

Nursing and Midwifery Council
Annual report and accounts
2012-2013 and
Strategic plan
2013-2016

Nursing and Midwifery Council

Annual report and accounts 2012–2013 and Strategic plan 2013–2016

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Annual report 2012–2013

Foreword

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 in the UK through effective and proportionate regulation of nurses and midwives. We are accountable to Parliament, via the Privy Council, for the way in which we carry out our responsibilities. The Professional Standards Authority for Health and Social Care (PSA) oversees our work and undertakes an annual review of our performance.

We set and promote standards of education and practice, maintain a register of those who meet these standards, and take action when a nurse 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.

In July 2012, the PSA (then the Council for Healthcare Regulatory Excellence) published a strategic review which contained high level recommendations for improvements in the delivery of our regulatory functions. We accepted the recommendations and agreed with the PSA's view that it would take two years to see demonstrable improvement. We have made substantial progress in addressing the PSA's recommendations. We have:

- Embarked on a major transformation programme to improve the way in which we deliver our regulatory functions and to modernise our systems and procedures.
- Redefined our relationships with professional bodies and trade unions, making it clear that our core purpose is to protect the public.
- Reviewed all our activities to ensure that we are focused on public protection.
- Reviewed our governance arrangements, strengthened our leadership and conducted a major organisational restructure.
- Placed the NMC on a more stable financial footing and invested significantly in our fitness to practise function.

There are signs that the changes we are making are starting to have effect. For example, in Fitness to Practise, we have almost trebled the number of hearings, halved the time for investigations and halved the time to impose an interim order to protect patients and the public while we investigate a case.

We have been taking steps to ensure that we respond effectively to the *Report of the independent inquiry into care provided by Mid Staffordshire NHS Foundation Trust* (the Francis Report). Looking to the future, to put public and patient protection at the heart of what we do, we must strengthen our public profile so that the public better understands our role and we must work more proactively with other regulators. We recognise that the challenges are great and we remain focused on delivering our regulatory functions to a high standard.

Mark Addison CB
Chair, NMC
25 September 2013

Jackie Smith
Chief Executive and Registrar, NMC
25 September 2013

Performance review

- 1 Our corporate plan sets three strategic goals around protecting the public, open and effective relationships and staff, systems and services. These goals shape our activities and enable us to deliver efficient and effective regulation for the public benefit.

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

- 2 Keeping the register of nurses and midwives who are legally allowed to practise in the UK is fundamental to our goal to protect the public. Only those who have demonstrated 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.
- 3 On 31 March 2013, there were 673,567 nurses and midwives on the register. Anyone can check the registration status of a nurse or midwife at any time through the online register or by telephoning or writing to us. In January 2013, we upgraded our online 'search the register' facility so that members of the public can search the name of a nurse or midwife and see whether they are subject to any current sanctions or interim order or have been struck off the register since 1 July 2008.
- 4 In November 2012, we began a review of our registration policies and processes. This led us to identify concerns about the training requirements for applicants from certain countries and our procedures for verifying identity documents. To address these concerns, we temporarily stopped processing applications from non-EU applicants in February 2013, reviewed our operating procedures and then resumed processing applications from non-EU applicants in April 2013.
- 5 We aim to provide an effective and prompt registration service and have set ourselves clear targets:
 - To register 95 percent of initial undisputed UK applicants with five days. In 2012–2013, we achieved 99 percent.
 - To register 95 percent of initial EU applicants within 5 days of satisfying the registration requirements. In 2012–2013, we achieved 96 percent.
 - To register 95 percent of initial non-EU applicants within 5 days of satisfying the registration requirements. In 2012–2013, we achieved 98 percent during the months when we were processing applications. The average for the whole year, taking into account the pause in processing applications, was 74 percent.
 - To answer 60 percent of customer service calls within 20 seconds. In 2012–2013, we achieved 58 percent. 65 percent of calls were answered within 40 seconds.

Professional indemnity insurance

- 6 In common with other regulators, we will be required, once the legislation comes into force, to implement a system which will make holding professional indemnity insurance a condition of registration. We have assessed the impact of this legislative change on the nurses and midwives whom we register. We have been working closely with the Royal College of Nursing, the Royal College of Midwives, Local Supervising Authority Midwifery Officers and the Department of Health regarding the difficulties that independent midwives, practice nurses, and some others may face in finding viable cover.

Education and standards

- 7 Setting high standards for education and training is fundamental to ensuring that nurses and midwives admitted to the register are safe to practise. Only education institutions that meet our standards are permitted to deliver training in the UK. We published new standards for midwifery and nursing education in 2009 and 2010 respectively. The first cohort of nursing students to have completed training based on the new standards will register with the NMC in 2014.
- 8 Our quality assurance framework is designed to ensure public protection by approving and monitoring programmes for education and training nurses and midwives. We work closely with universities to assess whether our standards are being met. Where we believe that education providers may not be meeting our standards, we carry out extraordinary reviews.
- We have approved 79 universities to deliver 999 education and training programmes.
 - Eight concerns were reported to us under our extraordinary review process. We assessed and prioritised each of these within 10 days of them being reported to us. All actions and outcomes agreed as a result of extraordinary review activity were progressed as agreed by the NMC.
 - We are developing a new, combined quality assurance framework for education and local supervising authorities, working closely with key stakeholders through our annual Quality Assurance Reviewers Conference and Quality Assurance Reference Group. We have undertaken a procurement exercise to appoint a supplier to deliver the framework from 2013–2014.
 - Together with other regulators, we have been developing relationships with Health Education England and local education and training boards to ensure there is clarity in the emerging education and training landscape.
- 9 Registered nurses and midwives are expected to follow the *NMC Code: Standards of conduct, performance, and ethics for nurses and midwives*. The code is the foundation of good nursing and midwifery practice, and a key tool in protecting the public's health and wellbeing. It makes clear that nurses and midwives must make the care of patients their primary concern, treat them as individuals and respect their dignity. A review of the code and related standards is planned for 2013–2014.
- 10 As part of our work to focus on our core regulatory functions, we have updated our website to distinguish clearly between standards and guidance and regulatory

information. Following extensive consultation with stakeholders, we withdrew our professional advice service from 2 July 2012.

Revalidation

- 11 At present, to maintain their registration with the NMC, nurses and midwives must meet our post-registration education and practice (Prep) standards every three years. By December 2015, we intend to introduce a system of revalidation that will provide a greater level of assurance to the public that nurses and midwives continue to meet our standards to remain on the register. We are in the process of developing options in consultation with stakeholders and will be deciding our revalidation model in autumn 2013.

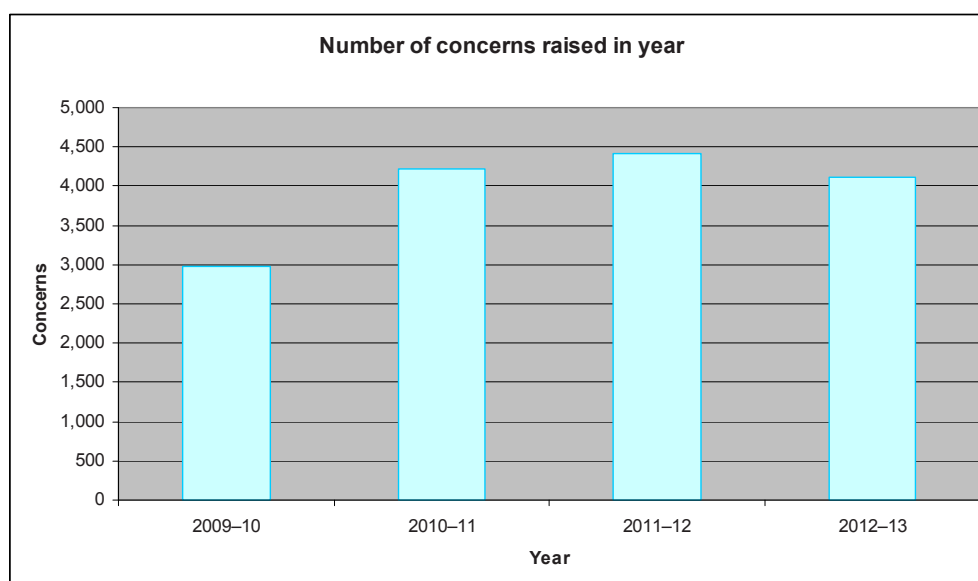
Midwifery matters

- 12 Our Midwifery Committee continues to provide expert input and advice on midwifery matters. Revised midwives rules and standards came into force on 1 January 2013. We have continued the quarterly monitoring arrangements for local supervising authorities introduced in April 2011, which are proving an effective means of anticipating issues and sharing good practice.
- 13 Following the extraordinary review of University Hospitals Morecambe Bay Trust which we undertook with the Care Quality Commission in 2011, we have continued to monitor the trust's progress closely to ensure the safety and wellbeing of mothers and their babies. We undertook a follow up visit in June 2012 to review progress against our recommendations, and provided evidence to the Public Health and Scrutiny Committee of Cumbria County Council.

Fitness to practise

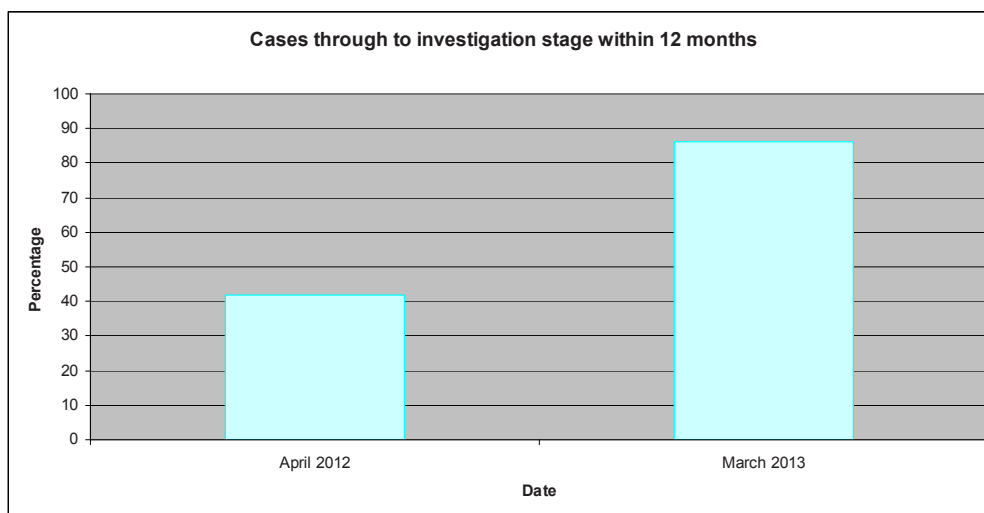
- 14 Central to our regulatory purpose is protecting the public from nurses or midwives whose fitness to practise is impaired. We have the power to stop or restrict a nurse's or midwife's practice in the UK if they pose a risk to public safety.
- 15 When a new fitness to practise concern is raised with us, we typically take the following steps:
 - An initial assessment (screening) of the allegation or complaint, including determining whether urgent action is required.
 - Where necessary, look into the allegation or complaint and decide whether there is a case to answer (investigation).
 - Where necessary, convene a hearing or meeting to reach a final decision (adjudication) and, if we find that fitness to practise is impaired, determine what action, if any, should be taken, including any appropriate sanction.
 - In cases where there is a serious and immediate risk to patient or public safety, we can take urgent action by imposing an interim order to suspend or restrict the practice of the nurse or midwife straight away.
- 16 Our fitness to practise cases involve only a very small number of nurses and midwives: 0.6 per cent of those on our register, with less than 0.1 percent

receiving a sanction. Following a significant increase in cases between 2009–2010 and 2010–2011, there appears to be some levelling off of the number of concerns raised with us. We continue to monitor this closely and are particularly mindful of the potential for referrals to increase as we further develop our public profile.



- 17 We are continuing to take steps to improve the timeliness with which we progress cases, our customer service and the quality of our decision making. During the year:
- We now have more hearing rooms available, have increased the number of hearings and meetings to between 28 and 30 each working day and we are taking steps to make the best use of the time available.
 - We have introduced a system of consensual panel determination, which is a means of concluding a case by consent. If a nurse or midwife accepts that their fitness to practise is impaired, we can agree a sanction to be considered by a panel at a public hearing. This has enabled us to reduce the hearing time in these cases.
 - We have introduced a voluntary removal process, which allows a nurse or midwife who meets the criteria and admits that their fitness to practise is impaired, and who does not intend to continue practising, to apply to be removed permanently from the register without a full public hearing, where it is in the public interest to do so.
 - In 98 percent of cases in March 2013, we delivered our customer service pledge to notify participants in fitness to practise cases of our decisions within five working days.
 - We recruited 175 new panel members and continue to update and improve our support, training, and guidance for panel members and chairs.
- 18 We have set clear performance targets for improving the timeliness with which we progress cases:

- To impose 80 percent of interim orders within 28 days of receipt of receiving a case where urgent action to protect the public is needed. We achieved this target in March 2013.
- To progress 90 percent of cases through the investigation stage within 12 months of receiving a case. We have seen consistent improvement in performance from 42 percent in April 2012 to 86 percent in March 2013. The average time taken to complete investigations in 2012–2013 was 11 months.



- To progress 90 percent of cases through the adjudication stage to the first day of a hearing or meeting within six months of completing the investigation. We achieved 39 percent in 2012–2013 and anticipate meeting the target by December 2014. The average time taken in 2012–2013 was 8.4 months.

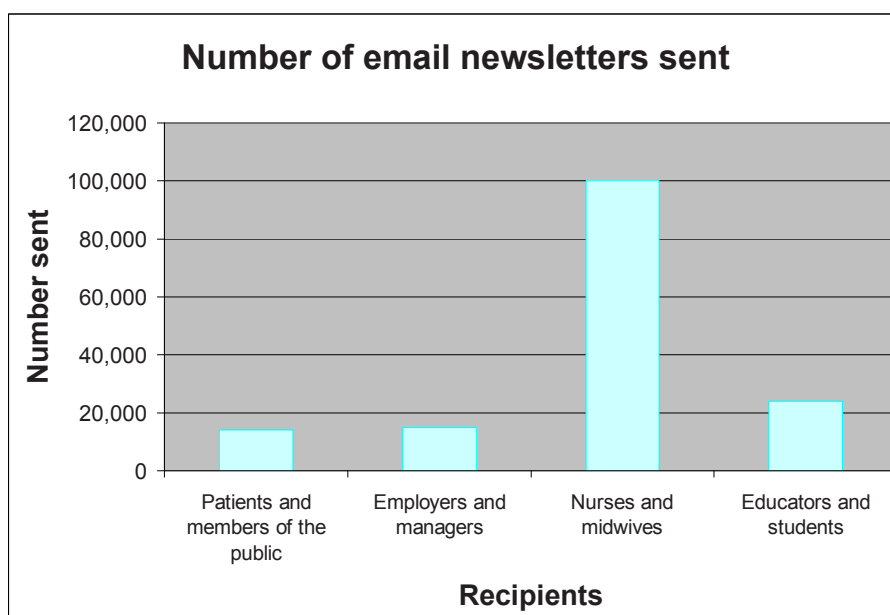
Equality and diversity

- 19 We are committed to meeting our obligations under the Equality Act 2010. During the year:
- We established and held three meetings of the Diversity Champions Forum, which seeks to embed equality and diversity in the culture of the organisation.
 - We embedded equality and diversity into individual directorate deliverables.
 - We delivered mandatory equality and diversity training for members of staff and fitness to practise panellists.
 - We are seeking to strengthen our approach to collecting and monitoring diversity data from nurses and midwives on our register.

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

- 20 The *Report of the independent inquiry into care provided by Mid Staffordshire NHS Foundation Trust* (the Francis Report) highlights the importance for the NMC of raising its profile with patients and the public, working more closely with other regulators and engaging more effectively with employers of nurses and midwives.

- We agreed our *Public commitment to engagement 2013–2016*, which sets out our strategic engagement goals, objectives, and intended audiences.
- We established and held three meetings of the Patient and Public Engagement Forum. The forum is made up of more than a hundred patient groups, patient advocates and health charities. It has proved an effective way of reaching patients and the public to raise awareness about the role of the NMC.
- We have engaged regularly with regulators, professional bodies and trades unions, amongst other things to discuss and clarify our respective roles.
- In August 2012, we issued a joint statement with the General Medical Council on professional values.
- We participated in NHS England’s Quality Surveillance Groups to improve early identification of risks to patient safety.
- We published updated *Advice and information for employers of nurses and midwives*, which contains an overview of our fitness to practise processes and highlights employers’ responsibilities.
- We hosted jointly with NHS Employers two events in London and Leeds for senior nurses, midwives, and HR professionals, which looked at how to make more effective referrals to the NMC.
- We have continued to call for changes to legislation to allow us systematically to language test nurses and midwives trained elsewhere in the EU who wish to practise in the UK. We have written to all NHS employers to make them aware of the limitations of the current legislation. We highlighted employers’ responsibility to ensure staff have the necessary command of English to provide care.
- We issued regular, dedicated email newsletters to around 14,000 patients and members of the public, 15,000 employers and managers, 100,000 nurses and midwives, and 24,000 educators and students.



21 We continue to engage closely with the Department of Health, for example attending the Chief Nursing Officers conference which saw the launch of a new strategy for nurses, midwives and care givers, *Our culture of compassionate care*. We also attended the Mid Staffordshire System Forum, which brought together a number of organisations for whom the Francis report had implications. Attending the Scottish Government's annual regulatory event provided an opportunity for us to engage with professionals and members of the public from Scotland. Our annual accountability hearing with the Health Select Committee took place on 16 October 2012 and the report was published on 6 March 2013. We recognise that engagement with the four constituent countries of the UK and the islands is particularly important as healthcare policies continue to diverge.

Goal 3 – Staff: 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.

22 During the year, we have focused on ensuring that we have the right organisational structure to deliver our core regulatory purpose and the improvements in performance.

- We undertook a major internal reorganisation and have appointed directors to head each of the five new directorates and further strengthened our leadership with the appointment of new assistant directors. We provided change management workshops for managers and staff to assist in the change process.
- In order to support improvements in case progression, we have invested significantly in recruitment to our Fitness to Practise directorate, reducing our dependency on temporary staff.
- We reviewed staff exit interviews to determine causes of voluntary turnover, and a review of our staff rewards package is underway. However, in part because of the reorganisation, staff turnover remains high at a rolling annual average of 33 percent.
- We continue to provide relevant training and development to our staff, and have developed organisational behaviours which we are incorporating into our performance and development review process.

23 Ensuring financial stability remains a priority. We accepted a £20 million grant from the Department of Health to enable us to prioritise improved performance in our fitness to practise functions. We have set up a Corporate Efficiency Board to drive further efficiency savings across the organisation. Following a public consultation, the Council decided in October 2012 to raise the annual registration fee to £100 from February 2013. Linked to this decision, we have put in place a robust financial strategy and budgeting process aligned to our business planning process. We have committed to review the registration fee on an annual basis. The first such review was in March 2013, and Council agreed to maintain the fee at £100. The next review is planned to be in March 2014. Any future increases to the registration fee will be subject to consultation.

Managing our transformation

- 24 Following the Strategic Review we established a Change Management Portfolio Board to coordinate all organisational improvement activities, including addressing the recommendations made by the PSA. We are one year in to our transformation programme which the PSA said will take at least two years to deliver. Over the last 12 months the Board has overseen a range of work designed to address the recommendations in full. This has included, for example, as part of our financial stabilisation, the fee implementation project.
- 25 We have focused hard on all our regulatory activities. The Board continues to oversee the registration and fitness to practise improvement plans. These have included the successful implementation of the voluntary removal project in Fitness to Practise which allows nurses or midwives who no longer wish, or are no longer able, to practise to leave the register ensuring the public is protected without the need for time consuming and costly investigations and panel hearings. Additionally, we are currently managing the implementation of the professional indemnity insurance requirements following changes in European legislation.
- 26 In July 2012, the Council approved our ICT strategy. We have now started implementing this and in the first year, have focused on stabilising key corporate systems, in particular Wisser, our registration system, and bringing our underpinning systems up to date. We have also developed, and are making progress in implementing, a targeted information security action plan.
- 27 The Board has also overseen the process to appoint 11 Council members following the laying of a new constitution order in Parliament. In parallel with this a review of our governance arrangements took place. The Council members appointed in May have been keen to adopt the recommendations from the review. This has resulted in a more focused and streamlined governance structure with clarity of responsibilities between Council and executive and the relationships between them, thus enhancing the efficiency and effectiveness of decision-making throughout the organisation.
- 28 We have further work to do over the coming year. The Board will continue to oversee the delivery of improvement plans in Registrations and Fitness to Practise and provide direction and oversight to a number of major new projects including:
- The development and piloting of our proposed revalidation framework.
 - A review of *NMC Code: Standards of conduct, performance, and ethics for nurses and midwives*.
 - The development of a corporate data strategy.
 - A review of our staff pay, grading and pension arrangements.

Strategic Plan

- 29 The NMC Corporate Plan 2013–2016 sets out what we intend to achieve over the next three years and how we will measure our success. It is designed to ensure we carry out our business more efficiently and more effectively, so that we can better fulfil our primary role of protecting patients and the public in the UK, through the regulation of nurses and midwives.
- 30 Our corporate goals and objectives for the period 2013–2016 are set out below.

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

- Objective 1: We will safeguard the public's health and wellbeing by keeping an accessible accurate register of all nurses and midwives who are required to demonstrate that they continue to be fit to practise.
- Objective 2: We will set appropriate standards of education and practice and assure the quality of education programmes and the supervision of midwives so that we can be sure that all those on our register are fit to practise as nurses and midwives.
- 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.
- Objective 4: We will improve our understanding and use of diversity data, embedding equalities good practice, so that we are inclusive and treat people fairly.

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

- Objective 5: We will maintain open and effective regulatory relationships with patients and the public, other regulators, employers and the professions that 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 6: 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 the role of the NMC when standards are not met.

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 that we regulate.

- Objective 7: We will develop effective policies, efficient services and governance processes that support our staff to fulfil all our functions.

- Objective 8: We will build a culture of excellence by attracting, retaining and developing high quality staff to deliver our services.

31 Over the next three years, it is important that we keep focused on our role and continue to deliver our core statutory functions to a high standard. In the context of the ongoing operational improvements that are required and the lessons arising from the Francis report, the challenges are great. We have identified six key workstreams for the next three years:

- Continuing improvement to fitness to practise processes.
- Achieving financial stability.
- Ongoing review of registration policies and practice.
- Implementing a model for ensuring that nurses and midwives continue to be fit to practise.
- Delivering a robust engagement strategy.
- Continuing the roll out of HR and ICT modernisation strategies.

32 By concentrating on success in these six areas and always focussing on our central role in public protection, the NMC can look forward to a future as a first class regulator.

Financial review

- 33 The net incoming resources for the year amounted to £10.089 million (2011–2012: net outgoing resources [£8.41 million]).
- 34 During the year income totalled £73.355 million (2011–2012: £52.781 million) and comprised fee income of £52.080 million (2011–2012: £51.581 million), a grant of £20 million from the Department of Health and investment income of £1.275 million (2011–2012: £1.2 million).
- 35 The grant of £20 million is intended to provide the financial stability to enable the achievement of the NMC's Fitness to Practise adjudication key performance indicator by December 2014, the clearance of the historic backlog of FtP 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 has been recognised in full as restricted revenue in 2012–2013. The grant is being spent in equal monthly instalments over the term of the grant, and the restricted reserves balance will reduce accordingly each month, commencing in February 2013, with the final amount being in December 2015.
- 36 In order to deal with the increased level and complexity of our fitness to practise caseload, we forecast that our expenditure would continue to increase in 2012–2013 and beyond. To continue at this level of activity within our previous income level was not sustainable – we would have no choice but to scale back our fitness to practise activity so that we could live within our means. This would, however, mean that we would be failing in our duty to protect the public. For this reason, Council consulted in summer 2012 on a fee increase and also worked extensively with the Department of Health on options for fees. Council took the difficult decision in October 2012 to increase our annual registration fee from £76 to £100, with effect from 1 February 2013, and accepted the offer of a grant of £20 million from the Department of Health.
- 37 During the year expenditure totalled £63.266 million (2011–2012: £61.191 million). This is further analysed within note 10 to the accounts.
- 38 The reserves of £54.5 million at 31 March 2013 include 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 2013 on an existing use basis at £14.25 million.
- 39 At 31 March 2013 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

- 40 The NMC's reserves policy until September 2012 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.
- 41 Free reserves are that part of a charity's unrestricted funds that is freely available to spend, that is, excluding restricted funds, tangible fixed assets and amounts designated for essential future spending.
- 42 In September 2012 Council agreed to change our reserves policy to adopt a risk-based approach. The revised policy states 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. Having approved the assessment and quantification of the major risks, Council agreed that the risk-based element of reserves (also known as 'available free reserves') should be maintained in a range of £10 million to £20 million.
- 43 The reserves policy is reviewed annually by Council as part of the business planning process and as a core component of the NMC's financial strategy. In March 2013 Council reviewed the risks underpinning the reserves policy and amended the target range of available free reserves to be held in a range of £10 million to £25 million.
- 44 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.
- 45 In deciding to accept the Department of Health grant of £20 million, the Council has committed to restoring available free reserves to a minimum level of £10 million by January 2016. The financial projections on which this is based include an increase to the annual registration fee to £120 from April 2015. The need for this will be considered as part of the next annual fee review process in March 2014. Any increase in the annual registration fee would be subject to consultation.
- 46 The total free reserves of the NMC were £15.276 million at 31 March 2013 (£23.133 million at 31 March 2012), and the available free reserves at 31 March 2013 (excluding the NMC's estimated share of the pension deficit), were £7.4 million (£14.1 million at 31 March 2012). This level of available free reserves is not 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 Council in 2012, the increased fee level and the Department of Health grant will build reserves back up to the required level. Progress towards meeting our reserves target is reviewed by Council on a monthly basis.

Investment policy

- 47 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.
- 48 NMC funds are held in fixed interest deposit accounts spread across five UK high street banks. The revenue generated from the investments in 2012–2013 was £1.275 million (2011–2012: £1.2 million).

Fixed assets

- 49 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 £1.674 million.
- 50 The principal capital project undertaken during 2012–2013 was the conversion of leased office premises at 20 Old Bailey to a dedicated Fitness to Practise hearing venue with 12 hearing suites. The net cost of this project was £1.3 million.

Mark Addison CB
Chair
NMC
25 September 2013

Jackie Smith
Chief Executive and Registrar
NMC
25 September 2013

Remuneration report

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

Council members' allowances and expenses

52 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 Council are the trustees of the NMC.

53 Professor Judith Ellis, MBE was Deputy Chair of the Council from 1 April 2012 until 10 September 2012. Mark Addison CB was appointed Chair of the Council with effect from 10 September 2012.

54 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.

55 In addition, where Council members sit as the Chair of a Registration Appeal Panel they receive a daily allowance of £340, and a daily reading fee of £290 where required, for the work performed in this capacity.

56 Allowances paid to Council members in 2012–2013 amounted to £198,871 (2011–2012: £200,000). Full details of the amounts paid are set out in the table on page 20.

57 No special payments¹ were made to any Council member in 2012–2013.

58 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.

59 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 via a PAYE settlement agreement with HMRC. In 2012–2013, £26,000 was provided for this tax liability in relation to Council members (2011–2012: £25,517). 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.

60 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 2012–2013	Allowance paid to member 2011–2012	Expenses deemed benefit in kind 2012–2013	Expenses deemed benefit in kind 2011–2012
	(£)	(£)	(£)	(£)
Mr M Addison – Chair ²	26,800	–	333	–
Mrs A Aitken	12,000	12,000	3,787	5,207
Dr K Bharj OBE	12,000	12,000	5,155	4,578
Professor J Ellis MBE ³	30,000	12,000	729	–
Mrs J Fletcher ⁴	2,000	12,000	827	3,373
Professor T Hazell ⁵	–	48,000	1,062	16,711
Mrs S Hooton ⁶	9,633	–	1,943	–
Mrs L Jacobs ⁷	21,895	12,000	4,270	2,790
Mrs G Nelson ⁸	–	11,000	–	2,739
Mr G Owen ⁹	14,910	12,000	4,112	2,172
Ms N Patterson ¹⁰	9,633	–	2,085	–
Mr D Pyle	12,000	12,000	1,994	1,115
Mrs C Rees-Williams	12,000	12,000	1,727	2,190
Professor M Renfrew ¹¹	–	9,000	–	2,519
Ms R Sawtell	12,000	12,000	897	694
Mrs B Teuten	12,000	12,000	430	433
Professor J Tunstill	12,000	12,000	–	26

61 Partner members, that is, members who are non-Council members but who are members of committees receive a daily attendance allowance of £260 and reasonable travel expenses.

62 Julia Drown, a partner member, was Chair of the Audit Committee until May 2012. In 2012–2013, she received attendance allowances of £1,300 in this capacity (2011–2012: £2,080), and incurred expenses considered to be a benefit in kind of £291 (2011–2012: £248). She continued as a partner member on the Audit Committee and received attendance allowances of £1,560 in this capacity, and incurred expenses considered to be a benefit in kind of £342. Throughout 2012–2013, she continued as a Trustee of the Pension Fund and in this capacity received attendance allowances of £1,560 (2011–2012: £1,820) and expenses considered to be a benefit in kind of £382 (2011–2012: £99).

² Appointed Chair of Council 10 September 2012.

³ Deputy Chair of 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.

⁴ Resigned 31 May 2012.

⁵ Chair of Council until 31 March 2012.

⁶ Appointed with effect from 12 June 2012.

⁷ Includes allowance payments £9,895 in respect of work performed as Registration Appeal Panel Chair.

⁸ Resigned 29 February 2012.

⁹ Includes allowance payments £2,910 in respect of work performed as Registration Appeal Panel Chair.

¹⁰ Appointed with effect from 12 June 2012.

¹¹ Demitted office 31 December 2011.

Methods used to assess members' performance

- 63 The appraisal system for Council members was agreed by the Council in 2010. The system is competency-based, in common with many systems used for review of board members. Members complete an annual self appraisal form and meet with the Chair for feedback and identification of any training needs. However, following the Department of Health's decision to reconstitute the Council, appraisals were not carried out during 2012–2013. An appraisal system will be developed for the Council members, who took office with effect from 1 May 2013.

Senior Management Team remuneration and performance assessment

- 64 The senior management team (called the Directors group) comprises the Chief Executive and Registrar and directors. They are not members of the Council and are not trustees of the NMC.
- 65 The Chief Executive and Registrar is the only employee appointed directly by and accountable to 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 during 2012–2013.
- 66 The remuneration of the Chief Executive and Registrar and the directors is reviewed annually. The Directors group is made up of directors who report directly to the Chief Executive and Registrar. Any increases to pay have historically been based on the rating awarded to the individual through the annual performance and development review (PDR) process, which is carried out in April. The Remuneration Committee advises the Chair on the remuneration of the Chief Executive and Registrar; it then advises the Chief Executive and Registrar on the remuneration of the members of the Directors group. During 2012–2013, the Remuneration Committee consisted of three Council members and one independent member, who chaired the committee. Benchmarking of the roles of the directors is carried out periodically by third parties and this information is made available to the Committee.
- 67 In 2012–2013 a pay freeze was imposed for all staff, including members of the Directors group, with the exception of staff in the two lowest salary bands who were awarded a non-performance linked increase of two percent. The pay freeze was imposed taking into account the challenging financial climate and the pay restraint in force in similar sectors.
- 68 The employment contract of the Chief Executive and Registrar normally requires notice of six months to be given by either party in order to terminate the contract. For senior management the period is three months.
- 69 Jackie Smith was Acting Chief Executive and Registrar until 7 October 2012 and was appointed to the substantive 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 2012–2013 was £151,582 (2011–2012: £45,194 for the period from 16 December 2011 to 31 March 2012 during which time she was Acting Chief Executive and Registrar).

- 70 Jackie Smith is an ordinary member of the NMC pension scheme (see note 11). Details of her pension position are as follows:
- The real increase during 2012–2013 in her pension at age 60 was between £0 and £2,500 pa (2011–2012: between £0 and £2,500).
 - If she took the maximum tax-free cash payment at age 60, the real increase during 2012–2013 in the value of this lump sum at 31 March 2013 was between £10,000 and £12,500 and the real increase in her residual pension was between £0 and £2,500 pa.
 - The accrued pension at age 60 at 31 March 2013 was between £5,000 and £10,000 pa (31 March 2012 between £0 and £5,000 pa). If she took the maximum tax-free cash at age 60, the value of this lump sum at 31 March 2013 was between £25,000 and £30,000 and this would leave a residual pension at age 60 at 31 March 2013 of between £0 and £5,000 pa.
 - The cash equivalent transfer value of benefits at the beginning of the year was £63,000.
 - The real net increase in the cash equivalent transfer value during the year to 31 March 2013 (adjusted for inflation and taking account of member contributions) is £56,000.
 - The cash equivalent transfer value of benefits at 31 March 2013 is £126,000 (31 March 2012: £63,000).¹²
- 71 The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2012–2013.

Remuneration and performance assessment of other staff

- 72 All employees have a six month probation period on commencement of employment and a notice period of one to three months depending on grade.
- 73 The remuneration of all other employees is also reviewed annually. As with the pay reviews for directors, normally a direct link is made between each person's PDR rating and what they are awarded in the pay review. The Directors group makes decisions each year on the percentage rises to be applied to the different PDR ratings for all other employees. In doing so, the Directors group take into account overall affordability, cost of living rates, benchmarking data and recruitment and retention data. To ensure consistency across the organisation, managers' recommendations for PDR ratings for their team members are reviewed by a manager's manager and subsequently moderated by the Directors group. The NMC has a pay guidance document which contains full details of how the pay arrangements operate.
- 74 In 2012–2013 the PDR process operated as normal. However, this was not linked to pay due to a pay freeze imposed for all staff (as detailed above), with the

¹² The 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 2013 is due to changes in the financial assumptions used to calculate transfer values at the two different dates.

exception of staff in the two lowest salary bands who were awarded a non-performance linked increase of two percent.

- 75 All employees are entitled to join the NMC pension scheme from the start of their employment. The employee makes a contribution of six percent of salary. The employer's contribution into the pension scheme is 27.4 percent, as set by the Scheme Actuary. Approximately 39 percent of employees are scheme members at 31 March 2013.

NMC pay differentials

- 76 We are required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce.
- 77 The highest paid individual at the NMC in 2012–2013 was the Chief Executive and Registrar (Jackie Smith). Her remuneration for the year was £151,582. (2011–2012: the highest paid individual was the former Chief Executive and Registrar Dickon Weir-Hughes. His remuneration for the period to 11 January 2012 was £199,675, including a contractual payment in lieu of notice of £77,500).
- 78 This was 5.74 times (2011–2012: 7.25 times) the median remuneration of the workforce, which was £26,400 (2011–2012: £27,554). The significant decrease in the ratio in 2012–2013 is due to the contractual payment in lieu of notice made to the former Chief Executive in 2011–2012 described above. A calculation based on normal full annual salary alone would produce a ratio of 5.63 times the median for 2011–2012.
- 79 Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.
- 80 Further information about remuneration is contained in note 11 to the accounts.

Mark Addison CB
Chair
NMC
25 September 2013

Jackie Smith
Chief Executive and Registrar
NMC
25 September 2013

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

- 81 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).
- 82 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.
- 83 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.
- 84 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.
- 85 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*.

Principal place of business

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

23 Portland Place
London
W1B 1PZ

Advisers

Joint Auditors

haysmacintyre
Chartered Accountants
Fairfax House
15 Fulwood Place
London
WC1V 6AY

Bankers

HSBC
117 Great Portland Street
London
W1A 4UY

Internal Auditors

Parkhill
Hammersmith Hospital
South Admin Block
Du Cane Road
Hammersmith
London
W12 0HS

Joint Auditors

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

Solicitors

Field Fisher Waterhouse
35 Vine Street
London
EC3N 2AA

Annual governance statement

87 The NMC is a charity registered in England and Wales (number 1091434) and in Scotland (number SC038362). Our powers and responsibilities are set out in the Nursing and Midwifery Order 2001 (as amended) (the order) and in our statutory rules. Our charitable object is to protect and safeguard the health and wellbeing of the public. As required we have had due regard to the Charity Commission's guidance on public benefit. We have explained elsewhere in this report how our work demonstrates public benefit.

The Council

88 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.

89 In accordance with the order, the Council consisted of 14 members during the year ended 31 March 2013: seven registrant members and seven lay members. Lay members are those who have never been a registered nurse or midwife. All members are appointed by the Privy Council.

90 The following served as Council members during the year ended 31 March 2013:

Mark Addison CB (Chair from 10 September 2012)

Professor Judith Ellis MBE (Council member since 1 January 2009, Deputy Chair from to 1 April 2012 to 10 September 2012)

Alison Aitken

Dr Kuldip Bharj OBE

Sue Hooton OBE (appointed 12 June 2012)

Lorna Jacobs

Grahame Owen

Nicki Patterson (appointed 12 June 2012)

David Pyle

Carole Rees-Williams

Ruth Sawtell

Beatrice Teuten

Professor Jane Tunstill

Joyce Fletcher (resigned 31 May 2012)

Committee, and the Remuneration Committee operated throughout the year ended 31 March 2013. During the year, the Council established an Education Committee, a Finance and IT Committee, and a Fitness to Practise Committee, formalising work which had previously been undertaken by working groups. The key responsibilities and activities of each committee are summarised below.

Appointments Board

94 The Appointments Board is responsible for ensuring that the processes for the appointment, training and performance management of partner members, fitness to practise panel members and Local Supervising Authority reviewers are independent, transparent and follow good practice. To maintain the Appointment Board's independence, its five members, including the Chair, are independent of the Council. The Chair of the Appointments Board during the year was Professor Nigel Ratcliffe.

Audit Committee

95 The Audit Committee is responsible for ensuring that the NMC's business is conducted with the highest integrity, probity and efficiency, and that there are appropriate systems in place for managing risk. Julia Drown, a partner member, was Chair of the Audit Committee for its first meeting of the year. Subsequently, the Chair of the Audit Committee during the year was Ruth Sawtell, a Council member.

96 Following the reconstitution of the Council, Louise Scull was appointed as Chair of the Audit Committee and Carol Shillabeer and Stephen Thornton as members. Together with partner member Julia Drown, they reviewed the accounts and annual report before they were approved by the Council.

Education Committee

97 The role of the Education Committee is to advise the Council on discharging its responsibility for ensuring that the standards and requirements set for approved educational institutions in the United Kingdom, concerned with the education and training of nurses and midwives, are met. The Education Committee met for the first time on 24 January 2013. The Chair of the Education Committee during the year was Professor Judith Ellis MBE, a Council member.

Finance and IT Committee

98 The role of the Finance and IT Committee is to advise the Council on the development and implementation of appropriate financial and information technology plans, to enable the NMC to fulfil its statutory functions, maintain sound financial health and robust control over its information technology systems. The Finance and IT Committee met for the first time on 24 January 2013. The Chair of the Finance and IT Committee during the year was Grahame Owen, a Council member.

Fitness to Practise Committee

99 The role of the Fitness to Practise Committee is to advise the Council on the performance and management of the NMC's fitness to practise activities. The

Fitness to Practise Committee met for the first time on 17 January 2013. The Chair of the Fitness to Practise Committee during the year was Beatrice Teuten, a Council member.

Midwifery Committee

100 The statutory remit of the Midwifery Committee is to advise the Council on all matters relating to midwifery. The Chair of the Midwifery Committee during the year was Dr Kuldip Bharj OBE, a Council member.

Remuneration Committee

101 The role of the Remuneration Committee is to advise on the appointment and remuneration of the Chief Executive and Registrar and of the directors, to agree remuneration arrangements for members of the Council and to oversee payments to staff outside of normal contractual terms. The Chair of the Remuneration Committee during the year was John Halladay, a partner member.

Attendance at Council and Committee meetings

102 Attendance by members and partner members at Council and committee meetings during the year is recorded below.

Council

Member	Meetings	Attended
Mark Addison CB	6	6
Professor Judith Ellis MBE	10	10
Alison Aitken	10	7
Dr Kuldip Bharj OBE	10	6
Sue Hooton OBE **	8	6
Lorna Jacobs	10	10
Grahame Owen	10	10
Nicki Patterson **	8	7
David Pyle	10	9
Carole Rees-Williams	10	5
Ruth Sawtell	10	10
Beatrice Teuten	10	9
Professor Jane Tunstill	10	9
Joyce Fletcher	2	1

** The appointments of both Sue Hooton and Nicki Patterson took effect from 12 June 2012. Neither attended the 21 June Council meeting due to short notice.

Audit Committee

Member	Meetings	Attended
Ruth Sawtell	4	4
Grahame Owen (until 12 December 2012)	3	2
Beatrice Teuten	4	4
Sue Hooton OBE (from 12 December 2012)	1	0
Professor Jane Tunstill (from 12 December 2012)	1	1
Julia Drown (partner member)	4	4
Kim Lavelly (partner member) (resigned 12 December 2012)	3	3
Louise Scull (partner member)	4	4

Midwifery Committee

Member	Meetings	Attended
Dr Kuldip Bharj OBE	3	3
David Pyle	3	1
Gillian Boden (partner member)	3	3
Marie McDonald (partner member)	3	3
Dorothy Patterson (partner member)	3	3
Kirsty Darwent (partner member)	3	2
Ann Holmes (partner member)	3	1

Frances McCartney (partner member)	3	2
Rose McCarthy (partner member) (resigned 11 September 2012)	1	0

Remuneration Committee

Member	Meetings	Attended
John Halladay	5	5
Dr Kuldip Bharj OBE	5	4
David Pyle	5	5
Professor Jane Tunstill	5	5

Finance and IT Committee

Member	Meetings	Attended
Grahame Owen	2	2
Lorna Jacobs	2	1
Alison Aitken	2	1
Louise Scull (partner member)	2	2

Fitness to Practise Committee

Member	Meetings	Attended
Beatrice Teuten	3	3
Lorna Jacobs	3	3
Carole Rees-Williams	3	1

Education Committee

Member	Meetings	Attended
Judith Ellis	1	1
Sue Hooton OBE	1	0
David Pyle	1	1

Role of the Executive

- 103 The Chief Executive and Registrar is the NMC's chief officer and has executive responsibility for the operational management of the NMC. This includes procedures for financial matters, conduct and discipline. The Chief Executive and Registrar is supported by the Directors group.
- 104 The Chief Executive and Registrar is responsible for ensuring the Chair and Council have timely, accurate and clear information to carry out their responsibilities.
- 105 The Chief Executive and Registrar is responsible for leading the Directors group and staff in:
- Fulfilling the NMC's statutory objectives, general functions and duties and exercising its legal powers.
 - Developing plans, programmes and policies for Council approval.
 - Realising the Council's strategies and plans for the future.
 - Delivering the NMC's services in line with targets and performance indicators agreed with the Council.
- 106 As the NMC's Accounting Officer, the Chief Executive and Registrar has personal responsibility for matters relating to financial propriety and regularity, keeping proper account of financial affairs and of the effective use of resources. The Chief Executive and Registrar reports to the Audit Committee on the NMC's use of registrant funds and has personal accountability and responsibility for the NMC's:
- Propriety and regularity.
 - Prudent and economical administration.
 - Avoidance of waste and extravagance.
 - Efficient and effective use of available resources.
 - General organisation, staffing and management.

Effectiveness of governance

- 107 The Council is committed to high standards of governance. Our practice complies with HM Treasury's *Corporate Governance Code of Good Practice* 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.

- 108 We have continued to make progress in addressing the recommendations of the PSA strategic review regarding governance and leadership. Mark Addison CB was appointed as Chair of the Council on 10 September 2012. Jackie Smith was appointed as the substantive Chief Executive and Registrar for a one year period with effect from 8 October 2012, and was appointed to the post on a permanent basis with effect from 19 June 2013. In addition, two new Council members were appointed during the year. We have reviewed our approach to governance during the year, including:
- Revising the NMC governance framework to clarify the respective responsibilities of the Council and the executive, and the relationships between them.
 - Improving the quality of information provided to the Council, in particular financial data and performance indicators, to support its decision-making and enhance the accountability of the executive.
 - Appointing a financially qualified adviser to the Council, who attended meetings of the Council.
 - Constituting the Education Committee, the Finance and IT Committee, and the Fitness to Practise Committee in order to provide additional governance oversight of key functions.
- 109 Ensuring effective transition in the leadership and governance of the NMC remains a priority. Following the publication of the PSA strategic review, we commissioned an independent review to help establish a model of governance that is fit for purpose and well-placed to support the reconstituted Council in the delivery of its objectives. The review acknowledges that operational progress has been made and concludes that changes to our governance arrangements will be required to enable the NMC to balance a continued focus on performance improvement with a greater strategic focus. The Council has considered and accepted the recommendations and will implement them during 2013–2014.

Internal control and risk management

- 110 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.
- 111 During the year, the NMC's internal audit service was provided by Parkhill, which operates to the Government Internal Audit Standards and the Chartered Institute of Internal Auditors International Standards for the Practice of Internal Auditing. The internal auditors submitted regular reports to the Audit Committee, which included an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Audit Committee's work was further informed by reports from management and by comments from the external auditors in their management letter.
- 112 Following a competitive process, we have appointed Moore Stephens to provide our internal audit service from 1 April 2013. Our priorities are to manage an

effective transition in internal audit services and work with the incoming firm to continue to strengthen our internal control and assurance framework.

- 113 The Council has overall responsibility for risk management, including ensuring that the NMC has in place an appropriate risk management policy and that major risks are properly managed and reported. As part of the process for managing risk, the Council approves the corporate plan and budget, reviews progress against key performance indicators, and has due regard to opportunities and risks in decision-making.
- 114 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. The Audit Committee is responsible for providing assurance to the Council regarding the implementation of the risk management policy and the management of risk.
- 115 The Council has discussed the principal risks facing the NMC at each of its public meetings during the year. The Directors group has considered the full risk register each month. The Audit Committee has discussed the process for risk control, and considered the effectiveness of the risk management process, at each of its meetings.
- 116 During the year, the NMC has taken steps to stabilise its financial position and to invest significantly in its fitness to practise operations to enhance public protection, and these remain matters to which the Council pays close attention. We have made progress in improving fitness to practise operations and continue to monitor performance closely. We have put in place an ICT Strategy to stabilise our current systems for the short-term and ensure that we have appropriate systems and infrastructure to meet our public protection obligations. The NMC continues to manage closely risks relating to its regulatory activities, including:
- Improving the overseas registration process in order that systems ensure that all applicants satisfy the relevant conditions of registration. During the year, our review of the overseas registrations process identified concerns about the training requirements for applicants from certain countries and our procedures for verifying identity documents. We paused overseas registrations between February and April 2013 and introduced revised operating procedures. The PSA has commended the way in which we have addressed this serious matter.
 - Implementing technical and organisational changes to improve the accuracy and integrity of the register.
 - Ensuring that we respond appropriately and proportionately to the recommendations of the *Report of the independent inquiry into care provided by Mid Staffordshire NHS Foundation Trust* (the Francis Report), and that our public profile is consistent with our core regulatory purpose.
 - Taking steps to meet our obligations regarding the requirement for registrants to hold professional indemnity insurance.
- 117 The key matters of internal control and risk management discussed by the Audit Committee during the year included:

- An independent review of the work undertaken to reconcile discrepancies between the registrations system and the case management system.
- Overseeing the development of an integrated approach to serious events, security incidents, and complaints.
- Reviewing the whistle-blowing policy; the financial regulations; the anti-fraud, bribery, and corruption policy; and the NMC's approach to the development of policies and procedures.
- Approving revisions to our risk management framework to strengthen our approach and ensure that it is embedded across the NMC.
- Outcomes of internal audit work undertaken during the year, progress in implementing internal audit recommendations, and the process for procurement of new internal audit provision with effect from April 2013.

Lapses in protective security

- 118 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. Incidents are monitored by the Information Governance and Security Group which is accountable to the Directors group for ensuring learning is identified to prevent recurrence.
- 119 During the year, there were 73 information security incidents of which two were classified as moderate, 61 as minor, and 10 as insignificant. No incidents were classified as critical or major. The Audit Committee has received reports on information security incidents at each of its meetings and the risk continues to be closely managed.
- 120 During the year ended 31 March 2012, we voluntarily reported to the Information Commissioner an information security incident which had occurred on 7 October 2011 and was reported in last year's annual report. This resulted in a monetary penalty notice of £150,000 (which was reduced to £120,000 for early payment) being issued on 14 March 2013. In the intervening period we have strengthened our information security practices by revising our policy, introducing a new standard operating procedure, and amending our training for employees.

Relevant audit information

- 121 So far as we know, there is no relevant audit 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
25 September 2013

Jackie Smith
Chief Executive and Registrar
NMC
25 September 2013

Independent auditors' report to the Nursing and Midwifery Council

We have audited the financial statements of Nursing & Midwifery Council for the year ended 31 March 2013 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 2013 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

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Date: 26 September 2013

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 2013 under Article 52 of the Nursing and Midwifery Order 2001. These 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 and of the 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 Chief Executive and Registrar as Accounting Officer 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 audit, 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 by 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. 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 incoming resources and resources expended 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 incoming resources and resources expended 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 2013 and of its incoming resources and resources expended 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 issued under Article 52 of the Nursing and Midwifery Order 2001; and
- the information given in the 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 or 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.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Date: 4 October 2013

Statement of financial activities for the year ended 31 March 2013

	Note	Un-restricted funds 2013 £'000	Restricted funds 2013 £'000	Total funds 2013 £'000	Total funds 2012 £'000
Incoming resources					
Incoming resources from charitable activities:					
• Fee income	3	52,080	–	52,080	51,581
Incoming resources from generated funds:					
• Investment income	2	1,244	31	1,275	1,200
• Grant (Department of Health)	27	–	20,000	20,000	–
Total incoming resources		53,324	20,031	73,355	52,781
Resources expended					
Charitable activities	4	56,470	1,294	57,764	54,907
Governance costs	5	3,590	–	3,590	3,552
Other resources expended:					
• Communications and public engagement	6	1,912	–	1,912	2,732
Total resources expended		61,972	1,294	63,266	61,191
Net incoming/(outgoing) resources from operations		(8,648)	18,737	10,089	(8,410)
Other recognised gains					
Unrealised gain on revaluation of fixed assets		2,766	–	2,766	–
Net movement in funds		(5,882)	18,737	12,855	(8,410)
Reserves brought forward		41,549	120	41,669	50,079
Total funds carried forward		35,667	18,857	54,524	41,669

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 43 to 63 form part of these accounts.

Balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	13	20,391	18,416
Total fixed assets		20,391	18,416
Current assets			
Debtors	15	1,747	1,557
Short-term deposits	25	65,354	60,000
Cash at bank and in hand	25	10,058	5,432
Total current assets		77,159	66,989
Current liabilities			
Creditors (amounts falling due within one year)	16	(42,221)	(43,640)
Provisions (amounts falling due within one year)	17	(67)	–
Net current assets		34,659	23,349
Total assets less current liabilities		55,262	41,765
Creditors (amounts falling after more than one year)	18	(102)	(96)
Provisions (amounts falling after more than one year)	19	(636)	–
Net assets		54,524	41,669
Restricted funds	27	18,857	120
Unrestricted funds		35,667	41,549
Total funds		54,524	41,669

The notes on pages 43 to 63 form part of these accounts.

Mark Addison CB
Chair
NMC
25 September 2013

Jackie Smith
Chief Executive and Registrar
NMC
25 September 2013

Cash flow statement for the year ended 31 March 2013

	Note	£'000	2013 £'000	2012 £'000
Net cash inflow/(outflow) from operating activities	23		10,379	(2,141)
Returns on investment				
Interest received	2	1,275		1,200
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	13	(1,674)		(3,874)
			<u>(399)</u>	<u>(2,674)</u>
Increase/(decrease) in cash in the year			<u>9,980</u>	<u>(4,815)</u>

The notes on pages 43 to 63 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 (FReM) 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	– three to five 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	– 10 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	– three to five 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 restricted funds 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 fitness to practise, maintaining the register, education and standards promotion and policy development.

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

2 Investment income

	Unrestricted £'000	Restricted £'000	2013 £'000	2012 £'000
Interest receivable				
• from deposits at banks	<u>1,244</u>	<u>31</u>	<u>1,275</u>	<u>1,200</u>
	<u>1,244</u>	<u>31</u>	<u>1,275</u>	<u>1,200</u>

3 Fee income

	2013 £'000	2012 £'000
Periodic fees	51,299	51,002
Registrations	638	389
Verifications	140	184
Replacement of Pin cards	3	6
	<u>52,080</u>	<u>51,581</u>

4 Charitable activities

	Unrest- ricted £'000	Restrict- ed £'000	2013 £'000	2012 £'000
Standards promotion and policy development	2,025	120	2,145	3,233
Education	1,395		1,395	2,378
Maintaining the register	5,560		5,560	8,147
Fitness to practise	47,490	1,174	48,664	41,149
	<u>56,470</u>	<u>1,294</u>	<u>57,764</u>	<u>54,907</u>

These costs include direct costs,¹³ staff costs and related overheads.

5 Governance costs

	2013 £'000	2012 £'000
Members' allowances, travel and subsistence	278	291
Auditors' remuneration – audit fees – haysmacintyre	28	24
Auditors' remuneration – audit fees – NAO	5	5
Allocation of operating costs (inc. salaries) ¹⁴	3,279	3,232
	<u>3,590</u>	<u>3,552</u>

6 Other expenditure – Communications and public engagement

	2013 £'000	2012 £'000
Conferences, seminars and publicity	107	112
Communications	49	66
Printing of NMC publications	312	475
Allocation of operating costs (inc. salaries) ¹⁵	1,444	2,079
	<u>1,912</u>	<u>2,732</u>

¹³ See Notes to the Accounts, note 8

¹⁴ See Notes to the Accounts, note 1d)

¹⁵ See Notes to the Accounts, note 1d)

7 Total resources expended

	Staff costs £'000	Depreciation £'000	Other costs £'000	Total 2013 £'000	Total 2012 £'000
Charitable activities:					
• Standards promotion and policy development	1,671	146	328	2,145	3,233
• Education	528	22	845	1,395	2,378
• Maintaining the register	2,463	327	2,770	5,560	8,147
• Fitness to practise	14,068	1,770	32,826	48,664	41,149
Governance costs	2,481	113	996	3,590	3,552
Other expenditure:					
• Communications and public engagement	1,052	87	773	1,912	2,732
	<u>22,263</u>	<u>2,465</u>	<u>38,538</u>	<u>63,266</u>	<u>61,191</u>

8 Analysis of direct costs

	Direct costs £'000	Support costs £'000	Total 2013 £'000	Total 2012 £'000
Charitable activities:				
• Standards promotion and policy development	1,645	500	2,145	3,233
• Education	1,318	77	1,395	2,378
• Maintaining the register	4,434	1,126	5,560	8,147
• Fitness to practise	43,738	4,926	48,664	41,149
Sub-total charitable activities	<u>51,135</u>	<u>6,629</u>	<u>57,764</u>	<u>54,907</u>
• Governance	3,436	154	3,590	3,552
• Communications and public engagement	1,614	298	1,912	2,732
Total	<u>56,185</u>	<u>7,081</u>	<u>63,266</u>	<u>61,191</u>

9 Analysis of support costs

Support cost	Standards promotion and policy development £'000	Education £'000	Maintaining the register £'000	Fitness to practise £'000	Governance £'000	Com-munications and public engagement £'000	Total 2013 £'000	Total 2012 £'000
Facilities	47	7	107	466	15	28	670	778
Finance	143	22	321	1,405	44	85	2,020	1,778
HR	162	25	364	1,595	49	97	2,292	1,609
ICT	148	23	334	1,460	46	88	2,099	2,458
	500	77	1,126	4,926	154	298	7,081	6,623

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

10 Total expenditure by cost type

	2013 £'000	2012 £'000	Details (see next page)
Salaries and associated costs	22,263	20,736	10.1
Other staff expenses	1,011	1,043	
Premises	3,610	3,068	10.2
Insurance	118	97	
Sundry, furniture, equipment and maintenance	152	230	
Hire of equipment	7	5	
Fitness to practise	24,752	23,705	10.3
Registration Appeals	90	0	10.4
Depreciation	2,465	2,635	10.5
Dilapidations	212	0	10.6
Catering for fitness to practise hearings and meetings	446	170	10.7
Staff canteen	215	232	
Quality assurance of education cost	786	1,068	10.8
Local Supervisory Authority review costs	20	56	10.9
Professional fees	1,724	2,495	10.10
Auditors' remuneration – audit fees	28	24	
Auditors' remuneration – audit fees (NAO)	5	5	
Auditors' remuneration – non audit costs	17	0	
IT development and support	1,999	1,798	10.11
Postage	859	690	
Printing and stationery	607	842	
Advertising and recruitment	744	788	10.12
Conferences, seminars and publicity	107	112	
Printing of NMC publications	312	475	10.13
Members' allowances, travel and subsistence	278	291	
Committee costs	47	135	10.14
Other support costs	392	491	10.15
Total resources expended	63,266	61,191	

Additional details for table in note 10

10.1 Salaries and associated costs

Investment in staff resource increased in 2012–2013 primarily in Fitness to Practise. This increased resource is required to manage the increased volume and complexity of our caseload, to the standards of timeliness and quality required per the Fitness to Practise key performance indicators.

Following a structural review in early 2012–2013, a number of positions were made redundant across non-Fitness to Practise directorates, incurring one-off redundancy costs. The cost of the restructure will be offset by ongoing salary savings in future years.

The increase in permanent staff costs was offset by a decrease in the level of contractor resource used across the business, as the level of programme activity was curtailed.

10.2 Premises

The increase in premises costs primarily arises from the lease of office space at 20 Old Bailey, from November 2012, to provide an additional twelve dedicated fit for purpose hearing suites for FtP hearings, to accommodate the increased levels of activity. This is a cost-effective alternative to hiring hotel venues for hearings. In addition, 2012–2013 costs included a full year of costs for our FtP office space at 1 Kemble Street, London (leased from June 2011) and costs for serviced hearing accommodation at Temple Court, Cardiff (in use from November 2011).

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 significantly increased investigation and hearing activity undertaken in the year. However, the cost increase in this category was offset to an extent by the acquisition of hearing accommodation at 20 Old Bailey, and by a number of efficiencies implemented during 2012–2013 including bringing investigation activity in-house, reducing the costs of shorthand writing and reduced tax liabilities in relation to FtP panellists.

10.4 Registration appeals

The work associated with Registration Appeal Panels was formerly carried out within FtP. However, there was increased focus on this work in 2012–2013 and an increase in the number of appeals against registration decisions. New Registration Appeal Panels, chaired by Council members, were convened, as appropriate, to deal specifically with this activity.

10.5 Depreciation

Decreased depreciation charges arise due to several IT assets having been fully depreciated, including the case management system and an earlier infrastructure upgrade. These reduced costs were offset by additional depreciation on the capital refurbishment of FtP office and hearing accommodation.

10.6 Dilapidations

Due to the increased number of leased premises and the lease obligations to either 'make good' these premises at the end of their leases by returning them to the state in which they were leased, or to pay an appropriate agreed amount to the landlord, a provision has been set up for these potential dilapidation charges on these premises. This ensures our accounts reflect material obligations.

10.7 Catering

The increase is aligned with the increase in FtP hearing activity and incremental catering staff requirements to service the hearings.

10.8 Quality assurance of education cost

Quality assurance of education levels in 2012–2013 were at normal levels. The prior year costs were higher than normal due to increased monitoring activity, as the initial focus and scrutiny had to be extended in a number of monitoring events, as a result of adverse Care Quality Commission (CQC) reports or adverse clinical governance issues in specific practice placement learning areas. In addition, in 2011–2012 the timeframe for the monitoring schedule was condensed into one financial year (2011–2012), rather than being spread across two financial years. This had been an agreed approach in the expectation that the delivery of the Quality Assurance (QA) framework would change to an in-house provision during 2012–2013. This option is not now being pursued.

10.9 Local supervisory authority (LSA) review costs

LSA review levels in 2012–2013 were at normal levels. The prior year costs were higher than normal due to the extraordinary review of the University Hospitals Morecambe Bay NHS Foundation Trust in 2011–2012, undertaken jointly with CQC, as a result of concerns relating to the quality of supervision of midwives and maternity care at the trust. In addition, expenditure was incurred in 2011–2012 for the recruitment and training of new LSA reviewers.

10.10 Professional fees

A reduced level of ICT consultancy was required in 2012–2013, as the ICT strategy was reviewed and related programmes were put on hold, pending Council's decision to approve a revised strategy. External professional and legal advice was engaged in 2012–2013 principally to provide advice and support in a number of areas in Fitness to Practise including process delivery and resourcing and quality assurance of casework. Consultants were engaged on a number of other projects including the organisational restructure in summer 2012, a detailed review of registration processes (in particular in

relation to the processing of applications from overseas), and the establishment of a change management programme to oversee the delivery of the recommendations made by the PSA in their strategic review. In the prior year 2011–2012, external advice was required in relation to Fitness to Practise (in particular the significant initiative to bring case investigations in-house), the delivery of EU aptitude tests and adaptation programmes, a review of our delivery of quality assurance of education and our contribution to the inquiry into the standards of care at the Mid-Staffordshire NHS Foundation Trust.

10.11 IT development and support

The increase is due primarily to increased costs of software licences and maintenance, to support the increased number of users across the NMC.

10.12 Advertising and recruitment

The level of recruitment activity in both years is primarily driven by the requirement to fill incremental roles in Fitness to Practise. In both years there were a number of recruitment exercises in the year for senior appointments, and significant recruitment exercises for Fitness to Practise panellists. In 2012–2013 costs were also incurred for the recruitment of the new Council which took office from 1 May 2013.

10.13 Printing of NMC publications

The reduction is due primarily to the cessation of the publication and distribution of the *NMC Review* in 2012–2013. Investment has been redirected into a diverse range of alternative and targeted communications with nurses and midwives using a variety of media, the majority of which are online.

10.14 Committee costs

The reduction is due mainly to reduced attendance costs in relation to the Appointments Board. At the start of 2011–2012, the Appointments Board completed a comprehensive 360 degree appraisal process for Fitness to Practise panellists. We now use an automated system for panellist appraisal and feedback.

10.15 Other support costs

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

11 Information regarding employees

	2013	2012
	£'000	£'000
Salaries and associated costs		
Wages and salaries ¹⁶		
• Senior management team	808	941
• Other staff	13,936	11,908
Social security costs (Employers NI contributions):		
• Senior management team	71	97
• Other staff	1,152	1,020
Pension costs – present staff: ¹⁷		
• Senior management team	235	189
• Other staff	2,769	2,779
• Early retirement ¹⁸	513	0
Pension costs - retired staff of previous organisations ¹⁹	26	25
Temporary staff	2,753	3,777
	<u>22,263</u>	<u>20,736</u>

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 (£)	2013 Number of staff	2012 Number of staff
20,001 – 30,000	–	1
30,001 – 40,000	1	1
40,001 – 50,000	1	–
50,001 – 60,000	1	–

¹⁶ See Notes to the Accounts, note 10.1.

¹⁷ See Notes to the Accounts, note 21.

¹⁸ 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 £513,000 has been recognised in the SOFA in 2012–2013. Payments to the Scheme are made on a monthly basis and commenced December 2012. At 31 March 2013 £491,000 in total was remaining in the provision in respect of future years, £67,000 falling due within one year (Note 17) and £424,000 falling due after more than one year (Note 19).

¹⁹ See Notes to the Accounts, note 21.

60,001 – 70,000	1	1
70,001 – 80,000	–	2
80,001 – 90,000	1	1
90,001 – 100,000	1	–
110,001 – 120,000	1	1
120,001 – 130,000	–	2
140,001 – 150,000	–	–
150,001 – 160,000	1	–

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

	2013 £	2012 £
S Atkinson	1,001–1,500	1,001–1,500
L Mallors	1,001–1,500	1,001–1,500
S Page	1,001–1,500	–
S Williams	2,001–2,500	2,001–2,500

The total accrued pension at age 60 at 31 March 2013 for those directors who participate in the NMC pension scheme was as follows:

Total accrued pension at 60 at 31 March (£)	2013 Number of staff	2012 Number of staff
0 – 5,000	3	4
5,001 – 10,000	1	2
10,001 – 15,000	2	1
15,001 – 20,000	2	1

Directors are ordinary members of the NMC pension scheme.

Pension benefits are 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 three 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.

Other information in relation to employees

In addition to the above, there were 14 (2012: 15) other members of staff whose remuneration fell in the following bands:

	2013 Number of staff	2012 Number of staff
£60,001 – £70,000	11	12
£70,001 – £80,000	2	1
£80,001 – £90,000	1	1
£90,001 – £100,000	–	–
£100,001 – £110,000	–	1

The average number of employees in the year was 441 (senior management team 6 and other staff 435) and in the previous year was 370 (senior management team 9 and other staff 361). 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 £'000	Equipment £'000	23PP Long leasehold premises Note 13.1 £'000	23PP Building refurbishment £'000	FtP Buildings refurbishment £'000	IT Projects Note 13.2 £'000	Total £'000
Cost:							
1 April 2012	316	3,586	9,772	5,752	4,714	3,392	27,532
Additions	0	412	0	0	1,266	(4)	1,674
Disposals	0	0	0	0	0	0	0
Transfers	132	0	0	(132)	0	0	0
Revaluation	0	0	2,178	0	0	0	2,178
31 March 2013	448	3,998	11,950	5,620	5,980	3,388	31,384
Depreciation:							
1 April 2012	172	2,067	391	2,778	698	3,010	9,116
Charge for year	27	664	197	570	629	378	2,465
Eliminated on Disposals	0	0	0	0	0	0	0
Transfers	28	0	0	(28)	0	0	0
Revaluation adjustment	0	0	(588)	0	0	0	(588)
31 March 2013	227	2,731	0	3,320	1,327	3,388	10,993
Net book value							
31 March 2013	221	1,267	11,950	2,300	4,653	0	20,391
Net book value 31 March 2012	144	1,519	9,381	2,974	4,016	382	18,416

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 2013 on an existing use basis, by external valuers Deloitte LLP, at £14,250,000. 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.

The following capital projects were undertaken during the year:

- The refit of leased office premises at 20 Old Bailey to provide an additional 12 Fitness to Practise hearing suites
- The commencement of the stabilisation phase of the ICT strategy
- The commencement of an upgrade to the finance system.

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 2012 – 31 March 2013, the total amount paid in respect of those holding the office of Chair or Deputy Chair was £49,800 (2011–2012: £48,000).

During the year, allowances and travel and subsistence expenses of £278,000 (2011–2012: £291,000) were paid to members of the Council.

Council members are paid directly via NMC payroll. 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 page 20.

An accrual of £26,000 (2011–2012: £25,517) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

15 Debtors

	2013	2012
	£'000	£'000
Other debtors	109	147
Prepayments and accrued income	1,638	1,410
	<u>1,747</u>	<u>1,557</u>

16 Creditors

Amounts falling due within one year	2013	2012
	£'000	£'000
Other creditors and accruals	9,546	13,607
Other taxes and social security (including Employers NI)	420	538
Deferred income – Periodic fees for 2012–2013	–	29,495
Deferred income – Periodic fees for 2013–2014	32,255	–
	<u>42,221</u>	<u>43,640</u>

17 Provisions

Amounts falling due within one year	2013	2012
	£'000	£'000
Pension provision – early retirement ²⁰	67	–
	<u>67</u>	<u>–</u>

18 Creditors

Amounts falling due after more than one year	2013	2012
	£'000	£'000
Deferred income – Periodic fees for 2013–2014	–	96
Deferred income – Periodic fees for 2014–2015	102	–
	<u>102</u>	<u>96</u>

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

²⁰ See Notes to the Accounts, Note 11, footnote 18.

19 Provisions

Amounts falling due after more than one year	2013	2012
	£'000	£'000
Dilapidations ²¹	212	–
Pension provision – early retirement ²²	424	–
	<u>636</u>	<u>–</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 status²³. On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

21 Pension commitments

The NMC participates jointly with the Department of Health, NHS Education for Scotland, and the National Assembly for Wales in a pension scheme (The Nursing and Midwifery Council and Associated Employers pension scheme, scheme registration number 101652586) administered by Premier Pensions Management Limited. The scheme, to which approximately 39 percent of the NMC's employees belong at 31 March 2013, 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 2010, using the projected unit method of valuation. At the date of the valuation the audited market value of the scheme assets was £78.3 million (excluding annuities held for insured pensioners and additional voluntary contributions invested in separate funds to provide benefits on a money purchase basis). The value of the assets represented 91 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 10 years to 31 March 2020. The main assumptions used in the valuation were a real return on investments above salary increases of 1.5 percent per annum and above pension increases of 1.5 percent per annum.

²¹ See notes to the Accounts, Note 10.6.

²² See Notes to the Accounts, Note 11, footnote 18.

²³ See Notes to the Accounts, note 12.

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

	2013	2012
	£'000	£'000
NMC's (employer's) contributions to all schemes made in year	3,026	2,968
Provision for early retirement ²⁴	491	–
	<u>3,517</u>	<u>2,968</u>
NMC's (employer's) contribution	27.4%	27.4%
Employees' contribution	6.0%	6.0%

If the scheme had been wound up on the valuation date (31 March 2010), the assets would have been approximately 71.6 percent of the amount necessary to purchase insurance contracts to meet the accrued benefits for active members and past leavers and the current benefits for pensioners. The estimated deficit would have been £31 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 2020. The NMC will make good the deficit over the period to 31 March 2020 by continuing its existing recovery plan payments of £1.123 million per annum.

A valuation of the scheme was carried out on behalf of the Pension Trustees by Premier Pensions as at 31 March 2013, and the results of this valuation will be available during the summer 2013. The results of the valuation and the impact on future scheme funding will be discussed between the Pension Scheme Trustees and its advisers, and the employers.

The NMC is currently reviewing its pension scheme provision in preparation for auto-enrolment. The staging date for auto-enrolment is 1 February 2014.

Accounting standard, FRS 17: No provision relating to NMC's share of the total scheme deficit of £7.9 million as at the time of the latest actuarial valuation (31 March 2010) 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 meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These

²⁴ See Notes to the Accounts, Note 11, footnote 18.

costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2012–2013 this expenditure amounted to £25,910 (2011–2012: £24,991).

22 Capital commitments

At 31 March 2013, 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 incoming/(outgoing) resources to net cash flow from operating activities

	2013 £'000	2012 £'000
Net incoming (outgoing) resources from operations	10,089	(8,410)
Investment income	(1,275)	(1,200)
Depreciation charges	2,465	2,635
(Increase) in debtors	(190)	(353)
(Decrease)/increase in creditors and provisions	(710)	5,187
Net cash inflow/(outflow) from operating activities	<u>10,379</u>	<u>(2,141)</u>

24 Reconciliation of net cash flow to movement in net funds

	2013 £'000	2012 £'000
Increase/(decrease) in cash in year	9,980	(4,815)
Net funds at 1 April	<u>65,432</u>	<u>70,247</u>
Net funds at 31 March	<u>75,412</u>	<u>65,432</u>

25 Analysis of changes in net funds

	1 Apr 12 £'000	Cash flows £'000	31 Mar 13 £'000
Cash at bank and in hand	<u>65,432</u>	<u>9,980</u>	<u>75,412</u>
Total	<u>65,432</u>	<u>9,980</u>	<u>75,412</u>

26 Leasing commitments

At 31 March 2013 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Operating leases which expire:				
• Within one year	–	–	5	–
• In the second to fifth years inclusive	509	–	–	5
• In more than five years	1,940	1,940	–	–
Annual commitment at year end	<u>2,449</u>	<u>1,940</u>	<u>5</u>	<u>5</u>

The NMC leases premises at 61 Aldwych, London, for the period until 10 September 2019, Clarendon House, 114–116 George Street, Edinburgh, for the period until 24 April 2021, 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 2012 £'000	Income £'000	Resources expended £'000	Balance at 31 March 2013 £'000
FtP and reserves restoration (i)	–	20,031	(1,174)	18,857
Revalidation – (ii)	110	–	(110)	–
Fitness to practise data assessment – (iii)	10	–	(10)	–
Balance at 31 March	<u>120</u>	<u>20,031</u>	<u>(1,294)</u>	<u>18,857</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 will reduce accordingly each month, commencing in February 2013, with the final amount being in December 2015.
- (ii) The balance of £110,000 at 1 April 2012 related to a Department of Health contribution towards the NMC's work on revalidation. The balance carried forward of £110,000 was utilised in 2012–2013.

- (iii) The balance of £10,000 at 1 April 2012 related to a Department of Health grant to assess the NMC's fitness to practise data in order to develop a risk-based framework for revalidation. The balance carried forward of £10,000 was utilised in 2012–2013.

28 Net Assets by fund

	General unrestricted £'000	Restricted £'000	Total £'000
Fixed assets	20,391		20,391
Current assets	58,302	18,857	77,159
Current liabilities	(42,288)		(42,288)
Long-term liabilities	(738)		(738)
Balance at 31 March 2013	<u>35,667</u>	<u>18,857</u>	<u>54,524</u>

29 Special payments

There were two special payments²⁵ in the year to 31 March 2013 totalling £23,162 (year to 31 March 2012 four special payments totalling £99,300). These payments were ratified as appropriate and reasonable payments by HM Treasury.

²⁵ 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 2001²⁶.

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.

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

²⁶ S.I. 2002/253

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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