to the Council regarding the operation of the system of internal control.
- 144 Measures taken to strengthen internal controls and risk management during the year included:
- 144.1 Appointment of new internal auditors from April 2013, adoption of an updated internal audit charter based on Public Sector Internal Auditing Standards (PSIAS) and agreement of an internal audit strategy for 2013-2016.
 - 144.2 Implementation of a strengthened risk management policy and framework from May 2013, supported by training for directors and all managers.
 - 144.3 Introduction of a corporate quality assurance strategy and framework and formation of a dedicated team to oversee organisation-wide implementation of the strategy outcomes and carry out planned quality assurance reviews.
 - 144.4 Production of an assurance map to support the Executive Board, the Audit Committee, and the Council in assessing the strength of controls across the organisation as first, second and third lines of defence (the HM Treasury recommended model).
 - 144.5 Revision of the corporate serious event review policy and reporting process and development of an incident reporting database to support continuous learning and improvement.
- 145 Key issues addressed by the Audit Committee during the year included:
- 145.1 Approving the internal audit strategy for 2013-2016; the work programme for 2013-2014 and considering management responses to internal audit reviews.
 - 145.2 Overseeing management action to address or close outstanding historical internal audit recommendations.
 - 145.3 Reviewing the revised risk management policy and framework and how it is being embedded.
 - 145.4 Reviewing progress on implementation of the corporate quality assurance strategy and ongoing development of the assurance framework.
 - 145.5 Reviewing the register of serious events and data breaches and actions being taken to implement learning to support continuous improvement.
 - 145.6 Reviewing the financial regulations; whistle-blowing policy; and anti-fraud, bribery and corruption policies.

145.7 Considering the application to the NMC of wider learning on governance issues identified in the *Report of the Independent Inquiry into care provided by Mid-Staffordshire NHS Foundation Trust* (the Francis report).

145.8 Reviewing the reports and managements' responses to external audit reports; the effectiveness of external auditors and considering future arrangements for external audit provision.

146 Internal audit activity was completed in accordance with the agreed work programme. This included advisory assignments to document elements of registration processes and controls as well as twelve individual audit reviews. The reviews addressed: data security; programme and project management; the revalidation programme; key performance information; risk management; quality assurance; upgrade of core IT systems; IT strategy; business continuity and registrant data integrity. Additional assignments on IT and fraud were carried out at the request of management. The effectiveness with which recommendations have been implemented is followed up by management and progress reported to the Audit Committee at each meeting.

147 The Head of Internal Audit's annual opinion is that there are key areas where the adequacy and effectiveness of the framework of governance, risk management and control is insufficient and requires improvement. Internal audit found that management had responded positively to audits undertaken and recommendations made and noted a range of improvements which are expected to have a positive impact on governance, risk management and control processes. These include embedding risk and quality management procedures, and significant upgrades to core registrant data systems. Further work is planned during 2014–2015 to continue to strengthen and improve governance, risk management, and controls.

Risk management

148 The Council has overall responsibility for risk management. The Council owns the corporate risk register and has discussed the principal risks facing the NMC at each of its public meetings during the year. The Council undertakes 'deep dives' into key corporate risks in confidential session and contributed to a 'deep refresh' of the corporate risk register.

149 The Audit Committee is responsible for providing assurance to the Council regarding the implementation of the risk management policy and the management of risk. The Audit Committee has discussed the process for risk control, and considered the effectiveness of the risk management process, at each of its meetings.

150 The Chief Executive and Registrar is responsible for the implementation of the risk management policy and, through the directors, for identifying and evaluating risks, putting in place appropriate measures to mitigate risks, and monitoring and reporting progress.

151 The Executive Board reviews the corporate risk register at its monthly meetings together with an analysis of the results of the monthly scrutiny of the risk registers maintained by each directorate and the Change Management Portfolio Board.

Since November 2013, the Executive Board has also received a map tracking the nature, number and direction of travel of risks.

- 152 We undertook a review of the implementation of the new risk management approach, as well as an annual review of the effectiveness of risk management. Internal audits were also conducted of both the risk management policy and framework and of how these are operating in practice. Recommendations and suggestions for further improvements from the reviews and audit are being taken forward.

Key risks and issues addressed during the year

- 153 During the year, we continued to address the findings of the PSA (previously CHRE) Strategic Review 2012. This included effecting a smooth transition to the reconstituted Council whilst continuing to deliver our core regulatory functions without disruption.
- 154 We commissioned an independent review of our progress which reported in September 2014.³³ This found that we had made a substantial number of improvements, including progress against all four areas identified by the PSA as requiring action: regulatory purpose; external stakeholder perspectives; people and culture; and operational management. The review concluded that the NMC is in a much stronger position than in 2012. The findings will inform future business planning and our five year strategy for 2015-2020.
- 155 We have maintained our financial stability, whilst continuing to invest necessary resources to improve our fitness to practise operations as well as addressing concerns identified during 2012–2013 relating to overseas registrations. These concerns related to the robustness of historical processes for considering overseas registrations. Following extensive audit, an external review confirmed that there had been administrative weaknesses between 2002 and 2006 but that strong controls had been in place from 2007. Following stabilisation of processes, we resumed consideration of overseas applications in April 2013 and introduced further improvements during the year, including enhanced document and identity verification. Work is underway to introduce a competency test for overseas trained applicants in 2014 to further strengthen controls.
- 156 We published our formal response and an action plan to address the Francis report recommendations in a way which reinforces our focus on delivery of our core regulatory functions. We have made all appropriate preparations to implement forthcoming new requirements for registrants to hold professional indemnity insurance when requested to do so by government.
- 157 The key risks which we continue to manage closely going forward include:
- 157.1 Continuing to secure our financial stability through prudent budgeting, rigorous financial management and annually reviewing registration fees. The Council decided in March 2014 to consult formally on a potential increase to the fees from 2015 and a final decision will be taken in late 2014.

³³ External review of progress made by the NMC against the recommendations of the PSA Strategic Review 2012 (NMC, September 2014)

- 157.2 Further improving the accuracy of our register, both historical and current. This includes ongoing checks and risk based audits; gradual implementation of online registrations systems; revisions of policies, processes and controls; and development of our programme to introduce revalidation.
- 157.3 Continuing to invest in our fitness to practise functions to maintain and further improve the quality and timeliness of case resolution. We are working closely with government and others to seek a more flexible and streamlined legislative framework to enable us to act to protect the public more speedily and effectively.
- 157.4 Addressing resilience within the leadership team as well as high staff turnover: this includes implementing from January 2014 a pay and grading review, improved workforce planning and development of career pathways and continuing to listen to staff and manage expectations.
- 157.5 Developing a strategy to improve the quality of our data and intelligence both for internal purposes and to support collaborative working with other partners with a role in patient safety and healthcare regulation.
- 157.6 Continuing to develop our profile with stakeholders, patients and public to ensure that our role is understood and that we engage effectively with others to further enhance public protection, including as we move towards introduction of revalidation.
- 157.7 Completing implementation of our quality assurance strategy and developing a more co-ordinated, corporate approach to improving customer service.
- 157.8 Building on the work done to stabilise our ICT systems, which means that we are now in a stronger position to take decisions about longer term investment and capability to meet future organisational requirements.

Lapses in protective security

- 158 NMC policies require all information security incidents, including any loss of personal data, to be reported. Our definition of an information security incident includes events where there was a potential for a breach but no actual unauthorised disclosure of data, as well as data integrity incidents. Incidents are monitored by the Information Governance and Security Board which is accountable to the Executive Board for ensuring learning is identified to prevent recurrence. The Executive Board and Audit Committee receive regular reports on information security incidents.
- 159 During the year ended 31 March 2014, there were 98 information security incidents of which seven were classed as major, 25 as moderate, 40 as minor and 26 as insignificant. No incidents were classified as critical. One incident, involving publication of confidential information on the NMC website, was reported to the Information Commissioner's Office.
- 160 We are continuing to implement our comprehensive information security improvement plan to address the highest risks and improve the maturity of our

controls, as well as addressing recommendations arising from the internal audit review. During 2013–2014, we implemented 35 of the highest risk controls against that plan.

Relevant audit information

161 So far as we know, there is no relevant information of which the NMC's auditors are unaware. We have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the NMC's auditors are aware of that information.

Mark Addison CB
Chair
NMC
9 October 2014

Jackie Smith
Chief Executive and Registrar
NMC
9 October 2014

Independent auditors' report to the Nursing and Midwifery Council

We have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Council, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Council and auditor

As explained more fully in the Statement of Council Responsibilities, the Council are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report to you in accordance with regulations made under section 44(1)(c) and section 154 of those Acts respectively. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Council's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014 and of its incoming resources and application of resources for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the Council's Report is inconsistent in any material respect with the financial statements; or
- proper and sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

haysmacintyre
Chartered Accountants
Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

9 October 2014

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2014 under Article 52 the Nursing and Midwifery Order 2001. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out 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, Chief Executive and Registrar and auditor

As explained more fully in the 'Statement of Responsibilities of the Council and of the Chief Executive and Registrar', the Council and the Chief Executive and Registrar are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with Article 52 of the Nursing and Midwifery Order 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Nursing and Midwifery Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made the Nursing and Midwifery Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Nursing and Midwifery Council's affairs as at 31 March 2014 and of its outgoing resources for the year then ended; and
- the financial statements have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001 and Privy Council directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Privy Council directions made under Article 52 of the Nursing and Midwifery Order 2001; and
- the information given in Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 16 October 2014

Statement of financial activities for the year ended 31 March 2014

	Note	Un-restricted funds 2014 £'000	Restricted funds 2014 £'000	Total funds 2014 £'000	Total funds 2013 £'000
Incoming resources					
Incoming resources from charitable activities:					
• Fee income	3	62,772	–	62,772	52,080
Incoming resources from generated funds:					
• Investment income	2	741	242	983	1,275
• Grant (Dept of Health)	27	–	1,438	1,438	20,000
Total incoming resources		63,513	1,680	65,193	73,355
Resources expended					
Charitable activities	4	57,876	8,537	66,413	57,764
Governance costs	5	2,975	–	2,975	3,590
Other resources expended:					
• Communications and public engagement	6	1,202	–	1,202	1,912
Total resources expended		62,053	8,537	70,590	63,266
Net (outgoing)/incoming resources from operations		1,460	(6,857)	(5,397)	10,089
Other recognised gains					
Unrealised gain on revaluation of fixed assets		3,741	–	3,741	2,766
Net movement in funds		5,201	(6,857)	(1,656)	12,855
Reserves brought forward		35,667	18,857	54,524	41,669
Total funds carried forward		40,868	12,000	52,868	54,524

All of the Council's activities in the above two financial years were derived from continuing operations. All recognised gains and losses are included in the above statement. The notes on pages 50 to 69 form part of these accounts.

Balance sheet as at 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	13	<u>23,753</u>	<u>20,391</u>
Total fixed assets		<u>23,753</u>	<u>20,391</u>
Current assets			
Debtors	15	1,157	1,747
Short-term deposits	25	67,100	65,354
Cash at bank and in hand	25	<u>11,150</u>	<u>10,058</u>
Total current assets		79,407	77,159
Current liabilities			
Creditors (amounts falling due within one year)	16	(49,287)	(42,221)
Provisions (amounts falling due within one year)	17	<u>(325)</u>	<u>(67)</u>
Net current assets		29,795	34,871
Total assets less current liabilities		53,548	55,262
Creditors (amounts falling after more than one year)	18	(105)	(102)
Provisions (amounts falling after more than one year)	19	(575)	(636)
Net assets		<u>52,868</u>	<u>54,524</u>
Restricted funds	27	12,000	18,857
Unrestricted funds		<u>40,868</u>	<u>35,667</u>
Total funds		<u>52,868</u>	<u>54,524</u>

The notes on pages 50 to 69 form part of these accounts.

Mark Addison CB
Chair
NMC
9 October 2014

Jackie Smith
Chief Executive and Registrar
NMC
9 October 2014

Cash flow statement for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	23	4,376	10,379
Returns on investment and servicing of finance			
Interest received	2	983	1,275
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	13	(2,521)	(1,674)
		<u>(1,538)</u>	<u>(399)</u>
Increase in cash in the year		<u>2,838</u>	<u>9,980</u>

The notes on pages 50 to 69 form part of these accounts.

Notes to the Accounts

1 Accounting policies

The accounts are prepared in accordance with the Accounts Determination (see Appendix 1) from the Privy Council which requires the accounts to be prepared in compliance with the *Statement of Recommended Practice Accounting and Reporting by Charities* (Charities SoRP 2005) and that the accounts have regard to the requirements of the Government Financial Reporting Manual (FRoM) to the extent that those requirements clarify, or build on, the requirements of the Charities SoRP.

a) Accounting convention

The accounts are prepared under the historical cost convention as modified to include the revaluation of certain fixed assets.

b) Fixed assets

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

Equipment	- 3 to 5 years
Furniture	- 10 years
Refurbishment - 23 Portland Place	- 10 years
Leasehold premises - 23 Portland Place	- 50 years
Leasehold premises - 61 Aldwych	- 10 years (over the life of the lease)
Leasehold premises - Clarendon House -Ground floor	- 10 years (over the life of the lease)
Leasehold premises - Clarendon House -First floor	- 2 years (over the life of the lease)
Leasehold premises - 1 Kemble Street	- 8.5 years (over the life of the lease)
Leasehold premises – 20 Old Bailey	23 months (over the life of the lease)
IT projects	- 3 to 5 years

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

The NMC has a policy of revaluing its leasehold property every five years with interim impairment review in the third year in accordance with FRS15, and an interim valuation in the intervening years where it is likely that there has been a material change in value.

c) Resources arising – income

Investment income

Investment income is accounted for when receivable and includes any related tax recoverable. Investment income in relation to grants received is disclosed as restricted investment income.

Income from charitable activities

Registration, verification and replacement of Pin card fees have been credited to income on the day of receipt. Periodic fees have been allocated to the appropriate financial year based on the accruals concept. Periodic fees relate to annual renewal or retention of registration.

d) Allocation of costs

The NMC's operating costs include staff costs, premises costs and other related costs. Such costs are allocated between direct charitable expenditure, communications and public engagement, and governance. Staff costs are allocated according to the costs of staff working directly in the relevant departments. Premises costs are allocated according to usage and staff numbers in each department and ICT and other costs are apportioned to departments on an appropriate basis (for example staff numbers).

Charitable activities

Expenditure on charitable activities includes all expenditure related to the objects of the charity which comprise standards promotion and policy development, education, maintaining the register, and fitness to practise.

Governance costs

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

Other expenditure

Other expenditure comprises:

Communications and public engagement

Communications and public engagement costs relate to the costs of the Communications department, the main elements of which are stakeholder engagement, European and UK parliamentary work, conferences and events, media relations and expenditure on the NMC's publications.

e) Development costs

Internal costs incurred on software development are written off in the year in which they are incurred.

f) Fund accounting

The Council maintains various types of funds as follows:

i) Restricted funds

These are funds which are to be used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in note 27 to the financial statements.

ii) Unrestricted funds

These are funds which are available for use at the discretion of the Council in the furtherance of the general objectives of the organisation and which have not been designated for other purposes.

g) Leased assets

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities in equal amounts over the periods of the leases.

h) Pension costs

Retirement benefits are provided by a defined benefit scheme and a defined contribution scheme. Both schemes are funded by contributions from the NMC and employees. Payments are made to pension trusts, which are financially separate from the NMC.

Payments to the defined benefit scheme are made in accordance with periodic calculations by professionally qualified actuaries, and the pension costs for the defined benefit scheme are accounted for on a basis of charging the expected cost of providing pensions over the period during which the NMC benefits from the employees' services. The effect of variations from regular costs is spread over a time period set by the pension trust.

Payments to the defined contribution scheme are made on the basis of set percentage contributions by the NMC and employees, and the costs are charged to the SOFA as incurred.

2 Investment income

	Unrest- ricted £'000	Restrict- ed £'000	2014 £'000	2013 £'000
Interest receivable				
• from deposits at banks	741	242	983	1,275
	741	242	983	1,275

3 Fee income

	2014 £'000	2013 £'000
Periodic fees	61,483	51,299
Registrations	1,170	638
Verifications	119	140
Replacement of Pin cards	0	3
	62,772	52,080

4 Charitable activities

	Unrest- ricted £'000	Restrict- ed £'000	2014 £'000	2013 £'000
Standards promotion and policy development	1,880	-	1,880	2,145
Education	1,650	-	1,650	1,395
Maintaining the register	6,101	1,438	7,539	5,560
Fitness to practise	48,245	7,099	55,344	48,664
	<u>57,876</u>	<u>8,537</u>	<u>66,413</u>	<u>57,764</u>

These costs include direct costs,³⁴ staff costs and related overheads.

5 Governance costs

	2014 £'000	2013 £'000
Members' allowances, travel, subsistence and training	313	278
Auditors' remuneration - audit fees - haysmacintyre	25	28
Auditors' remuneration - audit fees - NAO	5	5
Allocation of operating costs (inc. salaries) ³⁵	2,632	3,279
	<u>2,975</u>	<u>3,590</u>

6 Other expenditure – Communications and public engagement

	2014 £'000	2013 £'000
Conferences, seminars and publicity	70	107
Communications	76	49
Printing of NMC publications	256	312
Allocation of operating costs (inc. salaries) ³⁶	800	1,444
	<u>1,202</u>	<u>1,912</u>

³⁴ See Notes to the Accounts, note 8

³⁵ See Notes to the Accounts, note 1d)

³⁶ See Notes to the Accounts, note 1d)

7 Total resources expended

	Staff costs £'000	Depre- ciation £'000	Other costs £'000	Total 2014 £'000	Total 2013 £'000
Charitable activities:					
• Standards promotion and policy development	1,362	72	446	1,880	2,145
• Education	423	41	1,186	1,650	1,395
• Maintaining the register	3,329	219	3,991	7,539	5,560
• Fitness to practise	16,553	2,425	36,366	55,344	48,664
Governance costs	1,977	103	895	2,975	3,590
Other expenditure:					
• Communications and public engagement	544	40	618	1,202	1,912
	24,188	2,900	43,502	70,590	63,266

8 Analysis of direct costs

	Direct costs £'000	Support costs £'000	Total 2014 £'000	Total 2013 £'000
Charitable activities:				
• Standards promotion and policy development	1,575	305	1,880	2,145
• Education	1,477	173	1,650	1,395
• Maintaining the register	6,610	929	7,539	5,560
• Fitness to practise	49,866	5,478	55,344	48,664
Sub-total charitable activities	59,528	6,885	66,413	57,764
• Governance	2,783	192	2,975	3,590
• Communications and public engagement	1,035	167	1,202	1,912
Total	63,346	7,244	70,590	63,266

9 Analysis of support costs

Support cost	Standards promotion and policy development	Education	Maintaining the register	Fitness to practise	Governance	Communications and public engagement	Total 2014	Total 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Facilities	28	16	86	508	18	16	672	670
Finance	75	42	228	1,345	47	41	1,778	2,020
HR	105	60	318	1,876	66	56	2,481	2,292
ICT	97	55	297	1,749	61	54	2,313	2,099
	305	173	929	5,478	192	167	7,244	7,081

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

10 Total resources expended by natural classification

	2014 £'000	2013 £'000	Details (see next page)
Salaries and associated costs	24,188	22,263	10.1
Other staff expenses	1,443	1,011	10.2
Premises	3,699	3,610	
Insurance	141	118	
Sundry, furniture, equipment and maintenance	198	152	
Hire of equipment	3	7	
Fitness to practise	26,674	24,752	10.3
Registration Appeals	92	90	
Depreciation	2,900	2,465	10.4
Dilapidations	264	212	
Catering for fitness to practise hearings and meetings	705	446	10.5
Staff canteen	126	215	10.6
Quality assurance of education cost	1,056	786	10.7
Local Supervising Authority review costs	0	20	
Professional fees	3,329	1,724	10.8
Auditors' remuneration - audit fees	25	28	
Auditors' remuneration - audit fees (NAO)	5	5	
Auditors' remuneration – non audit costs	0	17	
IT development and support	2,780	1,999	10.9
Postage	923	859	
Printing and stationery	481	607	10.10
Advertising and recruitment	374	744	10.11
Conferences, seminars and publicity	70	107	
Printing of NMC publications	256	312	
Members' allowances, travel and subsistence	313	278	10.12
Committee costs	18	47	
Other support costs	527	392	10.13
Total resources expended	70,590	63,266	

Additional details for table in note 10

10.1 Salaries and associated costs

Headcount has increased in 2013-2014 primarily in Fitness to Practise. This resource is required to manage the increased volume and complexity of our caseload, to the standards of timeliness and quality in accordance with our key performance indicators, and our commitments to the Department of Health. Permanent and temporary staff have also been recruited to support an increased programme of regulatory activity taking place across the organisation.

The first phase of a long-overdue organisation-wide pay and grading review was implemented in January 2014 which ensured that all staff were paid at least at the minimum of their benchmarked salary levels.

A 2.3 percent pay award was made to all eligible staff with effect from 1 April 2013, following a pay freeze imposed during 2012-2013 for all staff with the exception of those in the two lowest salary bands.

These increases were offset to an extent by reduced redundancy costs. In 2012-2013 a structural review resulted in a number of positions being made redundant, but these costs were not incurred in 2013-2014.

10.2 Other staff expenses

The increase in staff travel costs is directly aligned with the increased activity in Fitness to Practise, with on average 30 hearings or meetings taking place each day across multiple sites in the four countries.

In 2013-2014 investment in an enhanced staff training programme was prioritised in order to help retain and develop staff across the organisation and improve management capability. This forms a crucial part of the NMC's Human Resources and organisational development policy.

10.3 Fitness to Practise

Details of Fitness to Practise activity in the year are set out in the performance review section of the annual report. There was an increase in costs aligned with the increased hearing activity undertaken in the year with 30 hearings or meetings on average taking place each day. These costs have been offset in part by efficiency savings that were implemented in 2012-2013, which included alternatives to full hearings, bringing case investigations in-house and reduced shorthand writer costs. The benefit from these savings has continued to be realised through 2013-2014.

10.4 Depreciation

The increased depreciation charge is due to a full year of depreciation relating to the hearing accommodation at 20 Old Bailey, which was in use from January 2013.

10.5 Catering for fitness to practise hearings and meetings

The increase is due to a higher level of FtP hearing activity taking place in 2013-2014, incremental catering staff requirements to service the hearings, and the re-apportionment of labour charges.

10.6 Staff canteen

The reduction is due to a re-apportionment of labour charges to the relevant directorate, which are now disclosed in catering costs.

10.7 Quality assurance of education costs

The increase is due to the transition and start-up costs relating to the new contract which now combines Quality Assurance of both education and Local Supervising Authorities. Quality assurance undertaken in relation to Local Supervising Authorities in 2013-2014 was broadly consistent with planned activity. Education quality assurance in the form of planned approval and monitoring activity was in line with forecast, however as some events were complex, additional reviewer resource was necessary.

10.8 Professional fees

External professional and legal advice was engaged in 2013-2014 to provide support and guidance in a number of areas across the organisation. In Fitness to Practise, consultants were utilised for change programme work relating to the implementation of case examiners and employer liaison, an audit of case closures and a 'lean' review of processes relating to panellists. In other areas, consultants were engaged on a number of other projects, including the organisational review of staff pay and grading, the review of overseas registration processes, the registrations improvement plan and the review of our governance arrangements.

10.9 IT development and support

The increase is primarily due to the implementation of Phase One of the approved ICT strategy. This has resulted in upgraded IT software and hardware, to provide a more stable infrastructure, flexible working arrangements for staff and a robust level of support for the increased number of users across the NMC.

10.10 Printing and stationery

The reduction is due to efficiencies arising from lower stock levels being held, lower costs arising from the use of A4 instead of A3 paper for registration and renewal forms, and the cessation of Pin cards.

10.11 Advertising and recruitment

The reduction is due to the establishment of a more stable senior management team by 2013-2014, and the increased use of more cost-effective online methods of recruitment. In addition, there were significant recruitment campaigns in 2012-2013 for the new

Council which took office from 1 May 2013, and for Fitness to Practise panellists, which were not required in 2013-2014.

10.12 Members' allowances, travel, subsistence and training

The increase is due primarily to training costs for the new Council which took office from 1 May 2013, and increased member costs associated with chairing Registration Appeal Panels (details of which are set out in the Remuneration Report).

10.13 Other support costs

Other support costs include the costs of our telephone system, general communications costs and bank charges.

11 Information regarding employees

	2014	2013
	£'000	£'000
Salaries and associated costs		
Wages and salaries ³⁷		
• Management	741	808
• Administration	15,275	13,936
Social security costs (Employers NI contributions):		
• Management	87	71
• Administration	1,268	1,152
Pension costs - present staff. ³⁸		
• Management	147	235
• Administration	3,204	2,769
• Early retirement ³⁹	-	513
Pension costs - retired staff of previous organisations ⁴⁰	26	26
Temporary staff	3,440	2,753
	<u>24,188</u>	<u>22,263</u>

³⁷ See Notes to the Accounts, note 10.1

³⁸ See Notes to the Accounts, note 21

³⁹ During 2012-2013 the provision in the pension scheme for early retirement on the grounds of permanent incapacity was invoked in respect of an employee. The amount payable was determined by the Scheme Actuary and approved by the Pension Scheme Trustees. The full amount of £513k was recognised in the SOFA in 2012-2013. Payments to the Scheme are made on a monthly basis and commenced December 2012. At 31 March 2014 £424k in total was remaining in the provision in respect of future years.

⁴⁰ See Notes to the Accounts, note 21

Information relating to the senior management team

The senior management team comprises the Chief Executive and Registrar and directors. The aggregate remuneration of the directors was as follows:

Salary bands (£)	2014 Number of staff	2013 Number of staff
20,001 - 30,000	-	-
30,001 - 40,000	-	1
40,001 - 50,000	-	1
50,001 - 60,000	-	1
60,001 - 70,000	-	1
70,001 - 80,000	-	-
80,001 - 90,000	-	1
90,001 - 100,000	-	1
100,001 - 110,000	1	-
110,001 - 120,000	3	1
120,001 - 130,000	1	-
130,000 - 140,000	-	-
140,001 - 150,000	-	-
150,001 - 160,000	-	1
160,001 – 170,000	1	-

During the year, season ticket loans given to directors were as follows:

	2014 £	2013 £
L Mallors	1,001-1,500	1,001-1,500
S Page	1,001-1,500	1,001-1,500
K Kolyva	3,500-4,000	-
A Sansome	4,500-5,000	-
S Atkinson	-	1,001-1,500
S Williams	-	2,001-2,500

The total accrued pension at age 60 at 31 March 2014 for those directors who participate in the NMC defined benefit pension scheme was as follows:

Total accrued pension at 60 at 31 March (£)	2014 Number of staff	2013 Number of staff
0 - 5,000	3	3
5,001 - 10,000	1	1
10,001 - 15,000	-	2
15,001 – 20,000	-	2
20,001 – 25,000	1	-

Directors are ordinary members of the NMC pension schemes.

The defined benefit pension scheme is provided through a scheme (The Nursing and Midwifery Council and Associated Employers pension scheme) administered by Premier Pensions Management Limited. The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at a rate of 1/60 of pensionable salary for each year of service. In addition, members have the option to commute part of their pension for a tax-free lump sum. They also have the option to accept a lower pension in order to provide a pension for a surviving nominee. On death within five years of retirement, a lump sum is payable equal to the balance of the pension, which the pensioner would have received had he or she survived to the fifth anniversary of his or her retirement.

On death in service, a lump sum of twice pensionable pay is payable together with the return of all the member's contributions with compounded tax free interest of 3 percent per annum. On death in service where there is a surviving spouse, a pension equal to 1/160 of pensionable salary is also payable, for each year of service which the member could have completed to normal pension age.

Medical retirement is possible in the event of permanent incapacity. In this case pensions are brought into payment immediately without actuarial reduction.

The NMC also operates a defined contribution pension scheme for its staff through The People's Pension. These costs are accounted for in the SoFA as they fall due. The employer basic contribution is 4% and the staff basic contribution is 1%.

Other information in relation to employees

In addition to the above, there were seventeen (2013: fourteen) other members of staff whose remuneration fell in the following bands:

	2014	2013
	Number of staff	Number of staff
£60,001 - £70,000	8	11
£70,001 - £80,000	7	2
£80,001 - £90,000	1	1
£90,001 - £100,000	1	-

The average number of employees in the year was 496 (senior management 6 and other staff 490) and in the previous year was 441 (senior management 6 and other staff 435). The increase in staff numbers is due to the need for additional staff in our Fitness to Practise directorate (see note 10.1).

12 Taxation

Due to its charitable status the Council is not liable to corporation tax on its charitable activities. It is not liable to capital gains tax on the sale of assets where the profit is used for charitable purposes.

13 Tangible fixed assets for use by the charity

	Furniture	Equipment	23PP Long leasehold premises Note 13.1	23PP Building refurbishment	FtP Buildings refurbishment	IT Projects	Total
	£'000	£'000	£'000	£'000	£'000	Note 13.2 £'000	£'000
Cost:							
1 April 2013	448	3,998	11,950	5,620	5,980	3,388	31,384
Additions	-	2,513	-	-	8	-	2,521
Revaluation	-	-	3,498	-	-	-	3,498
31 March 2014	<u>448</u>	<u>6,511</u>	<u>15,448</u>	<u>5,620</u>	<u>5,988</u>	<u>3,388</u>	<u>37,403</u>
Depreciation:							
1 April 2013	227	2,731	-	3,320	1,327	3,388	10,993
Charge for year	15	917	243	563	1,162	-	2,900
Revaluation adjustment	-	-	(243)	-	-	-	(243)
31 March 2014	<u>242</u>	<u>3,648</u>	<u>-</u>	<u>3,883</u>	<u>2,489</u>	<u>3,388</u>	<u>13,650</u>
Net book value							
31 March 2014	<u>206</u>	<u>2,863</u>	<u>15,448</u>	<u>1,737</u>	<u>3,499</u>	<u>0</u>	<u>23,753</u>
Net book value							
31 March 2013	<u>221</u>	<u>1,267</u>	<u>11,950</u>	<u>2,300</u>	<u>4,653</u>	<u>0</u>	<u>20,391</u>

13 Tangible fixed assets for use by the charity – continued

- 13.1 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. The lease was valued as at 31 March 2014 on an existing use basis, by external valuers Carter Jonas, at £17,185,000. It should be noted that there is a restrictive covenant on the lease.
- 13.2 The IT projects asset category includes the Fitness to Practise case management system and the ICT infrastructure upgrade, which were completed during 2009-2010.
- 13.3 Equipment includes the cost of significant investment in the IT infrastructure during 2013-2014, and major upgrades to software. This has included replacement and modernisation of hardware, upgrades to the operating platforms, improvements to storage capacity and to information security systems.

14 Related party transactions

The Nursing and Midwifery Council is accountable to Parliament through the Privy Council. The Nursing and Midwifery Order 2001 sets out the nature of the relationship between the NMC and the Privy Council and the reporting mechanisms required. Whilst not accountable to the Department of Health, the NMC has regular contact with the Department on policy and other matters.

During the period 1 April 2013 – 31 March 2014, the total amount paid in respect of those holding the office of Chair or Deputy Chair was £48,000 (2012-2013: £49,800).

During the year, allowances, travel and subsistence and training expenses of £313,000 (2012-2013: £278,000) were paid to, or incurred in relation to, members of the Council.

Council members are paid directly via NMC payroll. In 2012-2013 a payment of £18,000 was made to London Southbank University in respect of the services of the Deputy Chair for the period April to September 2012.

Details of amounts paid to individual Council members are set out in the remuneration report on pages 27-28.

An accrual of £38,551 (2012 – 2013: £26,000) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

15 Debtors

	2014	2013
	£'000	£'000
Other debtors	167	109
Prepayments and accrued income	990	1,638
	1,157	1,747

16 Creditors

	2014	2013
	£'000	£'000
Amounts falling due within one year		
Other creditors and accruals	9,824	9,546
Other taxes and social security (including Employers NI)	454	420
Deferred income - Periodic fees for 2013-2014	–	32,255
Deferred income - Periodic fees for 2014-2015	39,009	–
	49,287	42,221

17 Provisions

	2014	2013
	£'000	£'000
Amounts falling due within one year		
Dilapidations	258	–
Pension provision – early retirement ⁴¹	67	67
	325	67

18 Creditors

	2014	2013
	£'000	£'000
Amounts falling due after more than one year		
Deferred income - Periodic fees for 2014-2015	–	102
Deferred income - Periodic fees for 2015-2016	105	–
	105	102

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

⁴¹ See Notes to the Accounts, Note 11, footnote 38.

19 Provisions

Amounts falling due after more than one year	2014	2013
	£'000	£'000
Dilapidations	218	212
Pension provision – early retirement ⁴²	357	424
	<u>575</u>	<u>636</u>

20 Charitable status

On 27 March 2002 the NMC was registered in the Central Register of Charities (charity no. 1091434). In view of this a rate relief has been allowed by the City of Westminster. There are also tax benefits because of this status⁴³. On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

21 Pension commitments

The NMC operates two pension schemes: a defined benefit scheme and a defined contribution scheme.

The NMC participates in a defined benefit multi-employer scheme with the Department of Health and NHS Education for Scotland (The Nursing and Midwifery Council and Associated Employers pension scheme, scheme registration number 101652586) administered by Premier Pensions Management Limited. The National Assembly for Wales, a previous participant, withdrew from the scheme during 2013. The scheme, to which approximately 48 percent of the NMC's employees belong as at 31 March 2014, is a funded, defined benefit scheme.

Contributions to the scheme are charged to the Statement of Financial Activities (SOFA) so as to spread the cost of pensions over employees' working lives. Contributions are determined by a qualified actuary on the basis of triennial valuations.

The latest completed valuation of the scheme was carried out on behalf of the Pension Trustees by Premier Pensions Management Limited as at 31 March 2013, using the projected unit method of valuation. At the date of the valuation, the value of the scheme assets was £94.9 million (including annuities held for insured pensioners). The value of the assets represented 86 percent of the value of the benefits, which had accrued to members after allowing for expected future increases in earnings and pensions. The past service shortfall of assets is being amortised over the period to 31 March 2023. The main assumptions used in the valuation were a real return on investments above salary increases of 1.05 percent per annum and above pension increases of 0.55 percent and -0.15 percent for non-pensioners and pensioners respectively per annum.

If the scheme had been wound up on the valuation date (31 March 2013), the assets would have been approximately 69 percent of the amount necessary to purchase insurance contracts to meet the accrued benefits for active members and past leavers

⁴² See Notes to the Accounts, Note 11, footnote 38.

⁴³ See Notes to the Accounts, Note 12

and the current benefits for pensioners. The estimated deficit would have been £45.3 million.

There is a Recovery Plan in place to ensure that the scheme funding level will reach 100 percent based on current actuarial assumptions, by 31 March 2023. The NMC will make good the deficit over the period to 31 March 2023 by making Recovery Plan payments of £983k per annum with increases of 3.65 percent each April (the first such increase being in April 2015).

Accounting standard, FRS 17: No provision relating to NMC's share of the total scheme deficit of £15.4 million as at the time of the latest actuarial valuation (31 March 2013) is included within the accounts at the end of the year, as it is a multi-employer scheme and the NMC is unable to identify its share of the underlying assets and liabilities.

In these circumstances, FRS 17 provides for the contribution to the scheme to be accounted for as if it were a defined contribution scheme. As such, the cost recognised within the NMC's SOFA will be equal to the contribution payable to the scheme for the year.

The NMC introduced a defined contribution pension scheme which staff could join on a voluntary basis from 1 November 2013 operated by The People's Pension. The NMC contributes at a basic rate of 4% of pensionable salary and the employee's basic contribution rate is 1%. Employees may make additional contributions which are matched by the employer up to a maximum employer contribution of 12%. This scheme has been adopted as the auto-enrolment scheme for the NMC from 1 April 2014.

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

	2014	2013
	£'000	£'000
NMC's (employer's) defined benefit scheme contributions made in year	3,349	3,026
Provision for early retirement ⁴⁴	-	491
NMC's (employer's) defined contribution scheme contributions made in year	2	-
	3,351	3,517
NMC's (employer's) contribution defined benefit scheme	27.4%	27.4%
Employees' contribution defined benefit scheme	6%	6%
NMC's (employer's) basic contribution defined contribution scheme	4%	-
Employees' basic contribution defined contribution scheme	1%	-

⁴⁴ See Notes to the Accounts, Note 11, footnote 38

The NMC meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2013 - 2014 this expenditure amounted to £26,583 (2012 - 2013: £25,910).

22 Capital commitments

At 31 March 2014, there was no capital expenditure that was approved but not contracted for, nor any capital expenditure that had been contracted for but that had not been provided for in the financial statements.

23 Reconciliation of net (outgoing)/ incoming resources to net cash flow from operating activities

	2014	2013
	£'000	£'000
Net (outgoing)/incoming resources from operations	(5,397)	10,089
Investment income	(983)	(1,275)
Depreciation charges	2,900	2,465
Decrease/(increase) in debtors	590	(190)
Increase/(decrease) in creditors and provisions	7,266	(710)
Net cash inflow/(outflow) from operating activities	4,376	10,379

24 Reconciliation of net cash flow to movement in net funds

	2014	2013
	£'000	£'000
Increase/(decrease) in cash during the year	2,838	9,980
Net funds at 1 April 2013	75,412	65,432
Net funds at 31 March 2014	78,250	75,412

25 Analysis of changes in net funds

	1 Apr 2013	Cash flows	31 Mar 2014
	£'000	£'000	£'000
Cash at bank and in hand	75,412	2,838	78,250
Total	75,412	2,838	78,250

26 Leasing commitments

At 31 March 2014 the NMC had commitments for payments in the following year under non-cancellable operating leases as set out below.

	Land and buildings		Plant and machinery	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Operating leases which expire:				
• Within one year	339	-	2	5
• In the second to fifth years inclusive	1,629	509	-	-
• In more than five years	113	1,940	-	-
Annual commitment at year end	<u>2,081</u>	<u>2,449</u>	<u>2</u>	<u>5</u>

The NMC leases premises at 61 Aldwych, London, for the period until 10 September 2019, Clarendon House (ground floor), 114-116 George Street, Edinburgh, for the period until 24 April 2021, Clarendon House (first floor), 114-116 George Street, Edinburgh, for the period until 20 February 2016, 1 Kemble Street, London, for the period until 21 December 2019 and 20 Old Bailey for the period until 20 November 2014.

27 Movement in restricted funds

	Balance at 1 April 2013	Income	Resources expended	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
FtP and reserves restoration (i)	18,857	242	(7,099)	12,000
Overseas registrations – (ii)	-	1,438	(1,438)	-
Balance at 31 March	<u>18,857</u>	<u>1,680</u>	<u>(8,537)</u>	<u>12,000</u>

- (i) A grant of £20 million was provided by the Department of Health to provide the financial stability to enable the achievement of the NMC's adjudication Key Performance Indicator by December 2014, the clearance of the historic backlog of FtP cases by December 2014 and delivery of the minimum risk-based reserves level by January 2016. The grant is being spent in equal monthly instalments over the term of the grant, and the restricted fund balance reduces accordingly each month, commencing in February 2013, with the final amount being in December 2015.
- (ii) The grant of £1.438 million represents the 2013-2014 grant funding from the Department of Health to support improvements to the way we assess and process applications to the register from overseas applicants. The grant funding

for 2013-2014 was principally to support the historical audit of overseas registrations and the implementation of electronic ID verification for overseas applicants. A second grant application is being made in 2014-2015 to support the development and implementation of competency testing for overseas applicants to the register.

28 Net Assets by fund

	General unrestricted £'000	Restricted £'000	Total £'000
Fixed assets	23,753		23,753
Current assets	67,407	12,000	79,407
Current liabilities	(49,612)		(49,612)
Long-term liabilities	(680)		(680)
Balance at 31 March 2014	40,868	12,000	52,868

29 Special payments

There were no special payments⁴⁵ in the year to 31 March 2014 (year to 31 March 2013 two special payments totalling £23,162).

⁴⁵ Special payments in this instance refers to special severance payments paid to employees and others that are above normal statutory or contractual requirements when leaving employment whether they resign, are dismissed or reach an agreed termination of contract. Special severance payments always require approval by HM Treasury.



The Nursing and Midwifery Order 2001 (Form of Accounts) Determination 2010

Their Lordships make the following determination in exercise of powers conferred by article 52(1) of the Nursing and Midwifery Order 2001⁴⁶.

This determination has effect from 23rd February 2010.

Interpretation

1. In this Determination-

“the accounts” means the accounts which it is the Council’s duty to keep and prepare under article 52(1) of the Nursing and Midwifery Order 2001 in respect of the financial year ending on 31st March 2010 and subsequent financial years;

“the Charities’ SoRP” means the “Accounting and Reporting by Charities: Statement of Recommended Practice 2005 prepared by the Charities Commission or any updated edition in force for the relevant financial year.

“the Council” means the Nursing and Midwifery Council;

“the FReM” means the Government Financial Reporting Manual issued by HM Treasury which is in force for the relevant financial year.

Determination

2. The accounts must-

(a) be prepared so as to give a true and fair view of the Council’s state of affairs as at 31st March of the financial year in question and of the incoming resources and application of resources of the Council for that financial year; and

(b) disclose any material incoming or outgoing resources that have not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

⁴⁶ S.I. 2002/253

3. Subject to paragraph 4, in order to comply with paragraph 2(a), the accounts must be prepared-

(a) in compliance with the accounting principles and disclosure requirements contained in the Charities' SoRP; and

(b) having regard to the requirements of the FReM to the extent that those requirements clarify, or build on, the requirements of the Charities' SORP.

4. Where the presence of exceptional circumstances means that compliance with the requirements of the Charities SORP or the FReM would give rise to the preparation of accounts which were inconsistent with the requirement in paragraph 2(b), those requirements should be departed from only to the extent necessary to give a true and fair view of that state of affairs.

5. In cases referred to in paragraph 4, informed and unbiased judgement should be used to devise an appropriate alternative treatment which is consistent with both the economic characteristics of the circumstances concerned and the spirit of the Charities' SORP and the FReM.

6. This determination shall be reproduced as an appendix to the published accounts.

Signed by the authority of the Privy Council

Dated: 18th July 2011

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