

Nursing and Midwifery Council
Annual Report and
Accounts 2015–2016
and Strategic Plan
2016–2017

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Annual Report and Accounts 2015–2016 and Strategic Plan 2016–2017

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Foreword

A dynamic, innovative, leading healthcare regulator - that is the ambition we set in our Strategy 2015–2020. We are pleased to report that we are making good progress.

Revalidation - the biggest change to how we regulate - is already proving a success. Patients and the public can have greater confidence that nurses and midwives are providing good, safe care. It is also transforming our relationship with the professions we regulate. Alongside the determination and commitment of the Council and our staff, key to this success has been the unstinting support and collaboration of all our stakeholders across the four countries.

Likewise, the positive way nurses and midwives embraced our new Code of practice is testament to the professionalism they demonstrate on a daily basis. The Code reflects the expectations of patients and the public, as well as the professions, in a clear, modern and accessible way.

Another significant first in 2015–2016, was publication with the General Medical Council of joint guidance for doctors, nurses and midwives on the professional duty of candour: being open and honest when things go wrong. Given that care is delivered through multi-agency, multi-professional teams, future collaboration on how education and standards are developed and delivered must be the way forward. The Council's far reaching education programme, agreed in March 2016, will explore such opportunities and lead the way in setting standards that prepare future nurses and midwives to provide safe and effective care.

Other challenges lie ahead, such as plans for a new nursing role and changes to midwifery regulation. While the longer term consequences of UK withdrawal from the European Union cannot yet be foreseen, all EU trained nurses and midwives on our register can be reassured that there is no immediate impact and that the vital role they play in providing high quality care to patients in the UK is highly valued.

Whilst the healthcare landscape is changing rapidly, the legislation which governs how we regulate has not kept pace. A debate on the purpose of regulation and radical reform is overdue and we look forward to contributing to Government proposals on this front.

In the meantime, we are committed to protecting the public as effectively as we can. The Council has begun an exciting programme to help us transform into the dynamic, intelligent regulator envisaged in our strategy and deliver better value for money.

Our achievements this year prove that we are ready and able to meet these challenges. We thank our Council members, staff and all who work for, and with, us for their continuing hard work, dedication and commitment to public protection.

Dame Janet Finch
Chair, NMC
13 October 2016

Jackie Smith
Chief Executive and Registrar, NMC
13 October 2016

Our role

- 1 The Nursing and Midwifery Council (NMC) is the independent nursing and midwifery regulator for England, Wales, Scotland and Northern Ireland. Our role is to protect the public and we seek to ensure that all our work delivers public benefit. We are accountable to Parliament through the Privy Council.
- 2 Our regulatory responsibilities are to:
 - 2.1 Keep a register of all nurses and midwives who meet the requirements for registration.
 - 2.2 Set standards of education, training, conduct and performance so that nurses and midwives are able to deliver high-quality healthcare consistently throughout their careers.
 - 2.3 Take 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.
- 3 Our role has always been to protect the public; however this has been made more explicit by the Health and Social Care (Safety and Quality) Act 2015. As a result we have a new overarching statutory objective of protection of the public, the pursuit of which involves the following objectives:
 - 3.1 To protect, promote and maintain the health, safety and well-being of the public.
 - 3.2 To promote and maintain public confidence in the nursing and midwifery professions.
 - 3.3 To promote and maintain proper professional standards and conduct for members of the nursing and midwifery professions.
- 4 The Professional Standards Authority for Health and Social Care (PSA) oversees our work and reviews our performance each year. We were pleased that the PSA's report published in June 2015 recognised significant improvements in our performance and was the most positive received to date, with a number of additional Standards of Good Regulation met.

Performance review 2015–2016

- 5 In March 2015, the Council agreed our *Strategy 2015–2020: Dynamic regulation for a changing world*. It sets out our ambition to become a leading, dynamic health care regulator which protects the public while giving registrants good value for the fees they pay.
- 6 Our Strategy sets out our four strategic development priorities to deliver our ambitions, as follows:
 - 6.1 Effective regulation

- 6.2 Use of intelligence
 - 6.3 Collaboration and communication
 - 6.4 An effective organisation
- 7 Our *Corporate plan 2015–2016* sets out our commitments under each strategic priority to start to deliver the improvements that will contribute to the achievement of our strategy.

Strategic priority 1: Effective regulation

We must deliver our core statutory regulatory functions consistently well in order to protect the public and secure public confidence. We will continue to improve our core functions, focusing on speed, customer service and the quality of our decisions. In addition we will need to respond to new requirements and legislative change.

Revalidation

- 8 We successfully launched revalidation, the biggest change to how we regulate nurses and midwives in our history. This means that every nurse and midwife on our register will have to demonstrate on a regular basis that they are able to deliver care in a safe, effective and professional way. Revalidation puts public protection at the heart of the nursing and midwifery professions and supports nurses and midwives to continually develop and reflect on their practice throughout their careers. It fulfils the commitment we made in response to Sir Robert Francis QC's report into the failings at Mid Staffordshire NHS Foundation Trust (February 2013).
- 9 All nurses and midwives on our register will be required to revalidate over the next three years. The enthusiastic and positive reception given to revalidation is a credit to the professions who, along with the Chief Nursing Officers in the four countries, employers and other partners have been instrumental in helping us deliver a model which is transparent, proportionate and adds to public protection.
- 10 We are committed to publishing regular information about how revalidation is working and will be conducting an independent evaluation throughout the first three year cycle.

The Code: Professional standards of practice and behaviour for nurses and midwives

- 11 Central to revalidation is the new Code. Launched in January 2015, the new Code came into force in April 2015, setting out what is expected of every nurse and midwife. The reception for the new Code has been overwhelmingly positive from the professions.
- 12 A fundamental aspect of the Code is the requirement for nurses and midwives to be open and honest. Nurses, midwives and doctors need to have the support of a working culture where they are able to learn from mistakes and feel comfortable

reporting incidents that have led to harm. Our joint guidance with the General Medical Council on the professional duty of candour for doctors, nurses and midwives was published in June 2015 and provides practical advice on the common duty to be transparent and truthful with patients. Alongside this, we published a number of case studies, which illustrate how the professional duty of candour should be used across a variety of settings.

- 13 Both the Code and revalidation involved extensive engagement and communication campaigns which are outlined in paragraphs 47 to 50.

Education

- 14 Our Strategy puts education at the centre of our regulatory work. Ensuring that nurses and midwives are equipped for the future in the context of a rapidly changing care environment is critical to our role in protecting the public. This year has seen a major focus on education and training, which will continue in the coming years.
- 15 Following the publication of the Shape of Caring review (March 2015) on future nurse education and training of care assistants in England, the Council commissioned a review to assess the implications, mindful of our UK-wide role and the importance of an approach which involved all four countries, and to inform any future decisions.
- 16 Building on the work that had been undertaken during the year, our new education strategic plan was approved in March 2016. It identifies the following key priorities for 2016–2017 and beyond: the development of outcome-based standards of proficiency for future nurses and midwives, a new education framework and an independent review of how nursing and midwifery education could be quality assured in the future.
- 17 The Council appointed Dame Jill Macleod Clark to lead the development of the outcomes and competencies required for the registered nurse of the future in line with the NMC Strategy 2015–2020. This work included input from a wide range of stakeholders across the four countries including registered nurses, nursing students, nurse educators and patient representatives. We will continue to engage closely with stakeholders across the UK as we take our work in the education arena forward.
- 18 In December 2015 the Department of Health announced plans for a new ‘nursing associate’ role between a healthcare assistant and a graduate registered nurse. Any decision about whether such a role should be regulated is a matter for Parliament to determine but we have undertaken some work to assess the potential implications should we be asked to take on this responsibility.

Quality assurance of education and local supervising authorities

- 19 During 2015–2016, we refreshed and published our quality framework for nursing and midwifery education and local supervising authorities, reflecting feedback from universities and lay reviewers.

- 20 We continued to demonstrate that we respond proactively to concerns about patient safety by conducting a joint extraordinary review into pre-registration adult and mental health nursing and midwifery education and statutory supervision in Bangor, North Wales. We published our findings in October 2015 and worked closely with relevant organisations and stakeholders to improve the situation and strengthen public protection. We continue to monitor progress.
- 21 We undertook a return visit to Guernsey in 2015, as a follow-up to the extraordinary review of Guernsey local supervising authority in 2014. We published the reports of our return visit in December 2015 and noted some progress in a number of areas, but recognised the need for further improvement.
- 22 As referred to in paragraph 16, we are planning to take a fresh look at how the NMC should approach quality assurance in the future. This will take account of changes in the wider education landscape, including changes to quality assurance within the university sector, changes in funding arrangements and the need to work more closely with system regulators across the four countries.

Midwifery

- 23 The Midwifery Committee continued to provide advice to the Council on midwifery issues throughout the year, including in relation to the extraordinary reviews mentioned above.
- 24 In July 2015, the Government confirmed that it would introduce changes to legislation governing midwifery regulation, including removing statutory supervision. This was requested by the Council following a series of critical reports into failures of care at the University Hospitals of Morecambe Bay NHS Foundation Trust and an independent review by The King's Fund, which confirmed structural flaws in the current legislation.
- 25 While the decision was not universally welcomed within the midwifery community, it is our firm belief that these changes will strengthen public protection. We are committed to continuing to work with the Department of Health and the four Chief Nursing Officers to support the successful transition of midwifery supervision in all four countries of the UK. There is no doubt that access to good clinical supervision is essential for all healthcare professionals.
- 26 We set up a Midwifery Panel chaired by the Chief Executive and Registrar, and comprised of the Chief Executive of the Royal College of Midwives, Chief Nursing Officers across the four countries and other senior sector contributors, to focus on midwifery regulation post legislative change.
- 27 We will continue to engage and communicate with the midwifery community, stakeholders and service users to promote understanding of the reasons for, and the implications of, the proposed changes and to support a smooth transition.
- 28 Reviews of maternity services have taken place across the UK in 2015–2016 and we will take into account any recommendations that have implications for our education and training.

Registration

- 29 At 31 March 2016 there were 692,550 nurses and midwives on our register, the largest professional register in the UK. Keeping the register of nurses and midwives who are legally allowed to practise in the UK is fundamental to protecting the public. Only those who demonstrate that they meet our professional standards can be admitted to, or remain on, our register. Our registration processes check that those applying to enter the register have the right qualifications and, where necessary, we test them to make sure they have the right skills to practise safely and effectively. Revalidation requires nurses and midwives to demonstrate that they remain fit to practise. The public and employers can use our online service to check the status of a nurse or midwife's registration at any time.
- 30 We successfully implemented the new requirements of EU Directive 2005/36/EC on the recognition of professional qualifications, including new language controls in January 2016. Under these new provisions we can now ensure that nurses and midwives trained elsewhere in the European Economic Area have the necessary knowledge of English to be registered to practise in the UK. We also introduced the European Professional Card for recognition of qualifications and an alert mechanism to inform other Member States about fitness to practise sanctions imposed on nurses and midwives. We worked closely with other regulators, government departments and the European Commission to ensure that key safeguards for the protection of the public were maintained and enhanced.
- 31 NMC Online, introduced in late 2014, which nurses and midwives can use to keep their registration up to date and revalidate, went from strength to strength with over 88 percent of nurses and midwives signed up by the end of March 2016.
- 32 In 2015–2016 we processed over 30,000 (28,000 in 2014–2015) initial applications for registration. Of these:
 - 32.1 19,133 (20,334 in 2014–2015) were from applicants trained in the UK
 - 32.2 9,389 (7,744 in 2014–2015) were from applicants trained in the European Economic Area (EEA)
 - 32.3 2,145 (665 in 2014–2015) were from applicants trained outside the EEA
- 33 We introduced a new test of competence for applicants from overseas (outside the EEA) from 1 October 2014. This process includes an initial online knowledge test with a subsequent practical assessment at a UK test centre. By the end of 2015–2016, 516 applicants had completed the process.
- 34 We completed 97.4 percent of registration applications within 10 days, exceeding our target (95 percent), with 98.7 percent completed within 30 days.
- 35 Following the Government's decision to add nurses to the Shortage Occupation List, we saw a significant increase in applications from nurses qualified outside of the EEA. We also saw a significant increase in EEA applications before changes to language controls came into effect. Although we planned for some increase, the volumes exceeded our expectations resulting in a drop in performance against our target in the last quarter of the year. As a result, for the full year we processed

85.7 percent of applications within our target of 70 days, just under our target of 90 percent.

- 36 On average our contact centre dealt with 1,635 calls each day rising to 1,916 (3,000 in 2014–2015) at peak registration and renewal periods.

Fitness to practise

- 37 Our more detailed annual report on fitness to practise sets out how we have discharged our statutory functions. In this report we highlight the main developments in the service during the year.
- 38 Our legislation is out of date and needs urgent radical reform. We have continued to work with governments across the four countries and other regulators to consider how best to secure effective and modern legislation. We were pleased that, as a result of legislative change, we were able to introduce some changes to improve the efficiency and effectiveness of the initial stages of our fitness to practise process, with the introduction this year of Case Examiners.
- 39 The Case Examiner function has been successfully introduced into the fitness to practise process. Case Examiners made 3,245 decisions during the year, of which 56 percent were decisions that there was no case for the registrant to answer. We have been informally monitoring and evaluating the impact, the results of which show clear and robust reasoning being applied. We also successfully implemented a new power to review no case to answer decisions.
- 40 We made improvements to early stage decision-making which mean that we are better able to identify and close cases which do not raise public protection concerns at the earliest opportunity and concentrate our resources on investigating only those cases which require regulatory action.
- 41 During 2015–2016 we launched our Employer Link Service. The service is designed to facilitate information sharing, increase understanding of our processes, and help employers decide which fitness to practise concerns warrant referral to us and which are better handled locally. The service has been well received. Over the next year we will begin to analyse data from fitness to practise referrals and employer settings to enable wider risk-based interventions at an earlier stage to enhance public protection.
- 42 We continued to ensure that the most serious cases, where there is potential risk to public protection, are dealt with quickly. We again exceeded our target to secure 80 percent of interim orders within 28 days, with consistent performance throughout the year.
- 43 We completed 78 percent of cases within 15 months, well above our minimum performance expectation of 65 percent.

Strategic priority 2: Use of intelligence

By better using evidence from data and research we will gain insights into what we do, helping us to be more effective, transparent and proportionate. As a first step, we need to ensure that our systems support the improvement of the collection and use of both our own data and intelligence from other sources.

- 44 We are clear about the importance of making improvements to the collection and use of both our own data and intelligence from other sources, as well as sharing what we know with other regulators and relevant partner organisations, to improve public protection. Alongside the Employer Link Service, we have taken some initial steps forward in establishing new systems and processes for collating, evaluating and acting on intelligence about risk from different sources.
- 45 We completed assessment and mapping of our data and began a programme of data-cleansing as essential groundwork for our future data and intelligence gathering, reporting and dissemination. We have started to provide consistent data and intelligence in support of key projects. We undertook a number of research and analysis activities to help improve insights from fitness to practise data.
- 46 Making progress on our data, intelligence and research work remains a challenge and we will be developing our strategic capability in this area in 2016–2017.

Strategic priority 3: Collaboration and communication

We will continue to improve the quality of our relationships to support our overarching purpose of public protection. To support this we will develop an overarching communication and engagement plan. Public, professional and employer awareness will be priorities. We will seek out opportunities to work in partnership with others to achieve shared goals.

- 47 We have undertaken extensive engagement activities across settings and across the four countries throughout the year. This has included two major communications campaigns in relation to the new Code and revalidation.
- 48 Our campaign to promote the new Code included sending every nurse and midwife on the register their own copy. The Code was accompanied by tailored publications for employers and patients and the public. We promoted the revised Code at a series of external events and conferences, communicated about it directly through our four bespoke newsletters for external audiences and embedded ongoing communication into revalidation communications. We will continue to promote the revised Code, alongside our ongoing communications around revalidation during 2016–2017.
- 49 A comprehensive communications plan for revalidation was developed with input from stakeholders across the UK and dedicated resource was used to support work with stakeholders and provide an effective and direct communication channel to support collaboration across the UK. Key activities included:

- 49.1 Production of user-friendly revalidation guidance and forms for use by registrants, employers, and confirmers involved in the revalidation process.
 - 49.2 Digital communications programme launched to support individual nurses and midwives with tailored emails.
 - 49.3 Launch of a new revalidation microsite including case studies, films and helpful tips.
 - 49.4 Training workshops for registrants and small employers delivered by an external supplier (Miad), and by the NMC.
- 50 The success of these campaigns, which will continue into future years, has provided a sound model for communicating and engaging with professionals, employers, educators and the public about other forthcoming changes such as those relating to midwifery.

Collaborating across the wider health environment

- 51 Our strategy recognises that we operate as part of a wider system of regulators and other bodies with responsibility for overseeing quality and safety in health and care settings. Engaging regularly with key partners and stakeholders across the four countries and contributing to a wide range of initiatives and groups is an integral part of our work. We also meet regularly with representatives of the professional bodies and unions and engage widely with professionals at all levels, from Directors of Nursing and Heads of Midwifery to frontline staff and students, as well as educators and employers.
- 52 Our Patient and Public Advisory Group met three times during the year. We updated the group on various initiatives and sought views on how best we can strengthen and expand our engagement with patients and the public, to ensure a genuine reach across the four countries of the UK. In 2016–2017 we intend to improve our access to the views of patients and the public through new networks in each of the four countries and to use this to shape and inform our work.
- 53 Our Professional Strategic Advisory Group, which brings together senior nurses and midwives from a variety of practice settings across the UK, met four times during 2015–2016. We kept the group up to date on our work on revalidation and on changes to the statutory supervision of midwives, in particular how we were communicating to the professions across the four countries.
- 54 We benefited from the appointment of our two senior professional advisors – one nurse and one midwife – augmenting our access to dedicated, high-level professional advice to support our regulatory work. The advisors provided valuable expertise bringing a contemporary and high-level professional perspective to our work.
- 55 In June 2015, we held a joint regulators’ parliamentary reception in Belfast which was attended by the Minister for Health, Social Services and Public Safety and members of the Northern Ireland Assembly. In November 2015, we participated in the annual Scottish regulation conference, jointly with other regulators.

- 56 In collaboration with Irish and Spanish counterparts, we re-established the network of European nursing competent authorities to discuss issues of mutual interest. We hosted the first meeting in September 2015 attended by representatives of 13 Member States.

Strategic priority 4: An effective organisation

We will further develop our systems, resources and culture to support our journey to becoming an intelligent, collaborative forward-looking regulator.

- 57 We began a corporate project to embed the Cabinet Office's Customer Service Excellence standard. We introduced quality and customer service objectives as an integral part of our staff individual performance and development system. A team of customer service champions were identified across the organisation and we undertook an initial assessment against the Standard to identify areas for improvement, which are being taken forward through local action plans.
- 58 In 2015–2016, we delivered a major programme of ICT improvement to support our core functions more efficiently and to provide a sound basis on which to build more transformational change.

Staff and human resources

- 59 Following an independent review of our organisational capability carried out in 2015–2016, a new senior leadership and organisational structure will be introduced from April 2016. In advance of that, a new Chief Operating Officer role was implemented from September 2015 to provide leadership of the NMC's internal operations and to drive improvements in organisational performance.
- 60 Work will be taken forward in 2016 on the development of a People Strategy, and more detailed review of roles, skills and structures.
- 61 Staff turnover fluctuated during the year and was 23.5 percent at March 2016 (24.5 percent at March 2015). Of those who gave a reason, career progression or change of career was the most frequent reason for leaving.
- 62 We had an excellent response rate of 82 percent to our annual staff survey in 2015, with staff engagement improving to 65 percent (64 percent in 2014). There was also improvement in the number of staff saying they are proud to work for the NMC and would recommend it as a good place to work. Feedback has been built into action plans to be taken forward across the organisation.
- 63 Our Learning and Development programme this year included a range of activities to support the development of capability in all areas. Initial evaluation shows that the programme has been well received and is achieving impact. We will develop the programme further in 2016 to support transformation and the management of change.

Resources

- 64 We continued to monitor and report progress against our three year efficiencies plan which covers the period 2014–2017. In 2015–2016 our process for reporting our efficiency gains was externally ratified by KPMG who concurred that by March 2016 we had achieved £20 million in the first two years of the plan, of which £9.9 million can be attributed to 2015–2016. These efficiency gains were generated from improvements impacting our fitness to practise process; including major change to the way we operate, such as taking investigations in-house. We expect to achieve a further £16 million in 2016–2017. Additional savings have resulted from more efficient decision-making earlier in our fitness to practise process and these have been quantified by KPMG as likely to be £10 million over the three year programme, making an anticipated overall total of £46 million by March 2017.

Equality and diversity

- 65 We aim to promote equality and diversity in carrying out our functions and in delivering our services as a regulator and as an employer. Our strategy integrates equality and diversity commitments into each strategic priority theme. We also publish an equality and diversity annual report and regularly monitor progress against our equality objectives action plan. During 2015–2016 we:
- 65.1 Developed a policy on reasonable adjustments in the Fitness to Practise directorate to ensure that we maintain accessibility to our services for people with disabilities.
 - 65.2 Utilised NMC Online to encourage registrants to complete equality and diversity monitoring returns and by April 2016 this was 49 percent. This will help with improving data analysis of registrants in future projects and research.
 - 65.3 Revised our equalities impact and Welsh language assessment guidance for staff to ensure that we are taking an inclusive approach in the development of our policies and services.
 - 65.4 Continued to delivered mandatory equality and diversity training as part of our staff induction process.
 - 65.5 Commissioned research to improve our understanding of outcomes for BME nurses and midwives in our fitness to practise procedures. We engaged with external stakeholders to inform the research parameters.
- 66 While we achieved some significant steps in 2015–2016, we recognise that we still have more progress to make in this area and we will be taking this work forward in 2016–2017.

Freedom of information and data protection

- 67 As a public body we comply with the Freedom of Information Act 2000 and the Data Protection Act 1998. In 2015–2016 we received and responded to around 519 freedom of information requests (400 in 2014–2015) and over 270 data protection requests (300 in 2014–2015). There were nine complaints made to the

Information Commissioner's Office (four in 2014–2015) over this time period, all of which were found in our favour.

Strategic Plan 2016–2017

- 68 Our *Strategy 2015–2020: Dynamic regulation for a changing world* sets out our strategic priorities which will enable us to deliver our overarching purpose to protect the public with greater effectiveness and impact.
- 69 Our Corporate plan sets out the key work we will undertake in 2016–2017 to deliver improvements that will contribute to the achievement of our corporate strategy 2015–2020.

Transforming the NMC

In 2016–2017 we will:

- Plan, resource and initiate our Transformation programme. The programme will cover all aspects of our organisation, people and location, as well as improving the experience of our customers.

Our organisation

- By October 2016, have defined what the organisation shape, size and business processes should be, and have published our transformation roadmap.

Our people

- Develop a People Strategy that sets out the skills, capabilities and culture that the organisation will need now and for the future. This will address how we will attract, retain, support and reward people to meet our priorities.
- Produce a detailed plan to drive the achievement of the People Strategy and deliver outputs in accordance with that plan once agreed.
- Complete a pilot management training programme to build management capability in our first level managers. We will then evaluate its effectiveness and the potential for full roll out.

Our location

- Develop a full accommodation business case, setting out costed options to enable us to make decisions on future accommodation and location by March 2017.
- In parallel, produce a transition plan to implement the recommended option in the accommodation business case.

Value for money

- Deliver a stretch target of five percent against the approved budget (excluding funds allocated for transformation) to drive value for money, which we will monitor and report against.

Effective regulation

Education

In 2016–2017 we will:

- Draft new standards setting out the skills and competencies required of the future nurse, ready for consultation which will complete in 2017–2018.
- Engage with stakeholders through the work we are doing to develop new standards.
- Commission an independent fundamental review of how nursing and midwifery education could be quality assured in the future, resulting in a set of options by March 2017. This review will take into account the changing arrangements for quality assurance in the higher education sector more generally.

Midwifery regulation

In 2016–2017 we will:

- Continue to support successful transition of midwifery supervision in all four countries of the UK.
- Develop and implement a comprehensive communication plan to ensure that stakeholders have a clear understanding of regulation after the legislative change.
- Update our own policies, systems and processes to ensure we are ready for the consequences of legislative change in midwifery regulation.

Fitness to Practise and Registration

In 2016–2017 we will:

- Prepare a detailed plan so that we are ready to implement the significant changes to our legislation to ensure that we can resolve fitness to practise cases in the right way at the right time. This will include developing policy and process for additional powers for Case Examiners and the Investigating Committee, and the development of systems and processes to support the changes.
- Monitor the operational effectiveness of revalidation in its first full year of implementation and ensure continuous improvement to the process and our systems.
- Make it easier for nurses and midwives to pay their registration fee by rolling out the facility to make payments in quarterly instalments.
- Maintain and continue to improve our regulatory performance (as measured by corporate KPIs) throughout transformation.

Use of intelligence

In 2016–2017 we will:

- Develop our strategic capability to enable us to articulate our data and intelligence requirements.
- Determine what research we should invest in, and use the outcomes to inform our work.
- Be in a position by March 2017 for our Employer Link Service to begin analysing data from fitness to practise referrals and employer settings. This will enable wider risk-based interventions at an earlier stage to enhance public protection.

Communication and collaboration

Communication is at the heart of all the commitments made within this Corporate plan.

In addition, in 2016–2017 we will:

- Improve our access to the views of patients and the public through new public and patient networks in each of the four countries and use this to shape and inform our work.

Financial review

- 70 Throughout the year the NMC continued to focus on financial stability while delivering major initiatives such as the introduction of revalidation, Employer Link Services and the new requirements of EU Directive 2005/36/EC on the recognition of professional qualifications.
- 71 The NMC continues to invest in programmes to improve effectiveness and efficiency, with the continued expansion of NMC Online, strengthening disaster recovery and the development of phased payments scheduled for launch in 2016–2017.
- 72 In October 2014 in response to increasing volume and complexity of our fitness to practise caseload, the Council took the decision to increase the registration fee from £100 to £120 from February 2015. This, combined with a small increase in registrant numbers, provided an additional £9.496 million income in 2015–2016.
- 73 The net incoming resources for the year amounted to £8.123 million (2014–2015: net outgoing resources £9.832 million).
- 74 During the year, income totalled £80.265 million (2014–2015: £73.204 million) and comprised fee income of £79.417 million (2014–2015: £69.921 million), grant income of £0.205 million from the Department of Health (2014–2015: grant income £2.642 million) and investment income of £0.643 million (2014–2015: £0.641 million).
- 75 The grant income of £0.205 million represents the final funding tranche from the Department of Health to support improvements to the way we assess and process applications to the register from outside the European Economic Area (EEA). The strengthened process is now in place. Total grant funding of £2.654 million was received from the Department of Health between 1 April 2014 and 31 March 2016.
- 76 A Department of Health grant of £20 million paid in 2012–2013 provided additional financial resources to support the achievement of our fitness to practise adjudication key performance indicator target by December 2014; the clearance of the historic backlog of cases by December 2014; and the delivery of the minimum risk-based reserves level by January 2016. All conditions of the grant have been met.
- 77 The grant was paid in January 2013 and was recognised in full as restricted revenue in 2012–2013. The grant has been released in equal monthly instalments over the term of the grant, and the restricted reserves balance reduced accordingly each month. At the start of the year the restricted reserves balance of the grant was £5.143 million which was fully spent during the year, with the final amount recognised in December 2015. Further information on grant funding and expenditure is provided in note 24 to the accounts.
- 78 During the year expenditure totalled £76.344 million (2014–2015: £75.530 million). This is further analysed within notes 5 to 9 to the accounts.
- 79 An actuarial gain was made on the defined benefit pension scheme of £4.202 million (2014–2015: loss of £7.506 million).

- 80 The reserves of £41.113 million at 31 March 2016 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 2014 on an existing use basis at £17.185 million.
- 81 At 31 March 2016 negotiations are still ongoing with HM Revenue and Customs (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 are therefore employees for income tax and National Insurance purposes, but considers 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

- 82 The NMC operates a risk-based reserves policy which provides that our free reserves level should be based on an assessment of the financial impact of the risks faced by the NMC, plus an amount to cover our estimated share of the pension deficit. Free reserves are that part of a charity's unrestricted funds that are freely available to spend, that is, excluding restricted funds, tangible fixed assets and amounts designated for essential future spending.
- 83 The reserves level is reviewed at least annually by the Council. In reviewing the level, the Council considers the latest assessment and quantification of major risks, and agrees an appropriate range in which the risk-based element of reserves (also known as 'available free reserves') should be maintained.
- 84 In March 2016 the Council reviewed the latest position in relation to risks underpinning the reserves policy and agreed that available free reserves should continue to be held in a target range of £10 million to £25 million.
- 85 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, while alternative funding is secured.
- 86 The unrestricted reserves were £41.113 million at 31 March 2016 (2014–2015: £27,468). Total free reserves were £17.913 million (£3.471 million at 31 March 2015) after deduction of the net book value of fixed assets of £23.200 million (2014–2015: £23.997 million).
- 87 Available free reserves at 31 March 2015 have been restated to £3.471 million, previously reported at £11.500 million, due to a change in the calculation of the defined benefit pension scheme deficit in line with changes to accounting policy implemented during 2015–2016. Further information can be found in note 27 to the accounts.

Investment policy

- 88 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.

- 89 NMC funds are held in fixed interest deposit accounts spread across four UK high street banks. The revenue generated from the investments in 2015–2016 was £0.643 million (2014–2015: £0.641 million).

Fixed assets

- 90 Information relating to changes in tangible fixed assets is given in note 13 to the accounts. The cost of fixed assets additions during the year was £2.730 million.

Dame Janet Finch
Chair
NMC
13 October 2016

Jackie Smith
Chief Executive and Registrar
NMC
13 October 2016

Remuneration report

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

Council members' allowances and expenses

- 92 The Council is the governing body of the NMC and has ultimate decision-making authority as described in the annual governance statement. The members of the Council are the trustees of the NMC. The Chair of the Council during 2015–2016 was Dame Janet Finch, who succeeded Mark Addison CB on 1 January 2015.
- 93 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.
- 94 Until 9 March 2015, it was a legal requirement for Registration Appeals Panels to be chaired by a Council member. Council members received a daily allowance of £340, and a daily reading fee of £290 where required, for performing this role. During 2014–2015, allowances totalling £21,730 were paid to Council members to chair appeals panels. No such payments were made during 2015–2016.
- 95 Allowances paid to Council members in 2015–2016 amounted to £175,340 (2014–2015: £189,730). The decrease in allowances paid in 2015–2016 is due to vacancies during the year and removal of the requirement for Council members to chair Registration Appeals Panels. Full details of the amounts paid are set out in the table on page 24. No special payments¹ were made to any Council member in 2015–2016.
- 96 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.
- 97 Where meetings are held in London, expenses are considered to be a taxable benefit in kind. The NMC pays the income tax and National Insurance arising through a PAYE settlement agreement with HMRC. In 2015–2016, £28,009 was provided for this tax liability in relation to Council members (2014–2015: £22,771). 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.

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.

- 98 Expenses are made up of travel, accommodation, meals and subsistence and are incurred when members are carrying out their duties. In 2015–2016 eleven council members claimed expenses or had expenses paid for them directly by the NMC.
- 99 All expenses incurred by members are included in the following table. The expenses received by members vary widely due to the costs of travel and accommodation for attending meetings from home locations across the UK.

Council members	Allowance paid to member 2015–2016 (£)	Allowance paid to member 2014–2015 (£)	Expenses 2015–2016 (£)	Expenses 2014–2015 (£)
Mark Addison CB - Chair ²	0	36,000	-	1,472
Dame Janet Finch - Chair ³	48,000	12,000	15,363 ⁴	137
Professor Judith Ellis MBE ⁵	-	3,000	-	616
Maureen Morgan OBE ⁶	12,000	13,940	1,218	1,616
Maura Devlin ⁷	12,000	16,535	6,711	7,326
Quinton Quayle	12,000	12,000	1,577	1,503
Louise Scull	12,000	12,000	2,686	3,478
Carol Shillabeer ⁸	9,000	12,000	1,138	2,007
Elinor Smith ⁹	-	9,970	-	3,025
Amerdeep Somal ¹⁰	12,000	13,310	3,886	4,914
Stephen Thornton CBE	12,000	12,000	2,265	1,650
Lorna Tinsley ¹¹	12,340	24,345	3,174	8,212
Dr Anne Wright CBE ¹²	12,000	12,485	-	16
Lorna Jacobs	0	145 ¹⁵	-	-
Robert Parry ¹³	11,000	0	4,185	-
Karen Cox ¹⁴	11,000	0	1,608	-

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

² Chair until 31 December 2014.

³ Appointed Chair of the Council from 1 January 2015.

⁴ Includes expenses incurred from October 2014 but not paid until 2015–2016.

⁵ Resigned 30 June 2014.

⁶ Includes allowance payments in 2014–2015 of £1,940 for chairing Registration Appeals Panels.

⁷ Includes allowance payments in 2014–2015 of £4,535 for chairing Registration Appeals Panels.

⁸ Resigned 31 December 2015.

⁹ Resigned 17 December 2014. Includes allowance payments in 2014–2015 of £970 for chairing Registration Appeals Panels.

¹⁰ Includes allowance payments in 2014–2015 of £1,310 for chairing Registration Appeals Panels.

¹¹ Includes allowance payments in 2014–2015 of £12,345 for chairing Registration Appeals Panels.

¹² Includes allowance payments in 2014–2015 of £485 for chairing Registration Appeals Panels.

¹³ Appointed 1 May 2015.

¹⁴ Appointed 1 May 2015.

¹⁵ Allowance for Chairing a Registration Appeals Panel incurred 2013–2014 but paid in 2014–2015.

Methods used to assess members' performance

- 101 The Council has an agreed policy and process in place for reviewing and enhancing the effectiveness of both the Council itself and its members. Annual performance reviews of the Chair and individual members took place in 2015–2016.
- 102 The performance review of the Chair of the Council is undertaken by the Vice-Chairs. The review takes a structured and evidence-based approach. It includes a self-assessment by the Chair and peer assessment by members of the Council. The outcomes are used to agree objectives and ascertain development needs for the coming year. A similar process is in place for individual Council members led by the Chair.

Senior management team remuneration and performance assessment

- 103 The senior management team (called the Executive) comprises the Chief Executive and Registrar, the Chief Operating Officer (interim from 15 September 2015 and permanent from 1 February 2016) and directors who report directly to either the Chief Executive or the Chief Operating Officer. No Executive members are members of the Council or trustees of the NMC.
- 104 The Chief Executive and Registrar is the only employee appointed directly by and accountable to the Council. The Council has delegated authority to the Chief Executive and Registrar to the extent described in the annual governance statement.
- 105 For the purposes of disclosure, the Council, on the advice of the Audit Committee, has determined that key personnel are all members of the Executive team (including any interim post holders). Remuneration details are disclosed in full for all these individuals in Table 1 on page 28.
- 106 The employment contract of the Chief Executive and Registrar normally requires notice of six months to be given by either party to terminate the contract. For directors the period is three months.
- 107 The Remuneration Committee considers and recommends to the Council an appropriate reward strategy for the Chief Executive and Registrar and the directors. The Committee approves the reward package of the Chief Executive and Registrar and the directors annually in line with the reward strategy set by the Council.
- 108 The Remuneration Committee approves the process for, and reviews reports from the Chair regarding, the setting of objectives for and performance appraisal of the Chief Executive and Registrar. It also reviews reports from the Chief Executive and Registrar regarding the setting of objectives for and performance appraisal of the directors. Directors' performance was assessed through our performance development review process which operated during 2015–2016.
- 109 In 2015–2016, the Council operated a performance bonus scheme for the Chief Executive and Registrar and directors. Under the scheme, the Chief Executive and Registrar and directors are eligible for an award of a non-consolidated, non-

pensionable performance bonus based on an objective, evidence-based assessment against team and individual personal objectives linked to delivery of the corporate plan. Bonus payments made in 2015–2016 relate to performance during 2014–2015. Any bonus payments awarded for performance in 2015–2016 will be paid in 2016–2017. The effectiveness of the scheme will be reviewed by the Remuneration Committee in May 2016.

- 110 The Chief Executive and Registrar’s remuneration in 2015–2016 was £173,800¹⁶. The value of her pension benefits was £46,484¹⁷ giving rise to a single total figure of remuneration of £220,284 (in 2014–2015, her remuneration was £161,000 and the value of her pension benefits was £43,512 giving rise to a single total figure of remuneration of £204,512).
- 111 The remuneration of the senior management team is set out in **table 1** on page 28 and the pension entitlement is set out in **table 2** on page 29.
- 112 In total the Executive team (including permanent and interim) were paid £1,679,332 in 2015–2016 (compared to £925,165 in 2014–2015). Of this, the permanent members of the Executive were paid £1,070,439 in 2015–2016 (compared to £910,909 in 2014–2015). In 2015–2016 this was comprised of £726,728 in salaries, £10,974 in other payments, £89,612 in payments in lieu of notice, £67,230 in redundancy payments, £24,815 in bonus payments and £151,080 in pension contributions. The cost of interim members of the Executive team in 2015–2016 was £608,893 (compared to £14,256 in 2014–2015).
- 113 The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2015–2016.

Remuneration and performance assessment of other staff

- 114 All employees have a six-month probation period on commencing employment and a notice period of one to three months depending on grade.
- 115 The remuneration of all employees is reviewed annually taking into account a range of information including overall affordability, cost of living rates, benchmarking data, and recruitment and retention data. In 2015–2016, the Council, on the recommendation of the Remuneration Committee, approved provision for an across-the-board inflationary increase in pay for all eligible staff of 1 percent with effect from 1 April 2015 (2014–2015: 2.5 percent) and for alignment of employee pay to not less than 7.5 percent below the median rate for their pay grade.
- 116 The Council, on the advice of the Committee, also agreed that the Executive should have flexibility to pay differential rates for specialist skills in targeted areas where essential to attract and retain staff to deliver key organisational functions.

¹⁶ The amount for 2015–2016 is made up of basic pay increased by 1 percent in line with the pay rise for all staff, together with payment for 5 days annual leave not taken during 2015–2016 and payment in 2015–2016 of performance related bonus for 2014–2015.

¹⁷ The value of pension benefits is calculated as the real increase in pension in the year, multiplied by 20, plus the real increase in any lump sum, less contributions made by the member. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

117 Our performance and development review process operated normally throughout the year but was not related to pay considerations. Future consideration may be given to how links between pay and performance should operate under any new arrangements.

Pension arrangements

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

119 Employees who are members of the defined benefit scheme make a contribution of six percent of salary. The employer's contribution into the pension scheme during 2015–2016 was 29.2 percent (2014–2015: 29.2 per cent), as set by the Scheme Actuary. Approximately 25 percent of employees were members of this scheme at 31 March 2016. The scheme was closed to employees joining the NMC after 1 November 2013.

120 The NMC established a defined contribution scheme from 1 November 2013 which employees joining the NMC on or after this date could opt to join. The scheme was adopted as the NMC's workplace pension scheme for the purposes of auto-enrolment from 1 April 2014, when all qualifying employees were automatically enrolled in the scheme. At 31 March 2016, 95 percent of those enrolled in the scheme remained in it. During 2015–2016 the basic required contributions to the scheme were 5 percent for the employer and 1 percent for the employee (compared to 4 percent for the employer and 1 percent for the employee in 2014–2015).

NMC pay differentials

121 The total cost to the business for the interim Chief Technology Officer was £253,738, which included VAT. The highest paid permanent staff member in the NMC is the Chief Executive and Registrar and we have used her salary as the comparator when calculating the differential to the median remuneration of the workforce. The remuneration of the highest-paid permanent staff member, the Chief Executive and Registrar, was 5.97 times (2014–2015: 5.88 times) the median remuneration of the workforce, which was £29,142 (2014–2015: £27,398). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, paid annual leave as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

122 Further information about remuneration is contained in notes 9 and 10 to the accounts.

Dame Janet Finch
Chair
NMC
13 October 2016

Jackie Smith
Chief Executive and Registrar
NMC
13 October 2016

Table 1: Senior management team remuneration 2015–2016

			Salary £'000	Other payments ¹ £'000	Payment in lieu of notice £'000	Redundancy £'000	Bonus ² £'000	Employers pension contributions £'000	Total 2015- 2016 £'000	Total 2014- 2015 £'000
Jackie Smith	Chief Executive and Registrar		155-160	0-5	-	-	10-15	40-45	215-220	200-205
Alison Sansome	Chief Operating Officer ³	started 15 September 2015	65-70	-	-	-	-	20-25	80-85	-
Alison Sansome	Director of Registration ³	promoted 15 September 2015	60-65	-	-	-	0-5	15-20	80-85	150-155
Tom Kirkbride	Interim Director of Registration	started 5 October 2015	40-45	-	-	-	-	10-15	55-60	-
Mark Smith	Corporate Services Director ⁴	left 30 June 2015	30-35	0-5	30-35	-	-	5-10	70-75	155-160
Jon Billings	Director of Strategy	left 31 March 2016	120-125	5-10	30-35	-	-	5-10	160-165	115-120
Katerina Kolyva	Director of Continued Practice	left 31 March 2016	115-120	-	25-30	65-70	-	5-10	215-220	120-125
Sarah Page	Director of Fitness to Practise		125-130	-	-	-	5-10	35-40	170-175	160-165
Interims										
Camilla Black	Director of Finance ^{5,9}	started 18 June 2015 left 22 January 2016							160-165	
Richard Finlayson	Director of Finance ^{6,9}	started 8 February 2016							40-45	
Rachel Murphy	Chief Technology Officer ^{7,9}	started 22 January 2015							250-255	10-15
Annette Clinnick	Director of Human Resources ^{8,9}	started 22 July 2015							145-150	
1. Relates to other payments such as selling unused holiday back to the NMC.										
2. Relates to 2014-2015 bonus paid in 2015-2016										
3. The Director of Registration was promoted to the newly created position of Chief Operating Officer on the 15 September 2015. This was initially on an interim basis until 1 February 2016 when it became permanent.										
4. Role replaced by interim Director of Finance, interim Chief Technology Officer and interim Director of Human Resources.										
5. The post of Director of Finance was filled on an interim basis with a contractor during the period June 2015 to January 2016.										
6. The post of Director of Finance is filled on an interim basis with a contractor on an on-going basis from February 2016 to a contract end date of June 2016.										
7. The post of Chief Technology Officer was filled on a part time interim basis with a contractor throughout the financial year with a contract end date of June 2016.										
8. The post of Director of Human Resources was filled on an interim basis with a contractor from July 2015 with a contract end date of June 2016.										
9. The amounts shown for all contractors include any fees paid by the NMC to agencies for the contractor services and any VAT.										

Table 2: Senior management team pension benefits 2015–2016

	Real increase in pension at age 60	Real increase in pension lump sum at age 60	Real increase in residual pension at age 60 during reporting year	Total accrued at age 60 at 31 March 2016	Lump sum at age 60 related to accrued pension at 31 March 2016, assuming member took maximum tax-free cash	The amount at 31 March 2016 of accrued residual pension at age 60.	Cash Equivalent Transfer Value at 1 April 2015	Cash Equivalent Transfer Value at 31 March 2016	Real increase in Cash Equivalent Transfer Value	Real increase in value of pension benefits ¹
	Bands of £2,500	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	Bands of £5,000	To nearest £1,000	To nearest £1,000	To nearest £1,000	£'000
Jackie Smith	2,500-5,000	15,000-17,500	0-2,500	10,000-15,000	70,000-75,000	10,000-15,000	342,000	408,000	72,000	46,484
Alison Sansome	2,500-5,000	15,000-17,500	0-2,500	5,000-10,000	30,000-35,000	0-5,000	104,000	189,000	72,000	43,826
Tom Kirkbride	0-2,500	10,000-12,500	0-2,500	5,000-10,000	25,000-30,000	0-5,000	84,000	124,000	39,000	31,113
Mark Smith ²	0-2,500	2,500-5,000	0-2,500	5,000-10,000	25,000-30,000	0-5,000	145,000	154,000	13,000	8,858
Jon Billings ³	0-2,500	0-2,500	0-2,500	0-5,000	0-5,000	0-5,000	3,000	8,000	3,000	-
Katerina Kolywa ³	0-2,500	2,500-5,000	0-2,500	0-5,000	0-5,000	0-5,000	6,000	13,000	7,000	-
Sarah Page	0-2,500	15,000-17,500	2,500-5,000	25,000-30,000	125,000-130,000	15,000-20,000	708,000	751,000	62,000	39,426
Notes										

1: Value of pension benefits calculated using a multiplier of 20 and deducting the member's contributions. This approach is consistent with the method used last year.

2: M Smith left the scheme on 30 June 2015 so his benefits are calculated based on service to date of leaving.

3: Members of defined contribution scheme

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

- 123 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) revised 2015 and that the accounts also comply with the applicable law and Accounting Standards issued (Appendix 1).
- 124 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.
- 125 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.
- 126 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.
- 127 The Privy Council has appointed the Chief Executive and Registrar as Accounting Officer for the Nursing and Midwifery Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable, and for the keeping of proper records, are set out in the *Accounting Officer's Memorandum*, issued by the Privy Council, and in *Managing public money* (HM Treasury, 2013).

Principal place of business

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

23 Portland Place
London
W1B 1PZ

Advisers

Joint Auditors

haysmacintyre
Chartered Accountants
26 Red Lion Square
London
WC1R 4AG

Joint Auditors

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

Bankers

HSBC
117 Great Portland Street
London
W1A 4UY

Solicitors

Blake Morgan LLP
Harbour Court
Compass Road
North Harbour
Portsmouth
PO6 4ST

Capsticks Solicitors LLP
1 St Georges Road
London
SW19 4DR

Field Fisher Waterhouse LLP
Riverbank House
2 Swan Lane
London
EC4R 3TT

Internal Auditors

Moore Stephens
150 Aldersgate Street
London
EC1A 4AB

Annual governance statement

129 The NMC is an independent statutory body. Our powers and responsibilities are set out in the Nursing and Midwifery Order 2001 (as amended) (the Order) and in our statutory rules.¹⁸ We are also a charity registered in England and Wales (number 1091434) and in Scotland (number SC038362). Our charitable object is to protect and safeguard the health and wellbeing of the public. The Council has had due regard to the Charity Commission's guidance and we explain elsewhere in this report how our work demonstrates public benefit.

The Council

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

131 The NMC's Scheme of Delegation sets out matters that are formally reserved to the Council as the NMC's Board of Trustees. The Council's remit is to (a) set the NMC's strategic direction and corporate objectives, in line with its core purpose; (b) ensure effective systems are in place for managing performance and risk; (c) maintain probity in, and public accountability for, the exercise of the NMC's functions and the use of funds.

132 The Council is constituted in accordance with the Nursing and Midwifery Council (Constitution) (Amendment) Order 2012.¹⁹ It is made up of 12 members and comprises an equal number of registrant and lay members. Lay members are those who have never been a registered nurse or midwife. As a UK-wide regulator, the Council's membership includes at least one member who lives or works wholly or mainly in each of England, Wales, Scotland and Northern Ireland.

133 Council members are appointed by the Privy Council, who receive assurance from the Professional Standards Authority for Health and Social Care (PSA) on the robustness of the appointment or reappointment process adopted by the NMC.

134 Two new registrant members were appointed by the Privy Council following an open recruitment process. Both took office on 1 May 2015 and received a full induction. In addition, three existing members were reappointed by the Privy Council to serve further terms from 1 May 2016. An independent (non Council) member with suitable financial qualifications and experience has been appointed to chair the Audit Committee for a fixed term of 12 months from 1 June 2016.

135 Two further open recruitment processes are underway to appoint one registrant member who lives or works in Wales and one lay member.

136 Council membership and attendance during 2015–2016 are set out below.

¹⁸ SI 2002/253

¹⁹ SI 2012/2745

Council membership and attendance 1 April 2015 to 31 March 2016

Member	Attended/number of meetings
Professor Dame Janet Finch	5/6
Karen Cox (appointed 1 May 2015)	6/6
Maura Devlin MBE	6/6
Maureen Morgan OBE	4/6
Robert Parry (appointed 1 May 2015)	6/6
Quinton Quayle	6/6
Louise Scull	4/6
Carol Shillabeer (resigned 31 December 2015)	2/4
Amerdeep Somal	6/6
Stephen Thornton CBE	6/6
Lorna Tinsley	4/6
Dr Anne Wright CBE	5/6

NMC Strategy 2015–2020

- 137 The Council's Strategy approved in March 2015 sets out our ambition to be an intelligent, forward-looking and dynamic regulator. Implementation of the Strategy is being taken forward through annual corporate plans, underpinned by directorate business plans.
- 138 In January 2016, the Council agreed in principle to take forward a substantial programme of transformation to ensure that we achieve our strategic ambition, while giving excellent value for registrants' fees. The Transformation programme will be staged over a period of four to five years and encompass four related strands: people; organisation; location and value for money, including collaboration with other regulators, where appropriate.
- 139 Alongside this, a long-term financial strategy is being developed to ensure that decisions reached are informed by a full understanding of the financial implications and supported by appropriate reserves and investment policies.
- 140 A Transformation Steering Group, chaired by the Chief Executive and Registrar is in place to oversee the programme and provide assurance to the Council on progress and achievement.

Effectiveness of governance

- 141 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. The Council conducts its business in accordance with the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 142 The Chair and members undertake individual appraisals annually and the Council regularly reviews its own effectiveness, with the next review planned for autumn 2016.

- 143 Areas of strength identified through reviews include Council culture; conduct of business; clarity of role, responsibilities and Council/Executive relationships. Ensuring breadth of membership skills and expertise and provision of development opportunities for members were identified as areas to take forward. As well as the open recruitment exercises, the Council has taken steps to ensure access to appropriate specialist expertise by appointing independent advisers, for example, on ICT.
- 144 The Council undertook an in-depth review of the Committee structure, composition and terms of reference to ensure these were best suited to current and future NMC priorities. This concluded that the committee structure remained right, subject to some minor adjustments to terms of reference.
- 145 As a result of the review, governance enhancements made included development of a skills matrix; adoption of principles for Committee appointments, including terms of office; and ending Council participation in groups established to advise the Executive, to ensure clear separation of responsibilities. In addition, taking account of individual member skills and development, the Council agreed to refresh the membership of Committees from January 2016 as detailed below.

Council Committees

- 146 The Council is required by statute to have a Midwifery Committee. In addition, the Council continues to have an Audit Committee; Remuneration Committee; and an Appointments Board to support it in its role. The remit, membership and attendance record for each Committee is set out below.

Audit Committee

- 147 The remit of the Audit Committee is to support the Council and management by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The membership of the Committee and attendance for the period 1 April 2015 to 31 March 2016 is set out below.

Member	Attended/number of meetings
Louise Scull (Chair)	4/4
Maureen Morgan	3/4
Robert Parry (from 01 January 2016)	1/1
Carol Shillabeer (resigned 31 December 2015)	1/3
Amerdeep Somal (from 01 January 2016)	1/1
Stephen Thornton (to 31 December 2015)	3/3

Remuneration Committee

- 148 The remit of the Remuneration Committee is to ensure that there are appropriate systems in place for remuneration and succession planning at the NMC. The membership of the Committee and attendance for the period 1 April 2015 to 31 March 2016 is set out below.

Member	Attended/number of meetings
Quinton Quayle (Chair to 18 August 2015)	3/3
Karen Cox (from 01 January 2016)	0/1
Amerdeep Somal (to 31 December 2015)	3/4
Stephen Thornton (Chair from 19 August 2015)	5/5
Maura Devlin MBE	5/5

** Includes two extraordinary meetings*

Midwifery Committee

- 149 The statutory remit of the Midwifery Committee is to advise the Council on all matters relating to midwifery. The Committee must be chaired by a Council member and comprise an equal number of midwives and lay members. The membership of the Committee and attendance for the period 1 April 2015 to 31 March 2016 is set out below.

Member	Attended/number of meetings
Dr Anne Wright CBE (Chair)	6/6
Lorna Tinsley	6/6
Dr Patricia Gillen	5/6
Pradeep Agrawal	6/6
Yvonne Bronsky (resigned 2 July 2015)	0/2
Farrah Pradhan	6/6
Susanne Roff	5/6
Dr Tina Harris	4/6

**Includes two extraordinary confidential meetings*

Appointments Board

- 150 The remit of the Appointments Board is to assist the Council in connection with the exercise of any function relating to the appointment of Panel Members and Legal Assessors. The Appointments Board is entirely made up of non-Council (partner) members. During 2015–2016, a new Chair and new member were appointed to the Committee following an open competitive recruitment process. Both Board members were provided with induction.
- 151 The membership of the Committee and attendance for the period 1 April 2015 to 31 March 2016 is set out below.

Member	Attended/number of meetings
Belinda Phipps (Chair) (appointed 3 August 2015)	2/2
Bridget Anderson	3/3
Mary Dowling	3/3
Stephen McCafferty	2/3
Fiona Whiting (appointed 3 August 2015)	2/2

Role of the Executive

- 152 The Chief Executive and Registrar is appointed by, and accountable to, the Council. The remit of the Chief Executive and Registrar is to direct the affairs and manage the resources of the NMC within the strategic framework established by the Council.
- 153 As the Accounting Officer, the Chief Executive and Registrar has personal responsibility for matters relating to financial propriety and regularity; keeping proper account of financial affairs; avoidance of waste and extravagance; and of the effective use of resources. Until September 2015, the Chief Executive and Registrar was supported by an Executive Board comprising the directors of each of the corporate functions.
- 154 Following an independent review of workforce structure and capability, changes were implemented to increase the support provided to the Chief Executive through the introduction of a Chief Operating Officer from September 2015. Other changes to organisational structure and senior management roles are being implemented from April 2016 and further recommendations are being taken forward as part of the major Transformation programme mentioned above.
- 155 Internal governance structures to support the new arrangements were introduced in place of the Executive Board from October 2015.
- 155.1 The Strategy and Policy Board, chaired by the Chief Executive and Registrar, develops advice and provides assurance on strategy, regulatory policy, legislative, stakeholder engagement and external matters.
- 155.2 The Performance and Resources Board, chaired by the Chief Operating Officer, oversees internal operation of the business and provides assurance on all matters relating to internal policies, planning, performance and resource allocation within the approved budget.

Quality of data

- 156 The Council continues to receive a performance and risk management report at each meeting. Improvements to the information have been made throughout the year, including the introduction of additional quantitative and qualitative data in the area of registration, refinements to fitness to practise information and additional reporting on ICT improvement progress.
- 157 The Council remains proactive in determining, with the Executive, the information it requires to scrutinise performance and other matters. In November 2015, the Council revisited the performance information it receives and determined that the key corporate indicators should remain in place for the remainder of 2015–2016. Further improvements are being made to performance reporting in 2016–2017, including qualitative information relating to fitness to practise, reporting on efficiencies and revalidation monitoring.
- 158 In 2015–2016 we completed an initial assessment of our corporate data and began a programme of data cleansing. This essential groundwork for our future data and intelligence gathering will continue into 2016–2017.

Risk management and internal control

- 159 The Council is responsible for instituting and maintaining a sound system of risk management and internal control to enable 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 Audit Committee provides assurance to the Council regarding the operation of the system of internal control and risk management.
- 160 The Council has overall responsibility for risk management and undertakes an annual corporate risk review. The Council has also discussed the principal risks facing the NMC at each of its public meetings during the year. The Audit Committee has discussed the process for risk control, and considered the effectiveness of the risk management process, at each of its meetings.
- 161 The Chief Executive and Registrar is responsible for ensuring that an effective system of risk management and internal control is in place; the Chief Operating Officer is responsible for implementing the systems and, through the directors, for identifying and evaluating risks, putting in place appropriate mitigation measures and monitoring and reporting progress. The Executive Board and subsequently, the Performance and Resources Board, reviewed the corporate risk register at monthly meetings and received assurance from the internal risk scrutiny group on how risk is being managed across the organisation.
- 162 We undertake an annual internal review of the effectiveness of risk management. Lessons from this, and the internal audit conducted in 2014–2015, have informed improvements to our risk management approach, including the development of materials to facilitate risk awareness amongst staff and clarification of directorate level risk responsibilities. A further internal audit review in 2015–2016 provided assurance on the use and effectiveness of our risk management framework at directorate level and how well this is embedded in day-to-day activities. Recommendations from this audit and actions arising from our internal 2015–2016 annual effectiveness review will be taken forward in the year ahead.
- 163 In addition, the Executive and Audit Committee undertake twice yearly reviews of the corporate assurance map which provides an overview of the strength of assurances available across key functional areas.
- 164 A programme of quality assurance reviews across regulatory directorates undertaken in 2015–2016 helped identify cross organisational areas for improvement, for example strengthening of operating processes, which will be taken forward.

Public interest disclosures (whistleblowing)

- 165 The NMC has in place a public interest disclosure ('whistleblowing') policy for use by all individuals who work for, with, or on behalf of the NMC. The whistleblowing policy was invoked once in the year to 31 March 2016 raising a concern relating to overseas registration. A complaint was also made of adverse treatment and alleged bribery as a result of raising the concern. Both concerns were referred for external independent investigation.

- 166 The independent investigation into the whistleblowing concern found that there were no issues relating to public protection or action that needed to be taken by the NMC. The complaint of adverse treatment was investigated in accordance with the NMC's grievance policy. This partially upheld one element of one complaint which it considered could have been better managed. None of the other elements of the complaint were upheld and the allegation of bribery was not upheld. An appeal against the findings of the grievance investigation was dismissed. The investigation report made some helpful suggestions as to how certain issues might be better handled in future and these are being taken forward. The outcomes of both investigations were reported to the Audit Committee who were assured about the actions and learning being taken forward.
- 167 We are committed to ensuring that staff are encouraged and able to raise concerns. During 2015–2016, we have undertaken further work based on the Public Concern at Work code of practice and feedback from whistleblowers. This includes substantive revision of our whistleblowing policy to make this more accessible for staff, improved guidelines for staff including on management of investigations, raising staff awareness and implementing training.

Information governance and lapses in protective security

- 168 NMC policies require all information security incidents, including any loss of personal data, to be reported. Incidents are monitored by the Information Governance and Security Board which is accountable to the Performance and Resources Board for ensuring learning is identified to prevent recurrence.
- 169 During the year ended 31 March 2016, there were 120 (2014–2015:119) information security incidents, of which 5 were classed as critical or major (2014–2015:4); 30 as moderate (2014–2015:43); 63 as minor (2014–2015:58); and 22 as insignificant (2014–2015:14). Of the 120 incidents, 68 were data breaches, one of which was classed as critical or major (2014–2015: three). This incident involved some documents containing personal data which were sent to the incorrect recipient in error, who then published some of the data within the documents on social media. Remedial action was taken immediately and the incident was reported to the Information Commissioner's Office (ICO). The ICO has closed the investigation of the incident reported in 2015–2016 with advice, which we will take forward in our information security work programme in 2016–2017. The incident reported to the ICO and outstanding from 2014–2015 has also now been closed with no regulatory action to be taken.
- 170 We maintain and regularly review a comprehensive analysis of the information security risks we face. We implement an annual information security work programme, mapped to the international information security standard ISO 27001.
- 171 During 2015–2016 we continued to implement improvements in the area of information security. These included conducting an information security risk assessment of our suppliers, and improvements in the secure storage and management of documents in our Fitness to Practise and Registrations departments. We also ensured better alignment of our information security and business continuity work programmes by bringing our Business Continuity

Working Group under the governance of our Information Governance and Security Board.

Key issues and risks addressed during the year

- 172 Significant weaknesses in ICT, finance and procurement had been identified in 2014–2015 and action was initiated to address these, as discussed below. Additional challenges were experienced due to senior management changes and vacancies resulting in the need for a high level of specialist interim staff in ICT, HR and Finance. The introduction of a Chief Operating Officer role and phased move to a new organisational structure, together with new permanent senior level appointments should ensure greater stability during 2016–2017.

ICT

- 173 The Council strengthened its own capability to exercise effective oversight of ICT matters, including major ICT procurement decisions, by appointing an independent specialist ICT advisor through an open recruitment process.
- 174 An interim Chief Technology Officer was appointed and has led successful completion of the ICT improvement programme, stabilising our ICT function and infrastructure. Controls have been strengthened in a number of areas, including: service delivery; infrastructure resilience; ICT procurement and contract management; disaster recovery; and architecture. These changes provide a sound basis to build future ICT capability. The Council has scrutinised progress against the improvement plan at each meeting and is satisfied that sufficient progress has been made for this to now be transferred to business as usual.

Finance and procurement

- 175 The need for comprehensive improvement programmes to strengthen procurement and financial controls and improve the level of financial maturity was also identified in line with recommendations from a number of internal and external audit reviews.
- 176 An independent diagnostic and capability assessment of procurement identified capability and the purchase to pay process as key issues to address. Actions have been prioritised including development of a procurement pipeline and review of how procurement can better support business needs. Payroll processes have been improved and accreditation with the Chartered Institute of Payroll Professionals has been achieved. A review of financial regulations and the core financial control framework is underway, with input from the executive team and advice on best practice from internal audit.
- 177 Though some progress has been made during 2015–2016, this has not been as rapid as we would have wished, in part due to the senior management changes previously mentioned. This is now being given further impetus and will be subject to close oversight by the Performance and Resources Board to ensure momentum is maintained in 2016–2017.

- 178 An accommodation review has been undertaken to ensure we have a clear understanding of current liabilities and risks related to current accommodation and can make informed decisions to support future operations.
- 179 A long-term financial strategy informed by accommodation and organisational design reviews is being developed by Council with external support; this will underpin the overall NMC Transformation programme.

Anti-fraud, bribery and corruption

- 180 Anti-fraud controls have been strengthened including implementation of mandatory training for all staff in anti-fraud, bribery and corruption. A recent internal audit bribery risk assessment concluded that this was now a low risk.

Midwifery supervision and regulation

- 181 Following two significant reports into midwifery supervision²⁰ and the government's independent investigation into failings at the University Hospitals of Morecambe Bay NHS Foundation Trust²¹, the Government confirmed that legislation would be introduced to remove statutory supervision from midwifery regulation.
- 182 This change is expected to take place in spring 2017 and work is underway to ensure a smooth transition, within the NMC and more widely, with transition boards led by the four Chief Nursing Officers overseeing arrangements in each of the four countries of the UK. A comprehensive communications plan is being implemented to help all those affected understand the changes.
- 183 Following our extraordinary review of midwifery practice in Guernsey in 2014, we have continued to monitor progress against action plans produced by Guernsey's Health and Social Services Department and the Local Supervising Authority (LSA) and support efforts to improve patient safety. Further follow up visits were undertaken during 2015–2016 and we noted that some progress had been made, but recognised the need for further improvement.

Working with others to address shared risks

- 184 In June 2015, we published joint guidance with the General Medical Council on the professional duty of candour for doctors, nurses and midwives. We will pursue further opportunities for collaboration with other regulators where this would benefit the public interest and the professions.
- 185 We introduced our UK-wide Employer Link Service to work in partnership with healthcare providers to improve patient safety and ensure higher standards of care through providing advice on our fitness to practise referral thresholds, revalidation and other matters affecting nursing and midwives. We are also sharing data on performance with local healthcare decision-makers so that we can develop a mutual understanding around key themes and emerging trends in poor performance and have seen a 33 percent increase in the number of referrals we have made to other regulators.

²⁰ Midwifery supervision and regulation: recommendations for change (Parliamentary and Health Service Ombudsman, 2013); Review of Midwifery Regulation in the UK, King's Fund (NMC, January 2015)

²¹ Department of Health, 2015

186 We continued to develop our engagement and information sharing with others, including the Care Quality Commission (CQC), Health Improvement Scotland (HIS), Regulation and Quality Improvement Authority (RQIA) as well as participating in forums such as Sharing Intelligence for Health and Social Care Group in Scotland and the Local Intelligence Network in Northern Ireland. In 2016–2017, we are planning more detailed engagement with Healthcare Inspectorate Wales (HIW), the Care and Social Services Inspectorate Wales (CSSIW) and the Care Council for Wales.

Professional Standards Authority (PSA) oversight

187 The PSA is responsible for overseeing the work of all nine healthcare regulators and reporting to parliament. Action was taken to address areas for improvement identified in the PSA performance review 2014–2015 and, following assessment under the new processes in place for 2015–2016, the PSA has confirmed that the NMC is now meeting all the Standards of Good Regulation for Guidance and Standards, Education and Training, including Revalidation and Registration. A targeted review focused on a number of fitness to practise Standards is to be conducted during 2016.

Audit Committee

188 Throughout the year, the Audit Committee has advised the Council on the strength of assurance available, including escalating to the Council risks and issues relating to the Finance and ICT functions and the Quality Assurance strategy. In addition, matters addressed by the Committee included:

188.1 Reviewing the reports and the letters of representation to the external auditors and National Audit Office (NAO) in relation to the accounts for the year to 31 March 2015 and management responses to external audit and recommending to the Council approval of the statutory annual report and accounts and fitness to practise annual report.

188.2 Reviewing the accounting policies and preparations being made for the adoption of new accounting standards for the year to 31 March 2016.

188.3 Reviewing the risk management arrangements, assurance map and supporting evidence and undertaking deep dives into each regulatory directorate's risk, quality and continuous improvement arrangements.

188.4 Approving the internal audit work plan 2015–2016; considering management responses to internal audit reviews; and overseeing action to closure of outstanding internal audit recommendations.

188.5 Reviewing the register of serious events and data breaches and encouraging management to develop better analysis and organisational sharing of learning to prevent recurrence.

188.6 Reviewing any single tender actions to assure itself that proper processes are being adhered to by the Executive. This scrutiny has resulted in a significant fall in recourse to single tender actions.

Internal Audit annual opinion 2015–2016

189 Nine planned internal audit assignments were conducted during the year in accordance with the programme agreed by the Audit Committee, of which three were advisory in nature and six were audits. All internal audit recommendations were accepted and are being addressed, with implementation overseen by the Audit Committee.

190 The Head of Internal Audit's annual opinion is that:

"There is some risk that the system of internal control, governance and risk management will fail to meet management's objectives - in some areas there are adequate and effective systems of governance, but there are also some specific areas of significant risk. Significant improvements are required in these specific areas to improve the adequacy and/or effectiveness of governance, risk management and internal control."

191 The Head of Internal Audit's annual report indicated some deterioration in the level of assurance available as a result of the considerable change and flux during 2015–2016, particularly within support services, combined with reliance on interim senior managers in Finance, Procurement, HR and Technology Business Services (TBS). The key challenges highlighted include: a need for traction to ensure the procurement improvement plan is delivered and addresses known issues, such as procurement capability and purchase to pay; the need to improve the overall core financial control framework; and strengthening operational governance of finance and procurement processes, particularly in relation to the organisation's wider capability and engagement with these functions and processes.

Key issues and risks going forward

192 We are committed to addressing the issues identified in the Head of Internal Audit's report. We intend to maintain a clear focus on strengthening the internal control framework in relation to finance, procurement and contract management including through monthly scrutiny of progress by the Performance and Resources Board and ongoing oversight by the Audit Committee. Stabilisation of the Executive leadership team, including appointment of senior permanent staff to lead this work, should ensure more rapid progress is secured.

193 During 2016–2017, we will progress a significant programme of work to define competencies for future nurses, as well as preparing to implement fundamental changes to our legislation to further improve our fitness to practise functions. We may also need to respond to demands that may emerge from the external environment, such as government proposals for a possible new nursing role.

194 Alongside our regulatory work, we will take forward a significant Transformation programme, which will impact on how and where we work and our workforce. In times of uncertainty there are increased risks in relation to the workforce and organisational capability. We are committed to communicating and engaging with our staff about what the forthcoming changes mean for both them and the organisation as we move forward. We are also committed to ensuring that there is no disruption to the delivery of our core regulatory functions and no adverse effect on public protection.

- 195 The Transformation programme will involve major decisions and significant investment of financial and other resources. As indicated, the Council is taking steps to strengthen its capability to take such decisions and exercise effective oversight, including appointment of an independent financial adviser to provide external validation and provide assurance that the Council is as secure as possible in its decision making.
- 196 Following the result of the EU referendum in June 2016, we are in discussion with the Government and other regulators and will undertake an assessment of the impact on the NMC's functions when further information is known.

Overall assessment of effectiveness of governance and assurance

- 197 As Chair of the Council and Accounting Officer, we have reviewed the effectiveness of governance and internal controls. In doing so, we have relied upon the opinion and reports of the Head of Internal Audit, as well as a range of sources of assurance. These include the assurances of the Chief Operating Officer and assessments by directors of the quality of controls and assurance in place in the functional directorates for which they are responsible; the annual review of the effectiveness of risk management; various internal and external reviews; and the opinion and management letter of external auditors. The Audit Committee has provided assurance to the Council on the effectiveness of our arrangements.
- 198 There are specific weaknesses to be addressed in the finance and procurement control framework and we are satisfied that the measures now in place will ensure that these are remedied in 2016–2017. Overall, therefore, we consider that there are satisfactory governance, risk management and control arrangements in place.
- 199 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.

Dame Janet Finch
Chair
NMC
13 October 2016

Jackie Smith
Chief Executive and Registrar
NMC
13 October 2016

Independent auditor's report to the trustees of the Nursing and Midwifery Council

We have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2016, which comprise of 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 members, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under section 154 of that Act, and 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 Charity's Trustees 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's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council (Trustees) and auditor

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

We have been appointed as auditor under section 144 of the Charities Act 2011, and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under section 154 and section 44 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2016 and of its net movement in funds, 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, and 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) requires us to report to you if, in our opinion:

- the information given in the Council's Annual Report is inconsistent in any material respect with the financial statements; or
- 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
Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

13 October 2016

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 2016 under Article 52 the Nursing and Midwifery Order 2001. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, Summary income and expenditure statement the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Chief Executive and Registrar and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Nursing and Midwifery Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made the Nursing and Midwifery Council;
- and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Nursing and Midwifery Council's affairs as at 31 March 2016 and of its outgoing resources for the year then ended; and
- the financial statements have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001, and the determination of the Privy Council 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 the determination made by the Privy Council under Article 52 of the Nursing and Midwifery Order 2001; and
- the information given in Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Date: 18 October 2016

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

Statement of financial activities for the year ended 31 March 2016

	Note	Un- restricted funds 2016 £'000	Restricted funds 2016 £'000	Total funds 2016 £'000	Restated Total funds 2015 £'000
Income from:					
Charitable activities:					
Fee income	2	79,417	-	79,417	69,921
Grant (Department of Health)	24	-	205	205	2,642
Investments	3	617	26	643	641
Total		80,034	231	80,265	73,204
Expenditure on:					
Charitable activities	4,5,6, 7,8&9	70,591	5,753	76,344	75,530
Total		70,591	5,753	76,344	75,530
Net income/(expenditure)		9,443	(5,522)	3,921	(2,326)
Other recognised gains/(losses)					
Actuarial gains/(losses) on defined benefit pension scheme	21	4,202	-	4,202	(7,506)
Net movement in funds		13,645	(5,522)	8,123	(9,832)
Reconciliation of funds:					
Total funds brought forward	25	27,468	5,522	32,990	42,822
Total funds carried forward		41,113	-	41,113	32,990

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 53 to 80 form part of these accounts.

Full comparative figures for the year-end 31 March 2015 are shown in note 28.

Balance sheet as at 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
Fixed assets			
Tangible assets	13	<u>23,200</u>	<u>23,997</u>
Total fixed assets		<u>23,200</u>	<u>23,997</u>
Current assets			
Debtors	15	3,574	2,137
Investments (short-term deposits)		62,100	62,100
Cash at bank and in hand		<u>22,609</u>	<u>14,562</u>
Total current assets		88,283	78,799
Liabilities			
Creditors: Amounts falling due within one year	16	(56,570)	(51,701)
Provisions : Amounts falling due within one year	17	<u>(67)</u>	<u>(428)</u>
Net current assets		31,646	26,670
Total assets less current liabilities		54,846	50,667
Creditors: Amounts falling after more than one year	18	(583)	(544)
Provisions: Amounts falling after more than one year	19	<u>(525)</u>	<u>(666)</u>
Net assets excluding pension liability		<u>53,738</u>	<u>49,457</u>
Defined benefit pension scheme liability	21	<u>(12,625)</u>	<u>(16,467)</u>
Total net assets	26	<u>41,113</u>	<u>32,990</u>
The funds of the NMC			
Restricted income funds	24	-	5,522
Unrestricted funds	25	<u>41,113</u>	<u>27,468</u>
Total funds		<u>41,113</u>	<u>32,990</u>

The notes on pages 53 to 80 form part of these accounts.

Dame Janet Finch
Chair, NMC
13 October 2016

Jackie Smith
Chief Executive and Registrar, NMC
13 October 2016

Statement of cash flow for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Net cash provided by (used in) operating activities		10,134	1,492
Cash flow from investing activities			
Interest from investments	3	643	641
Purchase of property, plant and equipment	13	(2,730)	(3,721)
Net cash provided by (used in) investing activities		(2,087)	(3,080)
Change in cash and cash equivalents in the reporting period		8,047	(1,588)
Cash and cash equivalents at the beginning of the year		14,562	16,150
Cash and cash equivalents at the end of the year		22,609	14,562

Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2016 £'000	2015 £'000
Net income/(expenditure) from the reporting period (as per the statement of financial activities)	8,123	(9,832)
Dividends, interest and rents from investments	(643)	(641)
Depreciation charges	3,390	3,424
Loss on equipment disposal	137	54
Decrease/(increase) in debtors	(1,437)	(980)
Increase in creditors and provisions	564	9,467
Net cash inflow from operating activities	10,134	1,492

Analysis of cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank and in hand	22,609	14,562
Investments (short-term deposits)	62,100	62,100
Total	84,709	76,662

The notes on pages 53 to 80 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The principle accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

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 accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) - (Charities SORP FRS102) 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.

The accounts comply with the Charities Act 2001, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Nursing and Midwifery Order 2001.

The NMC meets the definition of a public benefit entity under FRS102.

Going concern

The Council considers there are no material uncertainties about the NMC's ability to continue as a going concern.

The NMC's aim is to protect the public by regulating nurses and midwives in England, Wales, Scotland and Northern Ireland. The Council has reviewed the circumstances of the NMC and considers that adequate resources continue to be available to fund its activities for the foreseeable future. The Council is of the view that the NMC is a going concern.

Reconciliation with previous Generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the Council has considered whether, in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102, the restatement of comparative items was required. Restatements were required, and, in accordance with FRS 102, a reconciliation of opening balances and net income/ (expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for accrued holiday, dilapidations, early retirement pension provision and lease costs. See note 27 to the accounts.

The opening fund balances at the date of transition have been restated (see note 27) due to immaterial amounts arising from a liability for holiday pay; discounting of dilapidations; the early retirement pension provision; and adjusting the rent-free period on the lease for Stratford Place. The transition date was 1 April 2014.

The NMC participates in a defined benefit multi-employer pension scheme and has historically been unable to identify its share of the scheme's assets and liabilities. The

scheme at the latest actuarial valuation on 31 March 2013 was £15.4 million in deficit. Under FRS17 the NMC did not make a provision for this deficit but did recognise in the SOFA the NMC's contribution to the scheme. Following the withdrawal of NHS Education for Scotland from the scheme during 2015–2016, the NMC can with greater certainty identify its share of the scheme's assets and liabilities and therefore has adopted FRS102 pension accounting in full. This actuarial approach has led to an adjustment to the prior year to reflect the deficit being recognised in the Balance Sheet, to reflect the current service cost and interest being recognised in the SOFA and the actual gain or loss being recognised in other recognised gains/losses. See notes 21 and 27.

a) Accounting convention

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

b) Fixed assets

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

Equipment	- 3 to 5 years
Furniture	- 10 years
IT projects	- 3 to 5 years
Refurbishment - 23 Portland Place	- 10 years
Leasehold premises - 23 Portland Place	- 50 years

Assets relating at the premises listed below are depreciated over the following periods:

Leasehold premises - 61 Aldwych	- 10 years (over the life of the lease)
Leasehold premises - Clarendon House - ground floor	- 10 years (over the life of the lease)
Leasehold premises - Clarendon House - first floor	- 2 years (over the life of the lease)
Leasehold premises - 1 Kemble Street	- 8.5 years (over the life of the lease)
Leasehold premises - 20 Old Bailey	- 23 months (over the life of the lease)
Leasehold premises - 2 Stratford Place	- 9.7 years (over the life of the lease)

The lease on Clarendon House first floor was extended on the 21 February 2016 until 24 April 2021.

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

The NMC revalued 23 Portland Place during 2013–2014 and in accordance with FRS102 will use this valuation as deemed cost going forward.

c) Resources arising – income

All income is recognised once the NMC has entitlement to income; it is probable that the income will be received and the amount can be reliably measured.

Investment income

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

Income from charitable activities

Registrant fees relate to annual renewal or retention of registration. Registrant fees are received on an annual basis but credited to income on a monthly basis. They have therefore been allocated to the appropriate financial year based on the accruals concept. Other registration and verification fees have been credited to income on the day of receipt.

Grant income

Grant income is recognised as restricted income and recognised when entitlement can be measured reliably. See note 24 for further detail.

d) Resources expended

Liabilities are recognised as expenditure as soon as there is legal or constructive obligation committing the charity to that expenditure; it is probable that settlement will be required and the amount of obligation can be measured reliably. Expenditure is recognised on an accruals basis as a liability is incurred, inclusive of VAT, which cannot be recovered.

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

Charitable activities

Expenditure on charitable activities includes all expenditure related to the objects of the charity which comprise standards promotion and policy development, education, maintaining the register, fitness to practise and communication and public engagement (see note 4).

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity,

comprising the salary and overhead costs of the central function, is apportioned based on head count to each activity as support costs. Support costs have been allocated between Governance and Other Support Costs.

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 24 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 lease periods.

h) Employee benefits

Short term benefits

Short term benefits including holiday pay are recognised as an expense in the period in which the service is received.

Employee termination benefits

Termination benefits are accounted for on an accrual basis and in line with FRS 102.

Pension costs

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

Payments to the defined benefit scheme are made in accordance with periodic calculations by professionally qualified actuaries, and the pension costs for the

defined benefit scheme are accounted for on a basis of charging the expected cost of providing pensions over the period during which the NMC benefits from the employees' services. The effect of variations from regular costs is spread over a time period set by the pension trust.

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

i) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discount due.

j) Cash and cash equivalents

Cash and cash equivalents includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

k) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

2. Fee income

	Total 2016	Total restated 2015
	£'000	£'000
Registrant fees	77,415	68,437
Other fees	2,002	1,484
	<u>79,417</u>	<u>69,921</u>

3. Investment income

	Unrest- ricted	Restrict- ed	Total 2016	Total restated 2015
	£'000	£'000	£'000	£'000
Interest receivable from bank deposits	617	26	643	641
	<u>617</u>	<u>26</u>	<u>643</u>	<u>641</u>

4. Charitable activities

	Unrest- ricted	Restrict- ed	Total 2016	Total restated 2015
	£'000	£'000	£'000	£'000
Standards promotion and policy development	4,124	-	4,124	3,787
Education	2,048	-	2,048	1,894
Maintaining the register	9,144	584	9,728	8,885
Fitness to practise	52,920	5,169	58,089	59,178
Communications and public engagement	2,355	-	2,355	1,786
Total	70,591	5,753	76,344	75,530

These costs include direct costs,²² staff costs and related overheads.

5. Total resources expended

	Staff costs	Depre- ciation	Other costs	Total 2016	Total restated 2015
	£'000	£'000	£'000	£'000	£'000
Charitable activities:					
Standards promotion and policy development	2,351	69	1,704	4,124	3,787
Education	678	45	1,325	2,048	1,894
Maintaining the register	5,274	265	4,189	9,728	8,885
Fitness to practise	24,483	2,964	30,642	58,089	59,178
Communications and public engagement	999	47	1,309	2,355	1,786
	33,785	3,390	39,169	76,344	75,530

²² See notes to the Accounts, note 5.

6. Analysis of expenditure on charitable activities

	Activities undertaken directly £'000	Support costs £'000	Total 2016 £'000	Total restated 2015 £'000
Charitable activities:				
Standards promotion and policy development	3,439	685	4,124	3,787
Education	1,604	444	2,048	1,894
Maintaining the register	7,113	2,615	9,728	8,885
Fitness to practise	45,450	12,639	58,089	59,178
Communications and public engagement	1,886	469	2,355	1,786
Total	59,492	16,852	76,344	75,530

7. Support costs include governance costs

The breakdown of governance costs include:

	Total 2016 £'000	Total restated 2015 £'000
Members' allowances, travel and subsistence	267	272
Auditors' remuneration - audit fees - haysmacintyre	24	26
Auditors' remuneration - audit fees - NAO	5	5
Professional fee (including PSA annual fee)	1,738	369
Operating costs (including salaries)	2,055	1,680
Total	4,088	2,352

8. Analysis of support costs

Support cost	Standards promotion and policy development	Education	Maintaining the register	Fitness to practise	Com-munications and public engagement	Total 2016	Total Restated 2015	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Facilities	31	20	118	570	21	760	668	Head count
Finance	118	76	449	2,172	81	2,896	2,110	Head count
HR	124	80	472	2,283	85	3,044	2,515	Head count
ICT	169	110	645	3,116	116	4,156	3,109	Head count
Office of Chief Executive and Registrar	35	23	135	653	24	870	551	Head count
Governance	166	108	635	3,066	113	4,088	2,352	Head count
Management and administration	42	27	161	779	29	1,038	813	Head count
	685	444	2,615	12,639	469	16,852	12,118	

9. Total resources expended by cost category

	2016 £'000	2015 £'000	Details (see below)
Salaries and associated costs	33,785	28,470	9.1
Other staff expenses	1,072	1,055	9.2
Finance charges	555	407	
Premises	3,549	3,564	
Insurance	141	142	
Sundry, furniture, equipment and maintenance	206	244	
Hire of equipment	12	10	
Fitness to Practise	19,439	25,513	9.3
Registrations appeals	266	112	9.4
Depreciation	3,390	3,424	
Loss on equipment disposal	137	54	
Dilapidations	(445)	312	9.5
Catering for fitness to practise hearings and meetings	565	675	
Staff canteen	199	115	
Quality assurance of education	995	1,119	9.6
Professional fees	5,956	3,880	9.7
Auditors' remuneration - audit fees - haysmacintyre	24	26	
Auditors' remuneration - audit fees - NAO	5	5	
IT development and support	3,232	3,141	9.8
Postage	734	894	
Printing and stationery	411	556	
Recruitment	570	307	9.9
Conferences, seminars and publicity	51	122	9.10
Printing and postage of NMC publications	221	550	9.11
Members' allowances, travel and subsistence	267	272	
Committee costs	23	21	
Other support costs	984	540	9.12
	76,344	75,530	

Additional details for table in note 9

9.1 Salaries and associated costs

These costs are set out in more detail in note 9 to the accounts.

Staff salary costs increased in 2015–2016 due to a combination of higher headcount and salary levels compared with 2014–2015. In 2015–2016 headcount increased primarily in Fitness to Practise to ensure the target caseload of in-house investigation

was met, the launch of the Employer Link Service as well as investing in processes to ensure better outcomes.

The NMC made a 1 percent pay award to all eligible staff. The third phase of the organisation-wide pay and grading review was implemented from April 2015, which brought the salary level of all eligible staff to within 7.5 percent of the benchmarked median market level.

Redundancy costs increased year on year aligned with the departure of staff from the senior management team.

Specialist contractor resource was engaged across the NMC, particularly in ICT, to support specific regulatory projects including the development of the case management system which will facilitate better investigation and information gathering.

Temporary staff were also engaged in Fitness to Practise to fill vacancies arising from staff turnover.

9.2 Other staff expenses

Other staff expenses include the costs of staff travel, training and development.

Lower staff travel costs were incurred, largely in Fitness to Practise, due to better utilisation of internal venues for hearing activity, and improved resource planning in relation to the staffing of hearings at venues across the four countries.

Investment in staff training and development remained a key priority in 2015–2016 to help retain and develop staff across the organisation. Aligned with the increase in staff numbers and demand, the Learning and Development team has offered more in-house training courses as well as organising more externally-led training courses.

9.3 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 a decrease in costs year on year aligned with fewer hearing days in total taking place in 2015–2016 combined with increased savings resulting from efficiencies implemented; namely alternatives to full hearings and bringing case investigations in-house.

9.4 Registrations appeals

There was an increase in the number of Registrations appeals in 2015–2016 which resulted in increased costs compared with 2014–2015. This increase was due to the introduction of a new process where the Registrar asks all UK-trained nurses and midwives on their initial registration application if they have received a caution or conviction.

9.5 Dilapidations

The decreased dilapidations charge in 2015–2016 is due to the release in provisions relating to the premises at One Kemble Street and The Old Bailey. These provisions

were no longer required following the renegotiation of the One Kemble Street contract and the end of the Old Bailey contract.

9.6 Quality assurance of education

The decreased quality assurance charge is due to reduced monitoring and extraordinary reviews taking place. Demand for a large number of programme extensions to be carried out reduced the need for a substantial number of approvals, particularly in the areas of reviewer training and the development of technological resource.

9.7 Professional fees

External professional and legal advice was sought in 2015–2016 to provide support and guidance in a number of areas across the organisation. Consultants were engaged to drive the piloting and implementation of revalidation, the new registration processes for applicants from outside the EEA, the delivery of the TBS improvement plan, and the programme of work relating to the implementation of the Employer Link Service. Professional advice was also engaged for an organisational review, the development of the financial strategy, implementation of the disaster recovery procedure and an initial review of accommodation.

2015–2016 was the first year the NMC was required to pay the PSA levy, so comparable costs were not incurred in 2014–2015.

9.8 IT development and support

This increase is primarily due to the increase in the number of users across the NMC and the increased requirement for storage capacity.

9.9 Recruitment

Increased costs have been incurred resulting from staff turnover, which has remained constant through 2015–2016, combined with the increased requirement to recruit to senior level roles as the organisation goes through a period of transformation.

9.10 Conferences, seminars and publicity

The reduction is due to no staff conference taking place in 2015–2016.

9.11 Printing and distribution of NMC publications

In 2014–2015 printing and postage costs were incurred as a copy of the revised Code was sent to every registered nurse and midwife. Reduced costs are seen year on year as this activity did not take place in 2015–2016.

9.12 Other support costs

Increased costs are driven by the additional revalidation communications spend resulting from an increased focus on communications and engagement activities which was a key learning point from running the revalidation pilot.

10. Information regarding employees

	2016	2015
	£'000	£'000
Salaries and associated costs		
Wages and salaries: ²³		
Senior Management Team	852	756
Other staff	21,090	17,284
Total	<u>21,942</u>	<u>18,040</u>
Social security costs (Employers' NI contributions):		
Senior Management Team	94	93
Other staff	1,959	1,459
Total	<u>2,053</u>	<u>1,552</u>
Pension costs - present staff: ²⁴		
Senior Management Team	151	155
Other staff	3,683	2,326
Total	<u>3,834</u>	<u>2,481</u>
Pension costs - retired staff of previous organisations ²⁵	29	27
Temporary and contractor staff:		
Senior Management Team	609	-
Administration	5,149	6,325
Total	<u>5,758</u>	<u>6,325</u>
Termination payments		
Senior Management Team	67	-
Other staff	102	45
Total	<u>169</u>	<u>45</u>
Total	<u><u>33,785</u></u>	<u><u>28,470</u></u>

²³ See Notes to the Accounts, note 9.1.

²⁴ See Notes to the Accounts, note 21.

²⁵ See Notes to the Accounts, note 21.

Information relating to the senior management team

The senior management team comprises the Chief Executive and Registrar and directors. In 2015–2016 the Executive team were paid £1,679,332 in total (£925,165 in 2014–2015). Of this, permanent members of the Executive were paid £1,070,439 (£910,909 in 2014–2015). In 2015–2016 this was comprised of £726,728 in salaries, £10,974 in other payments, £89,612 in payments in lieu of notice, £67,230 in redundancy payments, £24,815 in bonus payments and £151,080 in pension contributions. The cost of interim members of the Executive team in 2015–2016 was £608,893 (£14,256 in 2014–2015). Please note one director worked part of the year and consequently fell below the reporting brackets:

Salary bands (£)	2016 Number of staff	2015 Number of staff
80,000 - 90,000	1	-
110,001 - 120,000	-	3
120,001 - 130,000	1	2
130,001 - 140,000	2	-
140,001 - 150,000	1	-
150,001 - 160,000	-	-
160,001 - 170,000	1	1

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

	2016 £	2015 £
S Page	1,001-1,500	1,001-1,500
A Sansome	5,001-5,500	5,001-5,500
K Kolyva	3,501-4,000	3,501-4,000
J Billings	6,001-6,500	2,501-3,000
T Kirkbride	7,501-8,000	7,001-7,500

The total accrued pension at age 60 at 31 March 2015 for those directors who participate in the NMC defined benefit pension scheme was as follows:

Total accrued pension at 60 at 31 March (£)	2016 Number of staff	2015 Number of staff
0 - 5,000	-	2
5,001 - 10,000	3	-
10,001 - 15,000	1	1
15,001 - 20,000	-	-
20,001 - 25,000	-	1
25,001 - 30,000	1	-

Directors are ordinary members of the NMC pension schemes.

During 2015–2016 employer contributions were made into the defined contribution pension scheme on behalf of two directors, totalling £11,889 (2014–2015: £8,245).

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

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

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

The NMC also operates a defined contribution pension scheme for its staff through The People’s Pension. These costs are accounted for in the SOFA as they fall due. The employer basic contribution in 2014–2015 was 5 percent and the staff basic contribution was 1 percent. Staff members are not permitted to be members of both the defined benefit and the defined contribution pension schemes.

Other information in relation to employees

In addition to the above, there were 35 (2014–2015: 23) other members of staff whose remuneration fell in the following bands:

	2016	2015
	Number of staff	Number of staff
£60,001 - £70,000	18	9
£70,001 - £80,000	11	10
£80,001 - £90,000	5	3
£90,001 - £100,000	1	1

The average number of employees in the year was 613 (senior management 7 and other staff 606) and in the previous year was 545 (senior management 6 and other staff 539). The increase in staff numbers is due to the need for additional staff in our Fitness to Practise directorate (see note 9.1).

11. Net income/(expenditure) for the year

This is stated after charging:

	2016	2015
	£'000	£'000
Operating leases		
Equipment	4	3
Buildings	1,840	1,729
Auditor remuneration		
haysmacintyre	24	26
NAO	5	5
Depreciation	3,390	3,424

12. Taxation

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

13. Tangible fixed assets for use by the charity

	Furniture	Equipment	23PP long leasehold premises note 13.1 £'000	23PP building refurbishment £'000	FtP buildings refurbishment £'000	IT projects note 13.2 £'000	Total £'000
Cost:							
1 April 2015	543	8,015	15,448	5,620	6,501	3,388	39,515
Additions	-	2,741	-	-	(11)	-	2,730
Disposals	-	(137)	-	-	-	-	(137)
Revaluation	-	-	-	-	-	-	-
31 March 2016	543	10,619	15,448	5,620	6,490	3,388	42,108
Depreciation:							
1 April 2015	275	4,785	352	4,446	2,272	3,388	15,518
Charge for year	39	1,680	352	550	769	-	3,390
Eliminated on disposals	-	-	-	-	-	-	-
Revaluation adjustment	-	-	-	-	-	-	-
31 March 2016	314	6,465	704	4,996	3,041	3,388	18,908
Net book value							
31 March 2015	268	3,230	15,096	1,174	4,229	-	23,997
Net book value at 31 March 2016	229	4,154	14,744	624	3,449	0	23,200

13. Tangible fixed assets for use by the charity – continued

- 13.1 The UKCC (the NMC's predecessor body) acquired the leasehold interest in 23 Portland Place, London W1B 1PZ from the General Nursing Council for England and Wales at nil cost. The lease expires in the year 2933. The lease was valued as at 31 March 2014 on an existing use basis, by external valuers Carter Jonas, at £17,185,000. It should be noted that there is a restrictive covenant on the lease.
- 13.2 The IT projects asset category includes the Fitness to Practise case management system and the ICT infrastructure upgrade, which were completed during 2009–2010.
- 13.3 Equipment includes the cost of IT infrastructure, hardware and software. The principal addition in the year relates to the development of an online portal and microsite through which to deliver our Revalidation programme and associated content (£0.8m). Other additions in the year included system development and improvements in relation to “business intelligence” (£0.1m), our case management system (£0.5m), overseas registration services (£0.2m) implementation of the EU Mutual Recognition of Professional Qualifications directive (£0.5m) and the future rollout of phased payments for registrants (£0.5m).

14. Related party transactions

The NMC 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. While 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 2015–31 March 2016, the total amount paid in respect of those holding the office of Chair was £48,000 (2014–2015: £48,000).

During the year, allowances, travel and subsistence and training expenses of £267,000 (2014–2015: £272,000) were paid to, or incurred in relation to, members of the Council.

Council members are paid directly via NMC payroll.

Details of amounts paid to individual Council members are set out on page 24 of the remuneration report.

An accrual of £28,009 (2014–2015: £22,771) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

15. Debtors

	2016 £'000	2015 £'000
Debtors	222	499
Prepayments and accrued income	3,352	1,638
	<u>3,574</u>	<u>2,137</u>

16. Creditors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Other creditors and accruals	8,529	9,844
Deferred income - registrant fees for 2015–2016	-	41,857
Deferred income - registrant fees for 2016–2017	48,041	-
	<u>56,570</u>	<u>51,701</u>

17. Provisions: Amounts falling due within one year

	2016 £'000	2015 £'000
Dilapidations	-	361
Pension provision - early retirement ²⁶	67	67
	<u>67</u>	<u>428</u>

18. Creditors

	2016 £'000	2015 £'000
Amounts falling due after more than one year		
Deferred income - Registrant fees for 2017–2018	156	118
Lease premium	427	426
	<u>583</u>	<u>544</u>

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

²⁶ During 2012–2013 the provision in the defined benefit pension scheme for early retirement on the grounds of permanent incapacity was invoked in respect of an employee. The amount payable was determined by the Scheme Actuary and approved by the Pension Scheme Trustees. The full amount of £513k was recognised in the SOFA in 2012–2013. Payments to the Scheme are made on a monthly basis and commenced in December 2012. At March 2016 £283k in total was remaining in the provision in respect of future years.

19. Provisions: Amounts falling due after more than one year

	2016	2015
	£'000	£'000
Dilapidations	309	388
Pension provision - early retirement ²⁷	216	278
	<u>525</u>	<u>666</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 status²⁸. On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

21. Pension commitments

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

The NMC participates in a defined benefit multi-employer scheme with the Department of Health (The Nursing and Midwifery Council and Associated Employers pension scheme, scheme registration number 101652586) administered by Premier Pensions Management Limited. The National Assembly for Wales and NHS Education for Scotland, previous participants, withdrew from the scheme during 2013 and 2015 respectively. The scheme, to which approximately 25 percent of the NMC's employees belong as at 31 March 2016, is a funded, defined benefit scheme.

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

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

²⁷ See Notes to the Accounts, note 17, footnote 26.

²⁸ See Notes to the Accounts, note 12.

If the scheme had been wound up on the valuation date (31 March 2013), the assets would have been approximately 69 percent of the amount necessary to purchase insurance contracts to meet the accrued benefits for active members and past leavers and the current benefits for pensioners. The estimated deficit would have been £45.3 million.

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

The FRS102 valuation has been based on a full assessment of the liabilities of the scheme as at 31 March 2016.

Actuarial gains and losses have been recognised in the period in which they occur (but outside the statement of financial activities) through the statement of recognised gains and losses.

Amounts recognised in balance sheet

	2016 £'000	2015 £'000
Assets at fair value	59,355	52,638
Present value of defined benefit obligation	<u>(71,980)</u>	<u>(69,105)</u>
Surplus\deficit	(12,625)	(16,467)
Related deferred tax relief	-	-
Net liability	<u><u>(12,625)</u></u>	<u><u>(16,467)</u></u>

Amounts recognised in Statement of Financial Activity (SoFA)

	2016 £'000	2015 £'000
Current service cost	(3,242)	(2,520)
Past service cost	-	-
Expected return on plan assets (now within "Net Interest") - B	1,774	2,023
Curtailment	-	-
Settlement	(3)	(3)
Interest on pension obligation (now within "Net Interest") - A	(2,319)	(2,441)
Net Interest A + B	(545)	(418)
Net amount recognised in SoFA	<u><u>(3,790)</u></u>	<u><u>(2,941)</u></u>

Reconciliation of present value defined benefit obligation

	2016 £'000	2015 £'000
Opening balance at 31 March 2015	69,105	54,083
Current service cost	3,242	2,520
Past service cost	-	-
Curtailment	-	-
Settlements	(15)	(20)
Interest cost	2,319	2,441
Employee contribution	480	516
Actuarial (gain)\losses	(1,794)	10,952
Changes to exchange rates	-	-
Benefits paid	(1,357)	(1,387)
Closing balance at 31 March 2016	<u>71,980</u>	<u>69,105</u>

Reconciliation of fair value plan assets

	2016 £'000	2015 £'000
Opening balance at 31 March 2015	52,638	44,161
Expected return on assets	1,774	2,023
Actuarial gain\losses	2,408	3,446
Changes in exchange rate	-	-
Employer contribution	3,429	3,902
Employee contribution	480	516
Settlements	(17)	(23)
Benefits paid	(1,357)	(1,387)
Closing balance at 31 March 2016	<u>59,355</u>	<u>52,638</u>

Reconciliation of change in funded status

	2016 £'000	2015 £'000
Opening balance at 31 March 2015	(16,467)	(9,922)
Pension expense	(3,790)	(2,941)
Employer contribution	3,429	3,902
Changes in exchange rates	-	-
Actuarial gain\losses	4,202	(7,506)
Closing balance at 31 March 2016	<u>(12,625)</u>	<u>(16,467)</u>

Actual return on plan assets

<u>4,182</u>	<u>5,469</u>
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History of experience adjustments

	2016 £'000	2015 £'000	2014 £'000
Defined benefit obligation	(71,980)	(69,105)	(54,083)
Plan assets	59,355	52,638	44,161
Surplus\deficit	<u>(12,625)</u>	<u>(16,467)</u>	<u>(9,922)</u>
Experience adjustments on scheme liability	1,152	1,044	(3,304)
Experience adjustments on scheme assets	2,408	3,446	(1,846)

Expected contribution in following year

	At 31 March 2016 £'000
Employer	3,258
Employee	451
Total	<u>3,709</u>

The principle assumptions used by the independent qualified actuaries to calculate the liabilities under FRS102 are set out below.

	2016 per annum	2015 per annum	Life expectancy (at age 60) Years
Discount rate	3.45%	3.30%	Males born 1956 28.7
Retail price inflation	3.40%	3.40%	Females born 1956 31.3
Consumer price inflation	2.60%	2.60%	Males born 1976 32.0
Pension increases	3.40%	3.40%	Females born 1976 34.6
Expected return on assets	3.45%	3.30%	

The NMC introduced a defined contribution pension scheme which staff could join on a voluntary basis from 1 November 2013 operated by The People's Pension. The NMC

contributed at a basic rate of 5 percent of pensionable salary during 2015–2016 (2014–2015 4 percent) and the employee’s basic contribution rate was 1 percent. Employees may make additional contributions which are matched by the employer up to a maximum employer contribution of 12 percent. This scheme has been adopted as the auto-enrolment scheme for the NMC from 1 April 2014.

	2016	2015
	£'000	£'000
NMC's (employer's) defined contribution scheme contributions made in year	656	315
	656	315
NMC's (employer's) contribution defined benefit scheme	29.2%	27.4%
Employees' contribution defined benefit scheme	6%	6%
NMC's (employer's) basic contribution defined contribution scheme	5%	4%
Employees' basic contribution defined contribution scheme	1%	1%

The NMC meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2015–2016 this expenditure amounted to £29,000 (2014–2015: £27,000).

22. Capital commitments

At 31 March 2016, 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 (2015 nil).

23. Operating lease commitments

At 31 March 2016 the NMC had the following future minimum operating lease payments as follows:

	Land and buildings		Plant and machinery	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Operating leases which expire:				
• Within one year	2,317	2,322	-	3
• Between 1 and 5 years	7,101	8,395	-	-
• More than five years	2,146	2,901	-	-

The NMC leases premises at 61 Aldwych, London, for the period until 10 September 2019, Clarendon House (ground and first floor), 114-116 George Street, Edinburgh, for the period until 24 April 2021, 1 Kemble Street, London, for the period until 21 December 2019 and 2 Stratford Place for the period until 21 July 2024.

24. Movement in restricted funds

	Balance at 1 April 2015 £'000	Income £'000	Resources expended £'000	Transfers £'000	Balance at 31 March 2016 £'000
FtP / reserves restoration (i)	5,143	26	(5,169)	-	-
Overseas test of competence (ii)	379	205	(584)	-	-
Balance at 31 March	5,522	231	(5,753)	-	-

- (i) The £5,143 million represents the balance of the grant of £20 million. This was provided by the Department of Health to provide the financial stability to enable the achievement of the NMC's adjudication key performance indicator target by December 2014, the clearance of the historic backlog of Fitness to Practise cases by December 2014 and delivery of the minimum risk-based reserves level by January 2016. The grant is being recognised in equal monthly instalments over the term of the grant, and the restricted fund balance reduces accordingly each month, commencing in February 2013, with the final amount being in December 2015. During 2015–2016 £26,000 interest was accrued from the unrecognised grant.
- (ii) The grant of £584,000 represents 2015–2016 spend supported by the Department of Health to support the introduction of competency testing for non EEA applicants to the register. The £379,000 carried forward represents the unspent element of the £2.449 million grant made in 2014–2015 and the £205,000 represents grants received in 2015–2016.

25. Outline summary of fund movements

	Balance at 1 April 2015 £'000	Income £'000	Resources expended £'000	Transfers £'000	Gains and losses on defined benefit pension £'000	Balance at 31 March 2016 £'000
Unrestricted funds	27,468	80,034	(70,591)	-	4,202	41,113
Restricted funds	5,522	231	(5,753)	-	-	-
Balance at 31 March	32,990	80,265	(76,344)	-	4,202	41,113

26. Net assets by fund

	General unrestricted £'000	Restricted £'000	Total £'000
Fixed assets	23,200	-	23,200
Current assets	88,283	-	88,283
Current liabilities	(56,637)	-	(56,637)
Long-term liabilities	(1,108)	-	(1,108)
Defined benefit pension scheme liability	(12,625)		(12,625)
Balance at 31 March 2016	41,113	-	41,113

27. Transition to FRS 102

This is the first year the NMC has presented its results under FRS 102 and the revised Charity SORP. The last financial statements under the UK GAAP were 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile to the net deficit for the financial years 31 March 2015 and the total reserves as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

In addition, the NMC participates in a defined benefit multi-employer pension scheme and has historically been unable to identify its share of the scheme's assets and liabilities. Under FRS17 the NMC did not make a provision for this deficit but did recognise in the SOFA the NMC's contribution to the scheme. The NMC also has a deficit payment plan in place for historical deficits in the scheme. Following the withdrawal of NHS Education for Scotland from the scheme during 2015–2016 the NMC can with greater certainty identify its share of the scheme's assets and liabilities and therefore has adopted FRS 102 pension accounting in full. The liability as at 31 March 2015 was £16,467k (2014:£9,922k). As a result, the prior year results have also been restated after accounting for the transition adjustments.

	Note	01-Apr-14 £'000	31-Mar-15 £'000
Reserves reconciliation			
Previously reported reserves			
Unrestricted reserves		40,868	44,134
Restricted reserves		12,000	5,522
Total reserves		52,868	49,656
FRS 102 adjustments:			
Holiday pay accrual	A	(163)	(209)
Dilapidations	B	23	39
Pension provision - early retirement	C	17	12
Rent-free period - operating leases	D	-	(40)

Total FRS 102 adjustments		<u>(123)</u>	<u>(198)</u>
Restated reserves on transition to FRS 102		<u>52,744</u>	<u>49,457</u>
Prior year adjustment			
Recognition of pension deficit	(see above)	(9,922)	(16,467)
Total restated reserves		<u><u>42,822</u></u>	<u><u>32,990</u></u>

Reconciliation of the net deficit for the financial year as previously stated to that restated

	31-Mar-15
	£'000
Net movement in funds as previously reported	(3,212)
Holiday pay accrual	(45)
Dilapidations	16
Pension provision - early retirement	(5)
Rent-free period - operating leases	(40)
Net movement in funds under FRS 102	<u>(3,287)</u>
Prior year adjustment	
Recognition of pension deficit	(6,545)
Restated net movement in funds	<u><u>(9,832)</u></u>

Notes

A Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the Statement of Financial Activities as the employee service is received. Previously holiday pay accruals were not recognised and charged to the Statement of Financial Activities. This has resulted in the NMC recognising a liability for holiday pay of £45k on transition to FRS 102. In the year to 31 March 2014, an additional charge of £163k was recognised in the Statement of Financial Activities and the liability at 31 March 2015 was £209k.

B Dilapidations

The NMC makes provisions for dilapidations on the properties it occupies which may become payable at the end of the lease term. FRS 102 requires entities to discount long-term liabilities to present value where such discounting is material. On adoption of FRS 102, the NMC has restated its dilapidations provisions to discount each lease to the lease term. This has resulted in reducing the charge for dilapidations by £16k on transition to FRS 102 (31 March 2015). The impact of the restatement of the provision for dilapidations was a reduction of £23k as at 31 March 2014 and £39k as at 31 March 2015 compared to balances previously reported. The liability as at 31 March 2015 was £749k.

C Pension provision - early retirement

FRS 102 requires entities to recognise the time value of money in measuring all financial assets and liabilities which are due for settlement more than 12 months after the balance sheet date, where such discounting is material. The pension provision in the defined benefit 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. Payments to the Scheme are made on a monthly basis which commenced in December 2012. As such the previously stated liability has been restated to taken into account the time value of money. This has resulted in increasing the pension charge by £5k on transition to FRS 102 (31 March 2015). The impact of the restatement on early retirement pension provision was a reduction of £17k as at 31 March 2014 and £12k as at 31 March 2015, compared to balances previously reported. The liability as at 31 March 2015 was £345k.

D Rent-free period - operating leases

Under previous UK GAAP, operating lease incentives, including rent-free periods and fit out contributions, were spread over the shorter of the lease period or to when the rent was revised to a fair market rent. FRS 102 now requires such incentives to be spread over the life of the lease period. The NMC has taken exemption for the leases that existed at the transition date and will continue to recognise these lease incentives on the same basis as previously. However, the FRS 102 accounting policy has been applied to new operating leases entered since 1 April 2014 (transition date). As a result, the operating lease charge has increased by £40k for the year ended 31 March 2015, with a corresponding accrued lease liability.

Other adjustments arising on transition to FRS 102

Statement of cash flows

The NMC's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition, the cash flow statement reconciles cash and cash equivalents whereas under previous UK GAAP the statement reconciled to cash.

Revaluation of fixed assets

Under the previous UK GAAP, the Charity had a policy of revaluing land and buildings. On transition to FRS 102, the Charity has elected to use the revalued value as at 31 March 2014 of its land and buildings as the deemed cost. As a result, this has no effect on the balance sheet and the SoFA on transition. Depreciation will continue to be charged in line with the stated accounting policy.

28. Comparative Statement of Financial Activities

Note	Un- restricted funds 2015 £'000	Restricted funds 2015 £'000	Total funds 2015 £'000
Income			
Charitable activities:			
Fee income	69,921	-	69,921
Grant (Department of Health)	-	2,642	2,642
Investments	554	87	641
Total	70,475	2,729	73,204
Expenditure on:			
Charitable activities	66,827	8,703	75,530
Total	66,827	8,703	75,530
Net income/(expenditure)	3,648	(5,974)	(2,326)
Transfer between funds	504	(504)	-
Other recognised gains/(losses)			
Actuarial gains/(losses) on defined benefit pension schemes	(7,506)	-	(7,506)
Net movement in funds	(3,354)	(6,478)	(9,832)
Reconciliation of funds			
Total funds brought forward	30,822	12,000	42,822
Total funds carried forward	27,468	5,522	32,990

29. Special payments

There were no special payments²⁹ in the year to 31 March 2016 (year to 31 March 2015 no special payments).

30. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities at the balance sheet date. The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made at this time.

²⁹ 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 2001³⁰.

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.

³⁰ S.I. 2002/253

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

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

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

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

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

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

Signed by the authority of the Privy Council
Dated: 18th July 2011

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