

Nursing and Midwifery Council
Annual Report and
Accounts 2011-2012 and
Strategic Plan 2012-2015

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Annual Report and Accounts
2011-2012 and Strategic Plan 2012-2015

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1. Foreword

Welcome to our Annual Report for 2011-12.

The past year has been one of challenge for the NMC, clearly highlighted by the strategic review carried out by the Council for Healthcare Regulatory Excellence (CHRE). We have accepted all CHRE's recommendations and are making good progress in implementing them and embedding the necessary change.

We are here to protect the public: a public that has increasing expectations of nurses and midwives. As a result, like other healthcare regulators, we have seen a dramatic increase in the number of fitness to practise concerns raised with us. This presents considerable challenges, not least in ensuring we have the resources to sustain the level of fitness to practise activity needed as well as deliver our other core regulatory responsibilities.

We know that we need to become more economic, efficient and effective. Our people will be crucial to achieving that ambition, so we were pleased by CHRE's recognition of the dedication and commitment of our staff.

Protecting the safety and wellbeing of the public must be paramount in all we do. We intend to make sure this is the case going forward.

Professor Judith Ellis MBE
Deputy Chair
NMC
4 September 2012

Jackie Smith
Acting Chief Executive and Registrar
NMC
4 September 2012

2. About us

We are the independent regulator for nurses and midwives in the UK established under the Nursing and Midwifery Order 2001.¹ Our statutory purpose is to safeguard the health and wellbeing of the public.² We are funded by the fees that nurses and midwives pay to be on our register.

We are a charity registered with the Charity Commission for England and Wales (number 1091434), and with the Office of the Scottish Charity Regulator (number SC038362).

Our Values

Our values underpin everything we do. We are committed to being accountable, fair, professional, progressive and inclusive.

This report also constitutes our Trustees' Annual Report and financial statements. In preparing this report we have complied with both the requirements of the Order and the Charities Act 2011.³ The statements are in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised March 2005).⁴

Our charitable objective is to protect and safeguard the health and wellbeing of the public. We set standards of education, training, conduct and performance for nurses and midwives, and hold the register of those who have qualified and meet those standards. We provide guidance to help nurses and midwives keep their skills and knowledge up to date and uphold their professional standards. We have clear and transparent processes to investigate and address concerns about nurses and midwives who fall short of our standards. The pursuit of these aims delivers public benefit.

We have complied with the duty in section 17, Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission in determining our activities. This annual report sets out how our work demonstrates public benefit.

We are accountable to Parliament, through the Privy Council, for how we fulfil our statutory duties. In 2011, the Health Committee exercised this role on behalf of Parliament by calling us to an accountability hearing.⁵ We welcomed this opportunity to discuss our work and we are pleased that the Health Committee intends to hold these hearings every year.

Our work is subject to oversight by the Council for Healthcare Regulatory Excellence (CHRE). Each year, CHRE looks at a number of aspects of our work as well as undertaking an annual review of our performance.⁶

¹ The Nursing and Midwifery Order 2001 SI 2002/253 (as amended).

² SI 2002/253, Article 3(4).

³ www.legislation.gov.uk/ukpga/2011/25/pdfs/ukpga_20110025_en.pdf

⁴ www.charitycommission.gov.uk/Library/guidance/sorp05textcolour.pdf.

⁵ www.publications.parliament.uk/pa/cm201012/cmselect/cmhealth/1699/169902.htm.

⁶ www.chre.org.uk/overseeingregulators.

3. Review of 2011-2012

Last year was one of both achievement and challenge for the NMC.

Key achievements:

- Approving the first new degree level pre-registration nursing education courses which began roll out in England and Scotland in 2011.
- Amending the rules governing our fitness to practise processes to help us progress cases more quickly and efficiently.
- Opening an Edinburgh office in October 2011 providing a dedicated facility for fitness to practise hearings in Scotland.
- Undertaking an extraordinary review of University Hospitals Morecambe Bay NHS Foundation Trust jointly with the Care Quality Commission to ensure the health and wellbeing of mothers and babies.
- Reinforcing to nurses and midwives their professional obligations under the code to put patients first at all times and to report any failures of care by colleagues or others.⁷
- Leading the way in Europe, as the only nursing and midwifery regulator to have introduced a sustainable system of compensation measures to comply with the professional qualifications directive.⁸
- Making progress on our commitment to equality and diversity, including through improving our collection and use of diversity data.

We have also faced significant emerging challenges.

CHRE's 2011 audit and performance review reports confirmed the need for action to address weaknesses in our fitness to practise functions including in the speed of case progression, the quality of decision making and the customer service provided to those involved in fitness to practise cases.⁹ We recognise that we need to do more to ensure that we comply with CHRE's standards of good regulation,¹⁰ particularly those relating to our registration and fitness to practise functions and to learn from good practice across the sector.

In January 2012, the Department of Health asked CHRE to undertake a strategic review of our operations.¹¹ CHRE's interim and final reports identified serious weaknesses including in leadership and culture, confusion about our regulatory purpose, weak governance, poor planning, financial and operational management, unreliable

⁷ www.nmc-uk.org/the-code.

⁸ Directive 2005/36/EC on the recognition of professional qualifications

⁹ www.chre.org.uk/overseeingregulators

¹⁰ www.chre.org.uk/_img/pics/library/100601_The_Performance_Review_Standards_1.pdf

¹¹ Written Ministerial Statement to Parliament, Department of Health, 26 January 2012

management information, and inadequate information technology.¹² We welcomed the review and accepted the findings, which have contributed to our significant change programme to transform the NMC into a more economic, efficient and effective regulator.

We are pleased that CHRE recognised the dedication of our staff and their commitment to delivering public protection. We aim to build on this and, through reshaping and resizing the organisation, ensure that all our energies and resources are focused on delivering our core regulatory functions.

In parallel with the CHRE review, we undertook a major re-evaluation of all our existing and proposed work programmes. This meant making difficult decisions including to discontinue workstreams which did not add significantly to public protection. In doing so, we were conscious that some of this work might benefit from awaiting the outcomes of the Law Commission's review of healthcare regulation.¹³

Transforming our work

Our transformation programme will see significant change at the NMC during 2012-2013 and beyond including in:

- Leadership, through substantive appointments to the roles of Chair and Chief Executive and Registrar and the reconstitution of Council as proposed by the Department of Health.¹⁴
- Culture, by putting strong governance, accountability and transparency at the heart of everything we do.
- Delivery, by:
 - Reshaping how we work to fulfil our regulatory functions more economically, efficiently and effectively.
 - A sustained focus on driving up performance, including through improving the availability and use of performance and management information.

Learning from feedback

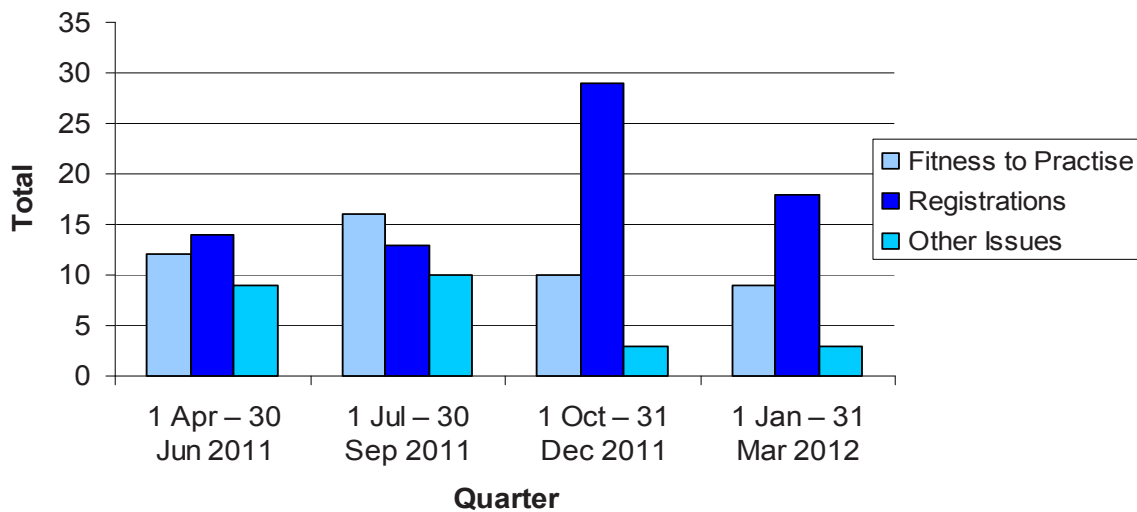
We take all feedback about our work seriously and welcome the opportunity this provides to ensure we continuously improve what we do. The following chart shows the corporate complaints we received during 2011-2012.

¹² www.chre.org.uk/img/pics/library/pdf_1333646173.pdf and [www.chre.org.uk/img/pics/library/120702_CHRE_Final_Report_for_NMC_strategic_review_\(pdf\)_1.pdf](http://www.chre.org.uk/img/pics/library/120702_CHRE_Final_Report_for_NMC_strategic_review_(pdf)_1.pdf)

¹³ lawcommission.justice.gov.uk/consultations/healthcare.htm

¹⁴ Nursing and Midwifery Council (Constitution) (Amendment) Order: A paper for consultation, Department of Health, May 2012. www.dh.gov.uk/en/Consultations/Liveconsultations/DH_133894

Corporate complaints 2011-2012



During the year, we received a total of 146 corporate complaints, most of which related to our registrations or fitness to practise functions. We responded to 95 percent within our target of 20 days. A further 152 complaints were received and handled directly by our Fitness to Practise directorate and we responded to 89 percent of these within our 20 day target.

To strengthen our learning this year we:

- Scrutinised performance in responding to complaints at Council meetings, including looking at any recurring issues and action to address them.
- Improved management and monitoring of complaints made directly to our Fitness to Practise directorate.
- Introduced a single system of logging all complaints and feedback, whether received locally or corporately, in the Chief Executive's Office.
- Introduced internal Serious Event Reviews across the organisation to ensure we learn from internal incidents. All such events are reported to our Audit Committee, together with an action plan to ensure we avoid recurrences and transfer learning across the organisation.
- Began the process of systematically capturing learning from complaints and internal incidents to build improvements into our policies, systems and procedures.

Promoting equality, valuing diversity

We are committed to meeting our obligations under the Equality Act 2010 and to promoting equality and valuing diversity. Following public consultation, we adopted our equality objectives in summer 2012.

We have:

- Set up an internal Diversity Champions Forum.
- Established an independent Diversity Reference Panel to act as a “critical friend”, provide external challenge and monitor our progress.
- Revised our Equality and Diversity Strategy and our Valuing Diversity policy to reflect the requirements of the Equality Act 2010.
- Begun to embed equality and diversity into our business planning, project management and performance reporting processes.
- Jointly delivered Equality Impact Assessment training to key staff in partnership with the General Pharmaceutical Council (GPhC) and the General Dental Council.
- Raised staff awareness by marking key events such as Lesbian, Gay, Bisexual and Transgender history month and International Women's Day and celebrated Black History Month by hosting a joint seminar with the GPhC.

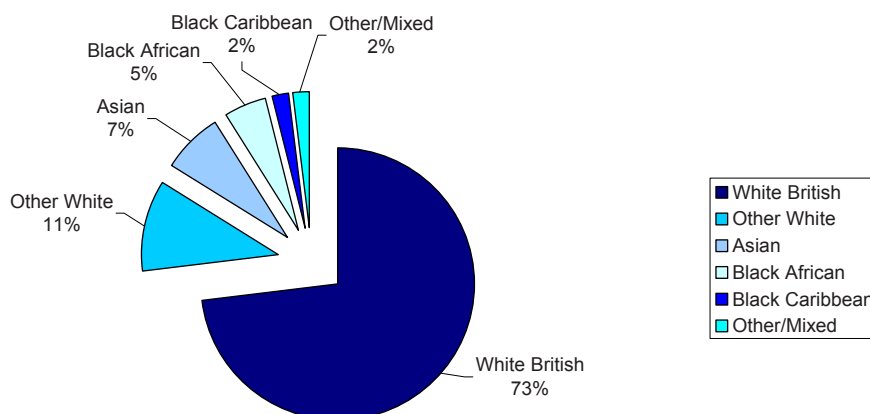
We share good practice and learn from others both within and outside the health sector. We access advice, guidance and benchmarking opportunities through membership of organisations such as Opportunity Now, the Employers Network on Equality and Inclusion, Stonewall, and the Gender Identity Research and Education Society (GIRES).

Using equality and diversity data

We are working to improve how we use our data as both a regulator and as an employer.

The chart below gives a breakdown of our register by ethnicity at July 2011. This is based on returns provided by 43% of nurses and midwives on our register. Although provision of this data is voluntary, we encourage all nurses and midwives to complete a diversity monitoring form and have made this easier by enabling returns to be made online.

Register by ethnicity at July 2011



We have:

- Published diversity monitoring data on the composition of our workforce.¹⁵
- Published a diversity profile of our Council, partner members and fitness to practise panel members.¹⁶
- Produced ethnicity and diversity data on the composition of our register.¹⁷
- Included ethnicity, age, religion, sexual orientation and disability data in our annual Fitness to Practise Report for the first time, in addition to gender information.
- Begun analysing our data to see what it can tell us about any impact our work may have on those who have protected characteristics under the Equality Act 2010.¹⁸

¹⁵ www.nmc-uk.org/About-us/Equality-and-diversity/Equality-and-diversity-about-us/NMC-diversity-profile/

¹⁶ www.nmc-uk.org/Documents/CouncilPapersAndDocuments/Council2011/NMC-Council-papers-November-2011.PDF and <http://www.nmc-uk.org/Documents/EandD/NMC-Council-and-Committee-members-Equality-and-Diversity-profile.pdf>

¹⁷ www.nmc-uk.org/About-us/Equality-and-diversity/Analysis-of-diversity-data-2011

¹⁸ These are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation

4. Delivery against our corporate plan during 2011-2012

Our corporate plan set three strategic goals to safeguard the health and wellbeing of people using or needing the services of nurses and midwives. This central priority is supported by our activity in engaging with stakeholders, and both are reliant on high quality staff and supporting systems.¹⁹

Goal 1 Safeguarding	Public protection will be at the centre of all of our activities. Our work will be designed around and measured against the benefits we can bring to the public.
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Setting standards for educating and training nurses and midwives

Setting high standards for education and training is fundamental to ensuring that nurses and midwives admitted to the register are safe to practise. Only educational institutions and programmes which meet our standards are permitted to deliver training.

We have:

- Approved 81 universities to deliver some 1,100 education and training programmes. 35 of these were approved to administer new degree level courses to deliver our pre-registration nursing standards from September 2011.
- Completed reviews of key standards to ensure they remain relevant or identify any improvements needed including:
 - Good health, good character.
 - Requirements for return to practice.
 - Standards to support learning and assessment in practice.
- Delivered our programme of quality assuring training and education provision for nurses and midwives to ensure it remains at a high standard: 54 universities were visited and 130 programmes reviewed.
- Provided more help to educators and students by:
 - Improving our students' handbook and sending out a monthly e-newsletter to over 16,000 educators and students.
 - Making more resources available online for those who develop and deliver education and training programmes.²⁰
- Set up reference groups to provide expert input into our quality assurance work.

¹⁹ www.nmc-uk.org/Documents/Annual_reports_and_accounts/Corporate-plan_2011-2014.pdf

²⁰ www.nmc-uk.org/Documents/Standards/nmcSLAiP-FAQs.pdf and www.nmc-uk.org/Educators/Standards-for-education/Standards-of-proficiency-for-nurse-and-midwife-prescribers/FAQ-Nurse-prescriber-education-programmes

Assuring the quality of education and training programmes

Our quality assurance framework is designed to ensure public protection through approving and monitoring programmes for educating and training nurses and midwives. We work closely with universities to assess that our standards are being met and appreciate the positive working relationships we have with them.

However, we take action where we have cause for concern. For example, following concerns raised with us by the Care Quality Commission (CQC), we requested that the relevant universities remove student nurses and midwives from United Lincolnshire Hospitals Trust to alternative clinical placements. Following intensive work with CQC and the Trust, the universities were able to return students to these placements once satisfied that there were no remaining risks to patient or public safety. This needs to be seen in context: in last year's monitoring programme out of 270 aspects of provision reviewed across 54 universities, only eight aspects received an unsatisfactory rating that required an action plan to be put in place.

Evidence based policy and standards

Once qualified, all nurses and midwives are expected to follow the professional code which we set.²¹ The code is the foundation of good nursing and midwifery practice, and a key tool in safeguarding the public's health and wellbeing. It makes clear that nurses and midwives must make the care of people their first concern, treat them as individuals and respect their dignity. We undertook a short survey last year to inform a review of the code and related standards now planned for 2013-2014.

Drawing on good practice from elsewhere, we are putting in place an outcomes-focused policy development cycle and strengthening our approach to evidence gathering and evaluation to help us make robust decisions and assess whether our work is achieving the desired outcomes.

We have:

- Initiated an overarching review of our approach to standards and guidance. We are looking at how to ensure our standards have a sharper impact and can be of more practical use to patients and the public in shaping and evaluating their care.
- Begun a project to improve how we use our data to understand and improve our regulatory work, including providing an insight into the increase in fitness to practise cases, as suggested by the Health Committee.
- Continued to extend our engagement with other regulators, including undertaking joint reviews with CQC and others. We helped CQC with guidance for monitoring the provision of care for people with learning disabilities.
- Begun to capture learning from this inter-regulatory work, to develop a more systematic approach to information sharing in anticipation of the likely outcomes of the Public Inquiry into Mid Staffordshire NHS Foundation Trust (Francis Inquiry).²²
- Contributed to the work of Skills for Health and Skills for Care to develop common training standards and a code of conduct for NHS healthcare support workers in England.

²¹ The code: Standards of conduct, performance and ethics for nurses and midwives. www.nmc-uk.org/the_code

²² www.midstaffspublicinquiry.com

Midwifery issues

Our Midwifery Committee continues to provide expert input and advice on midwifery developments, including our ongoing work to revise the Midwives Rules. We undertook a full public consultation exercise on the proposed rules and expect to implement these at the end of 2012. We have also helped CQC with the development of standards for monitoring the statutory supervision of midwives in midwifery provider settings.

In April 2011, we successfully introduced new quarterly monitoring arrangements for local supervising authorities to inform us of key issues relating to the supervision of midwifery officers. This is already proving an effective early warning system and is being further refined to enable the quarterly reports to be returned electronically and facilitate sharing of good practice.

Regulation in practice

In partnership with CQC, we participated in an extraordinary review of University Hospitals Morecambe Bay NHS Foundation Trust (the Trust) following a number of concerns and complaints raised with us. Our report made 19 recommendations addressing concerns about Trust policies and procedures integral to ensuring high standards of safe and effective care.²³ We have undertaken follow-up visits with key stakeholders including CQC, Monitor, the General Medical Council and service commissioners to ensure that the improvements in the Trust's action plan are being implemented. Through our Local Supervising Authority reporting system, we are keeping a close watch on the Trust's progress in ensuring the safety and wellbeing of mothers and their babies.

Jointly with the Royal College of Midwives we commissioned an independent report into the Feasibility and Insurability of Independent Midwifery which was published in December 2011.²⁴ There is a key public protection issue here. The code recommends that midwives either obtain adequate professional indemnity insurance or, if unable to do so, demonstrate that their clients and patients are fully aware of this fact and its potential implications. We will be looking at this carefully as part of considering how to ensure that the insurance status of all nurses and midwives is reflected on the register.

The Department of Health is currently working on the overarching changes required to implement European legislation which will apply to all health professional regulators.²⁵ We will be contributing to that as well as looking at how to make the necessary operational amendments to our registration process.

Language proficiency

We have continued to be proactive in calling for changes in European legislation to allow us to systematically language test nurses and midwives trained elsewhere in Europe who wish to practise in the UK.²⁶ We gave evidence to the Health Committee

²³ www.nmc-uk.org/Documents/MidwiferyExtraordinaryReviewReports/NMC_Review-of-University-Hospitals-of-Morecambe-Bay-NHS-Foundation-trust.pdf

²⁴ www.nmc-uk.org/Documents/Midwifery-Reports/Feasibility-and-Insurability-of-Independent-Midwifery-in-England_September-2011.pdf

²⁵ Directive 2011/24/EU on Cross Border Health Care

²⁶ Directive 2005/36/EC on the recognition of professional qualifications. The Directive covers both European Union and European Free Trade Association Member States.

and to a House of Lords Inquiry into the mobility of health professionals and were pleased that both supported our position.²⁷

We coordinated the input of the authorities throughout the European Union who undertake a similar role to ours and were able to ensure that the European Commission incorporated most of our recommendations into its proposals for amendments to the professional qualifications directive. We are working to ensure that the Members of the European Parliament who will consider the Commission's proposals understand our concerns.

In parallel, we have taken steps to mitigate the risks to patient safety of nurses or midwives with inadequate language skills being employed. We continue to work with the Department of Health to highlight employers' responsibilities to ensure their staff have appropriate language proficiency.

Assuring continuing fitness to practise: towards revalidation

We are committed to introducing an effective and proportionate system of revalidation for all nurses and midwives in 2014. Revalidation will update and enhance the current post-registration education and practice (Prep) standards.

We have:

- Refreshed *The Prep handbook* – which contains the post-registration education and practice (Prep) standards and guidance which nurses and midwives must meet to renew their registration every three years.²⁸
- Undertaken a pilot project to audit a randomly selected sample of 100 Prep cases. Learning from the audit processes will help inform the future shape of our revalidation arrangements.
- Made significant progress on developing our approach to revalidation to meet Department of Health and CHRE expectations of proportionality, consistency, agility, transparency and accountability.

Revalidation will help to increase patient safety and strengthen public confidence by requiring nurses and midwives to demonstrate more robustly that they meet our standards to remain on the register.

²⁷ www.publications.parliament.uk/pa/ld201012/ldselect/ldeduc/201/20102.htm and www.publications.parliament.uk/pa/cm201012/cmselect/cmhealth/1699/169902.htm

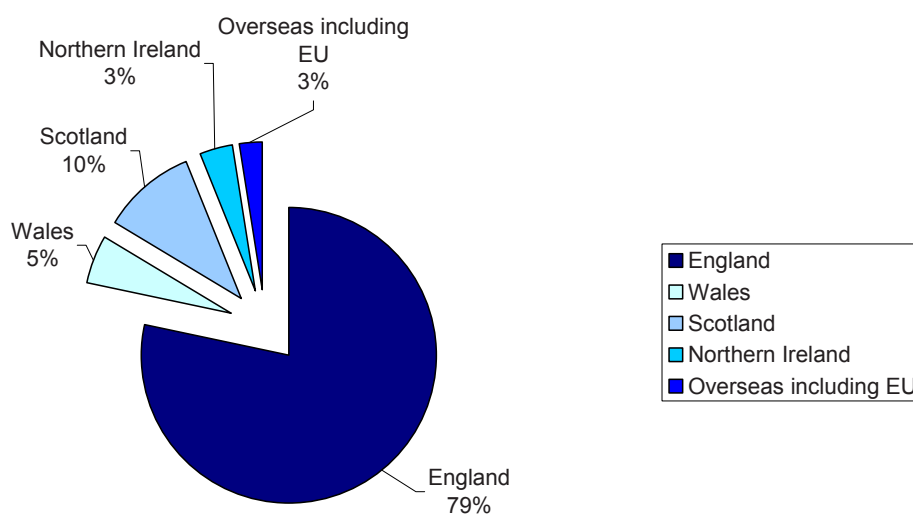
²⁸ www.nmc-uk.org/Educators/Standards-for-education/The-Prep-handbook

Maintaining the register

Fundamental to everything we do to safeguard the public is keeping the register of nurses and midwives who are legally allowed to practise in the UK. Only those who meet our standards can be admitted to, or remain on, the register. Registration provides assurance to patients, employers and the public that a person is fully qualified, trained and capable of safe and effective practice and worthy of trust and confidence.

At 31 March 2012, there were 671,668 nurses and midwives on the register. The following chart shows a breakdown of the register by country of registration.

Register by country at 31 March 2012



Anyone can check the registration status of a nurse or midwife at any time through our online public register or by writing or telephoning us.²⁹ As recommended by CHRE, we are currently considering how to enable easier access through our public online search facility to information about nurses or midwives who have been struck off or suspended from the register.

It is illegal for a nurse or midwife to practise if they are not on our register or if their registration has lapsed. A key focus during 2011-2012 has been ensuring that nurses and midwives renew their registration on time. This has resulted in a 2.04 percent increase in renewals made prior to expiry, from 87.43 percent to 89.47 percent; and a 2.6 percent increase in annual retentions being completed on time, from 92.62 percent to 95.22 percent.

²⁹ www.nmc-uk.org/Search-the-register.

We have:

- Introduced aptitude and adaptation programmes for EU applicants based around the knowledge and skills required to register in the UK.
- Improved customer experience by enabling EU and international applicants to self assess eligibility to apply for registration using our secure website.
- Improved our appeals process by:
 - Giving unsuccessful applicants more information about how to appeal.
 - Expanding the pool of panellists and chairs available to conduct appeal hearings to speed up the process.
- Facilitated over 4.8 million register searches through our public online facility.
- Enabled over 1 million register checks through our Employer Confirmation Service.
- Begun sharing information with the NHS electronic staff record system (ESR). Changes to any of the 400,000 records held by ESR are updated daily, giving NHS employers prompt access to changes in the registration status of nurses or midwives.
- Launched a joint initiative with the Royal College of Physicians, the British Medical Association and the General Medical Council to make GP practices aware that they must check the registration status of practice nurses.
- Secured CQC agreement to make it a condition of GP practice registration to have satisfactory processes in place for checking the qualifications and registration status of practice nurses.³⁰

Improving the accuracy of the register

In late 2011, we identified inaccuracies in register entries relating to some individuals who have gone through our fitness to practise processes. Some errors have arisen due to lack of connectivity between our registrations database and our fitness to practise case management system. This led us to begin a wider more robust audit. We have strengthened our operating procedures and staff training to minimise future recurrences. We run daily checks to ensure that any errors between the two systems are immediately identified and corrected. A longer term resolution of this issue will be addressed through a suitable IT solution, as part of our developing ICT strategy.

Our service standards

We set clear standards for processing registration and renewal applications and responding to telephone and email enquiries. We were disappointed that for a period during 2011 we were unable to maintain these standards following a reduction in the number of staff made in anticipation of transferring more services online. More staff

³⁰ This comes into force in April 2013.

were employed and our performance recovered to previous standards towards the end of 2011-2012.

We have sought to improve customer service through enhancements to our telephone system to resolve more enquiries on first contact as well as to deploy our resources more efficiently and effectively to meet demand in real time.

Fitness to Practise

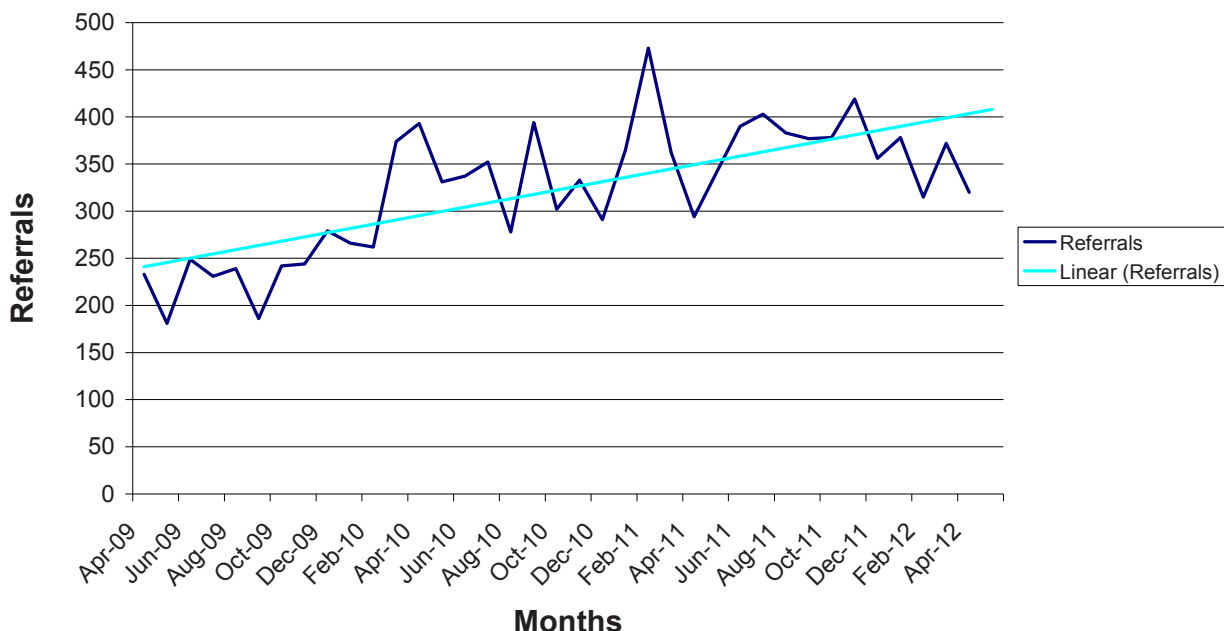
Central to our regulatory purpose is protecting the public from nurses or midwives whose fitness to practise is impaired. We are the only body with the power to stop a nurse or midwife from practising in the UK if they present a risk to public safety.

Our fitness to practise cases involve only a very small number of nurses and midwives: 0.6 percent of those on our register with less than 0.1 percent on our register receiving a sanction last year. However, this work accounts for more than half of our staff and, in 2011-2012, 67 percent of our budget.

We have experienced an unprecedented 48 percent increase in concerns raised with us about nurses and midwives since 2009-2010. We have looked at research undertaken by other regulators with similar increases to see what we can learn from this. We recognise that the report of the Francis Inquiry in late 2012 may prompt a further increase in referrals and have taken this into account in our planning and budgeting assumptions.³¹

The graph below shows the trend in new referrals since 1 April 2009.

FtP new referrals trend analysis



³¹ www.midstaffspublicinquiry.com/

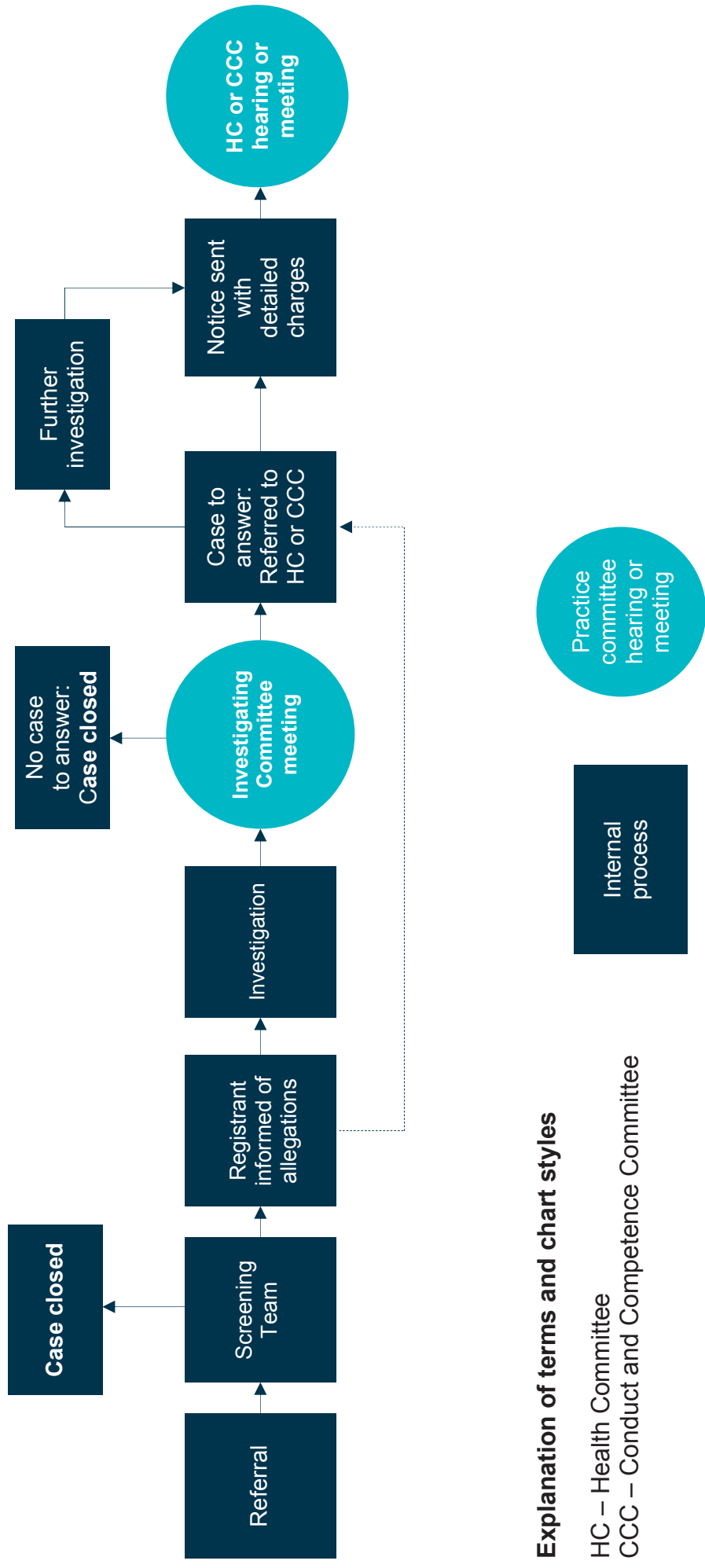
How we deal with fitness to practise concerns

When a new fitness to practise concern is raised with us, we typically take the following steps:

- An initial assessment (screening) of the allegation or complaint, including determining whether urgent action is required.
- Where necessary, conduct an investigation of the allegation or complaint and decide whether there is a case to answer.
- Where necessary, convene a hearing or meeting to reach a final decision and if we find that fitness to practise is impaired, determine what action, if any, should be taken, including any appropriate sanction.
- In cases where there is a serious and immediate risk to patient or public safety, we can take urgent action through interim orders to suspend or restrict the practice of the nurse or midwife straightaway.

The following flowchart shows what happens to cases after we receive them.

Fitness to Practise Process from 6 February 2012



Our fitness to practise improvement programme

In January 2011, we began a major programme to improve our fitness to practise work. This accelerated during 2011-2012 with significant additional funds being allocated for this purpose from our reserves. We intensified our focus and scrutiny including by setting up a Council Fitness to Practise Action Plan Group with support from other regulators. We developed an action plan, agreed with the Department of Health and CHRE, to address three priority areas for improvement.

The speed with which we progress cases:

- Following Department of Health agreement, we amended the rules governing how we progress fitness to practise cases, removing unnecessary committee stages, to improve the efficiency, timeliness and cost effectiveness of our procedures and take action to protect patients and the public more quickly when necessary.³²
- We are currently consulting publicly on the option of introducing a consensual disposal process - where nurses and midwives who agree that their fitness to practise is impaired voluntarily accept a sanction – as well as other changes to improve how we manage fitness to practise cases.³³
- We are increasing the number of substantive hearings scheduled each working day.
- We are addressing the high rate of adjournments, particularly where cases are adjourned part-heard, including through training panel members in case management and introducing an over-listing process to make more efficient and effective use of our hearing capacity.
- We now refer cases to employers where we consider that an allegation is not sufficiently serious to require regulatory action.

Our performance:

We have set clear performance targets for improving the timeliness with which we progress cases.

- Interim orders to be imposed within 28 days from receipt of referral where there is a serious immediate risk to the public. In 2011-2012, the median achieved was 28 days and the average time taken was 29.8 days.
- 12 months from receipt of referral to completion of the investigation stage. In 2011-2012, the average time taken for all cases was 17.6 months.
- Six months from completion of the investigation to the first listing of the final hearing. In 2011-2012, the average time taken for all cases was 9.8 months.

Our performance has been affected by "historic" cases: that is, cases received before our improvement programme began in January 2011. We have set specific measures to progress these cases and aim to have cleared all "historic" cases by April 2013.

³² www.nmc-uk.org/rules

³³ www.nmc-uk.org/Get-involved/Consultations/NMC-consultation-on-fitness-to-practise-case-management-and-consensual-disposal

The rule changes we have already made and those we are proposing, together with the significant additional funding we have allocated to our fitness to practise work in 2012-2013, should enable us to make further progress towards meeting these targets.

Our customer service:

- In August 2011, we introduced a new customer service pledge. Amongst other things, this includes a commitment to notify participants in fitness to practise proceedings of our decisions within five working days. We achieved this in 86 percent of cases in March 2012.
- A customer evaluation form is now sent to all participants at the end of each case to identify further learning and points for improvement.
- We are tackling the quality of our communications through increased support for panels, staff training, and better staff reference material and template letters. We explain the reasons for our decisions more clearly and fully, provide details of our customer service standards and give direct staff contact details.
- Our hearings support officers have specific responsibilities for providing appropriate care and meeting the needs of witnesses.

Improving decision-making:

- We recruited 98 panel chairs with specific competencies relating to hearings management. Following their appointment in March 2012, the new chairs successfully completed induction and training by April 2012.
- We improved support for panel chairs and panellists by our Panel Support Team through provision of training, guidance and feedback. The team's work has been much appreciated by panel members.
- We revised our guidance for panel members including on reaching and recording decisions. We recently consulted publically on comprehensive guidance designed to help panel members when considering the issues to be taken into account in determining the appropriate sanction to be imposed.
- We set up an internal group which meets monthly to review panel decisions, including decisions to adjourn cases. Learning identified by the group is fed back to panel members and Fitness to Practise staff and further support and guidance for panel members is provided by our Panel Support Team.
- We introduced a structured programme of quality assurance audits to identify further areas for improvement.

Our ability to improve both the speed of our case progression and the quality of our work has been affected by the large and increasingly complex volume of cases we receive. The investment of additional resources this year has helped, but we are aware that our case officers continue to hold very high individual caseloads.

Given the increases in new cases in the past two years, we are working proactively with employers to help them better understand when to refer cases to us, including issuing updated guidance.

Our Head of External Liaison engages directly with employers and is available to provide advice to Directors of Nursing and local supervisory authority midwifery officers through our dedicated helpline.

More detailed information about our fitness to practise work, including the numbers of cases we dealt with and the outcomes, can be found in our Fitness to Practise Annual Report 2011-2012, published alongside this report.

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

Communicating with patients and the public

High profile failures of care such as those seen at Winterbourne View and Stepping Hill inevitably generate considerable public concern. We have responded promptly and taken effective action whenever we have received information which suggests that registered nurses or midwives pose a risk to public safety. At the same time we have sought to reassure the public and maintain their confidence in the professions by keeping them informed of our actions and how we protect them. We consistently remind nurses and midwives that failure to report concerns about patient care is a breach of their professional obligations.

Protecting the public

We have:

- Published *Complaints against nurses and midwives: Helping you support patients and the public*: an accessible guide to help those organisations who provide support to patients and the public understand our role better, with help from our patient and public involvement group.³⁴
- Produced jointly with other healthcare regulators a guide for the public: *Who regulates health and social care professionals?*³⁵
- Sent out a quarterly email newsletter to 9,100 members of the public.
- Worked on a new strategy to help us engage with service users, patients and the public more effectively and ensure their views inform and shape our work. This will be a key area of focus in the year ahead.

Influencing the behaviour of nurses and midwives

We successfully delivered a substantial programme of events throughout the four countries to engage with stakeholders across the breadth and depth of the nursing and midwifery professions, including Directors of Nursing, Supervisors of Midwives, education providers and the public. Feedback collected from participants was overwhelmingly positive in suggesting that the events raised confidence in the NMC and increased understanding of our role and how we go about our work. The events also provided a vehicle to improve knowledge of our fitness to practise processes, as well obtaining input into major projects such as our work on revalidation.

We keep nurses and midwives up to date with professional and regulatory developments through regular updates, newsletters and e-communications, as well as social media.

³⁴ www.nmc-uk.org/Publications/Information-for-the-public

³⁵ www.nmc-uk.org/Publications/Information-for-the-public

Our leading edge advice on the use of social networking sites and the standards of conduct and behaviour expected of nurses, midwives and students has been widely recognised as setting a benchmark by other professional organisations inside and outside the health sector.³⁶

Working across the four countries

As healthcare policies continue to diverge across the four countries, our efforts to strengthen relationships and engage directly with key stakeholders, other regulators, policy formers, patient organisations and others in Scotland, Northern Ireland and Wales have been positively received. Our dedicated liaison role and the opening of our Edinburgh office represented important steps which have significantly improved the level and quality of our interactions, as well as our own awareness of the historical, cultural, economic and social diversity across the UK.

Government and strategic engagement

In addition to our accountability hearing with the Health Committee in July 2011, we were pleased to give evidence to the committee's inquiry into education, training and workforce planning. We also contributed evidence to the Scottish Parliament's Health and Sport Committee inquiry into the regulation of care for older people and to the Northern Ireland Assembly on reform of the Northern Ireland Ombudsman's Office.

We meet quarterly with other professional regulators to share information, good practice and identify scope for collaboration on a wide range of issues including for example on the NHS leadership framework. We have engaged with NHS Education Scotland and Health Education England (HEE) and contributed to Sir Bruce Keogh's NHS Human Factors working group. We participate in the Prime Minister's Nursing and Care Quality Forum and are engaging with the Royal College of Nursing's National Education Inquiry.

We gave evidence to the Public Inquiry into Mid Staffordshire NHS Foundation Trust (Francis Inquiry)³⁷ and are actively preparing to address any recommendations affecting the nursing and midwifery professions and healthcare regulation when the report is published in late 2012. We contributed to the Law Commission's review on the regulation of healthcare professionals which is likely to have significant implications for us and other healthcare regulators.³⁸

³⁶ www.nmc-uk.org/Nurses-and-midwives/Advice-by-topic/A/Advice/Social-networking-sites

³⁷ www.midstaffpublicinquiry.com

³⁸ lawcommission.justice.gov.uk/consultations/healthcare.htm

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

As part of our change management programme, we are developing a Human Resources Strategy to ensure we have the right skills, expertise and capacity within our staff to deliver our core regulatory functions. We are reshaping how we work to become more economic, efficient and effective whilst making sure that we have the necessary resourcing levels in place to address the improvements needed in our fitness to practise and other core regulatory functions.

We have:

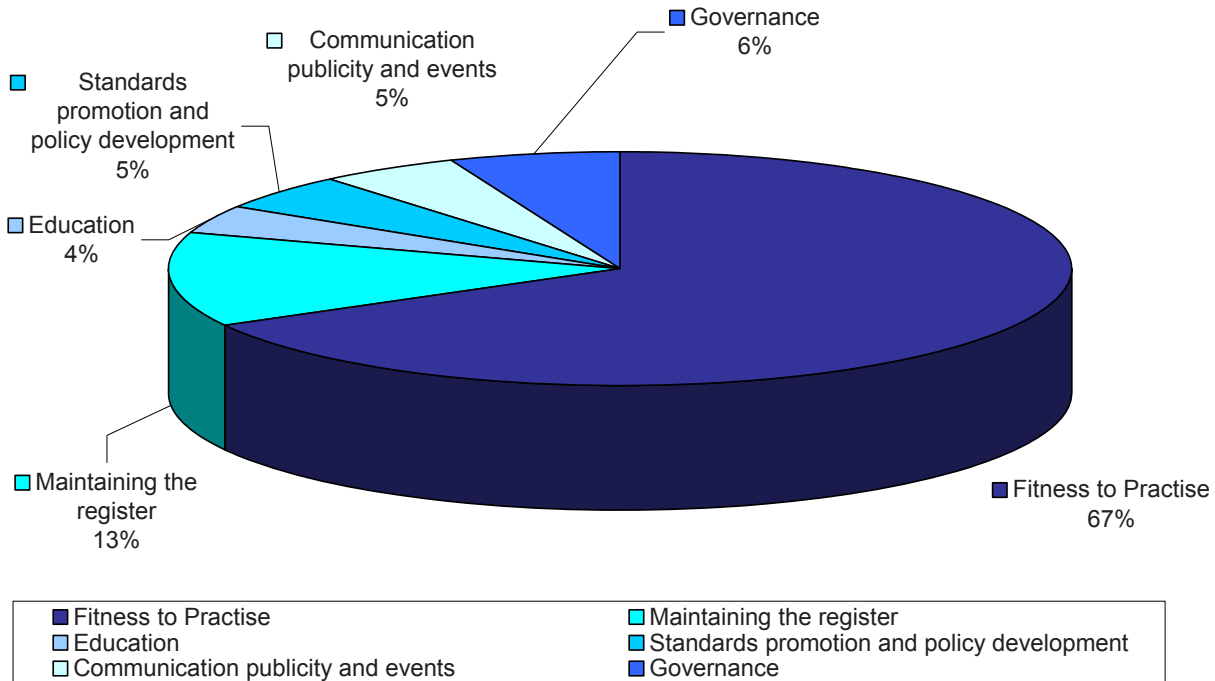
- Adopted alternative recruitment methods and are making greater use of fixed term contracts in place of agency staff, including in our Fitness to Practise directorate, to bring down recruitment costs.
- Reduced unplanned absence to an average 2.11 percent (below NHS standards of 4 percent).
- Continued equipping our staff to deliver high quality services including through e-learning courses and development programmes for middle managers and front line supervisors.
- Improved staff communications through regular staff briefings and surveyed staff to inform the development of our future internal communications strategy.
- Expanded the Staff Consultation Group and updated its constitution.
- Implemented stage one of a new HR and payroll system. This has enabled us to reduce bureaucratic burdens, introduce e-payslips, and improve management information on sickness absences, vacancies, induction and exit data recording.

Using our resources efficiently and effectively

Work to continue to improve our finance and other corporate support services has been ongoing throughout the year. We have worked with other health regulators on benchmarking and best practice, as well as providing input to CHRE's review of cost effectiveness and efficiency across the sector.

The following chart shows spending on our core regulatory functions together with governance and corporate services and communications during 2011-2012.

Where the money went 2011-2012



Given the significant challenges we face, we set up a Council Finance Review Group to assess the financial position in detail. The Group has initially focused on overseeing the preparation of a revised long-term financial strategy to address the substantial investment required in our fitness to practise function. This has involved a rebasing of the budget for 2012-2013 to take account of revised assumptions around our fitness to practise workload and the need to invest in improving our IT systems.

Substantial work is ongoing to make sure that we are making the most effective and efficient use of all available resources. In September 2011, we set up an efficiency board to identify and capture savings from our fitness to practise improvement programme. This has now been extended organisation wide and its work is being overseen by the Council's Finance Review Group.

Council has considered the position in depth and we believe that we have now arrived at a realistic financial plan for the next three years which will allow us to function efficiently and effectively whilst fulfilling our fundamental duty to protect and safeguard the public.

Essential upgrades have been made to the core information technology systems supporting our registrations and fitness to practise functions. However, these systems will need to be replaced over the next five years to address identified deficiencies. This will also require substantial investment. We are revising our ICT strategy to address these and other longer term developments.

The need to hold hearings to reach final decisions on fitness to practise cases represents a considerable but unavoidable expense. The decision to increase the number of substantive hearings held each day has necessitated provision of additional accommodation.

Supplementary office space was procured in London to house our fitness to practise staff so that we could convert the existing accommodation into dedicated hearing suites. We were pleased that we completed both this and the opening of our office in Edinburgh on time and to budget.

We have:

- Successfully migrated over 9,000 closed fitness to practise cases (with 250,000 associated documents and images) to our current case management system. Analysis of this data will inform the evidence base for our revalidation model, as well as future policies and standards.
- Strengthened our information governance and security through:
 - Updating our policies and procedures.
 - Introducing new reporting arrangements for security breaches.
 - Rolling out training to all staff.
 - Preparing a security gap analysis.
- Successfully migrated to a new single telephony system across all NMC sites to make it easier for people to contact us and improve our efficiency and effectiveness.
- Tested our business continuity arrangements and implemented plans to ensure continued effective operation during the Olympic and Paralympic Games 2012.

5. Strategic Plan 2012-2015

We are clear that all our energies and resources must be directed to our fundamental statutory duty: protecting the public. In setting our corporate plan for 2012-2015, we have continued to focus our three strategic goals on safeguarding the health and wellbeing of the public.

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

To achieve this we will:

- Safeguard the public's health and wellbeing by keeping an accessible accurate register of all nurses and midwives who are required to demonstrate that they continue to be fit to practise.
- Set appropriate standards of education and practice and assure the quality of education programmes and the supervision of midwives so that we can be sure that all those on our register are fit to practise as nurses and midwives.
- Take swift and fair action to deal with individuals whose integrity or ability to provide safe care is questioned so that the public can have confidence in the quality and standards of care provided by nurses and midwives.
- Improve our understanding and use of diversity data, embedding equalities best practice so that we are inclusive and treat people fairly.

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

To achieve this we will:

- Maintain open and effective regulatory relationships with patients and the public, other regulators, employers and the professions that help us positively influence the behaviour of nurses and midwives to make the care of people their first concern, treat them as individuals, and respect their dignity.
- Develop and maintain constructive and responsive communications so that people are well informed about the standards of care they should expect from nurses and midwives and the role of the NMC when standards are not met.

Staff: Our staff will have the skills, knowledge and supporting systems needed to help us provide excellent services to the public and the people that we regulate.

To achieve this we will:

- Develop effective policies, efficient services and governance processes that support our staff to fulfil all our functions.
- Build a culture of excellence by attracting, retaining and developing high quality staff to deliver our services.

We know that to deliver against our goals and objectives we need to transform the NMC into a more economic, efficient and effective regulator. This means tackling the internal challenges identified by CHRE's Strategic Review, as well as raising our performance to meet all CHRE's standards of good regulation. Our ambitious change management programme, described below, will be the vehicle for driving this transformation over the next 12 to 18 months. We know that to be able to achieve this we need to refocus on organisational capability and leadership.

We will strengthen our capability by:

- Ensuring that the senior leadership team sets a clear direction and purpose, demonstrates positive behaviours, lives shared values, and embeds a culture that inspires and shapes how the organisation works in the future.
- Developing a fit for purpose governance framework and strengthening compliance across the organisation.
- Embedding transparent decision making at all levels with distinct boundaries between accountability and responsibility.

To support this we will:

- Develop organisational capacity underpinned by clearly defined roles and
- Create robust business systems and support functions.
- Ensure access to accurate management information to inform sound decision making.
- Develop performance measures that are outcome focused, drive operational efficiencies and effectiveness and help us assess how well we deliver our core regulatory functions.

A key element of our change management programme is restructuring the organisation, reducing the number of directorates from seven to four and introducing new ways of working. We are developing our Human Resources Strategy to ensure that our staff are supported and equipped to deliver the safeguards the public rightly demands, including through the transition period.

Our major challenge is ensuring that we have a sustainable financial base to enable us to continue our current level of activity to deal with our fitness to practise workload. This, together with the costs of our other core regulatory and support functions, means that we need to increase our income. We have therefore consulted on proposals to increase registration fees to a level which will enable us to continue to meet our statutory duty to protect the public. We will finalise our strategy in the light of responses to our public consultation and determine any changes to our fees in autumn 2012.

At the same time, we need to demonstrate that our resources are being deployed in the most appropriate and effective manner. We are therefore implementing a cost effectiveness strategy and efficiency programme across the organisation.

Significant investment will be needed in our ICT systems to deliver our core registrations and fitness to practise functions efficiently and effectively to provide the assurance that patients and the public need. We aim to reach decisions on our long-term IT strategy during 2012-2013.

All of these measures are designed to help us deliver our key regulatory challenges more efficiently and effectively.

We are continuing to make substantial investment in our fitness to practise improvement programme so that we will be meeting our key targets by the end of 2014:

- Beginning the adjudication (final decision) stage on all cases received prior to January 2011.
- Completing investigations of all cases within 12 months and beginning the adjudication (final decision) stage within 6 months of completing those investigations.
- Achieving significant improvements in the quality of our decisions and the customer care we provide to those involved in fitness to practise proceedings.

We are also embarked on a major programme of work to introduce a system of revalidation to give the public and patients more confidence that nurses and midwives continue to be fit to practise when given renewed registration. Following widespread and comprehensive consultation during the past year, we will be developing our draft standards during 2012 and identifying learning from our Prep audit and other sources of evidence available to us to ensure that our approach is both proportionate and effective. We plan to introduce our revalidation system in 2014.

6. Financial review

The net outgoing resources for the year amounted to (£8,410,000) (2010-2011: net incoming resources £7,751,000).

The reserves of £41.7 million at 31 March 2012 include the value of the lease of the Council's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2010 on an existing use basis at £13.75 million.

During the year income totalled £52,781,000 (2010-2011: £52,467,000) and comprised fee income of £51,581,000 (2010-2011: £51,397,000) and investment income of £1,200,000 (2010-2011: £876,000).

During the year expenditure totalled £61,191,000 (2010-2011: £44,716,000). This is further analysed within note 11 to the accounts.

The increase in expenditure in 2011-2012 was driven primarily by increased investment in fitness to practise activity, to manage an increased level and complexity of cases. A deficit was planned for 2011-2012, consistent with maintaining adequate reserves as required by our reserves policy.

However, in order to deal with our fitness to practise caseload, we forecast that our expenditure will continue to increase in 2012-2013 and beyond. To continue at this level of activity with our current income level is not sustainable. We would have no choice but to scale back our fitness to practise activity so that we could live within our means. This would, however, mean that we would be failing in our duty to protect the public. For this reason, we have consulted on a possible increase to our annual registration fee and will make a decision later this year.

Reserves policy

The Council's reserves policy requires that free reserves should equate to at least three months' worth of budgeted operating expenditure, plus an amount to cover the NMC's estimated share of the pension deficit based on the latest pension scheme valuation. This level of reserves is considered to be appropriate, given the relative stability of the NMC's income base. It is considered sufficient to meet the NMC's operating priorities and working capital requirements in the event of a significant unplanned circumstance.

The reserves policy is reviewed by Council as part of the annual planning process and as a core component of the NMC's financial strategy. Free reserves may be reduced in the short term from the level required by the policy, but only in circumstances where there is a clear and robust plan for building them back up to the required level. The level of free reserves is reviewed by Council on a monthly basis.

The free reserves of the NMC were £23,133,000 at 31 March 2012 (£32,547,000 at 31 March 2011). This is in accordance with the reserves policy.

Investment policy

The NMC has the power to invest its surplus funds as it considers appropriate to generate income for the Council. Currently the NMC has a formal investment policy, which limits investment to low and no risk options.

NMC funds are held in fixed interest deposit accounts spread across five UK high street banks. The revenue generated from the investment in 2011-2012 was £1,200,000 (2010-2011: £876,000).

Fixed assets

Information relating to changes in tangible fixed assets is given in note 14 to the accounts. The cost of fixed assets additions during the year was £3,874,000.

There were three major accommodation capital projects during the year. These were the refits of leased office premises at Clarendon House, 114-116 George Street, Edinburgh, and at 1 Kemble Street, London, and the conversion of leased office premises at 61 Aldwych, London, to a dedicated Fitness to Practise hearing venue with ten hearing suites. The net cost of these projects in 2011-2012 was £2,975,000.

Professor Judith Ellis MBE
Deputy Chair
NMC
4 September 2012

Jackie Smith
Acting Chief Executive and Registrar
NMC
4 September 2012

7. Remuneration report

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

Council members' allowances and expenses

The Council is the governing body of the NMC and has ultimate decision-making authority as described in the Annual Governance Statement (section 9). The members of Council are the trustees of the NMC.

The Chair of the Council from 1 April 2011 until his resignation on 31 March 2012 was Professor Tony Hazell. Professor Judith Ellis, MBE was made Deputy Chair of the Council from 1 April 2012.

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 two to three 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.

Allowances paid to Council members in 2011-2012 amounted to £200,000 (2010-2011: £204,780). Full details of the amounts paid are set out in the table on page 35.

No special payments were made to any Council member in 2011-2012.

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.

Where meetings are held in London, expenses are considered to be a taxable benefit in kind. The NMC pays the income tax and national insurance arising via a PAYE settlement agreement with HMRC. In 2011-2012, £25,517 was provided for this tax liability in relation to Council members (2010-2011: £24,394). 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.

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

Council members	Allowance paid to member 2011-2012	Allowance paid to member 2010-2011	Expenses deemed benefit in kind 2011-2012	Expenses deemed benefit in kind 2010-2011
	(£)	(£)	(£)	(£)
Mrs A Aitken	12,000	12,000	5,207	5,042
Ms C Baron ³⁹	-	9,000	-	1,527
Dr K Bharj OBE	12,000	12,000	4,578	2,590
Professor J Ellis MBE	12,000	12,000	-	-
Mrs J Fletcher	12,000	12,000	3,373	2,653
Prof T Hazell – Chair	48,000	48,000	16,711	15,740
Mrs L Jacobs	12,000	12,000	2,790	1,585
Mrs G Nelson ⁴⁰	11,000	12,000	2,739	2,789
Mr G Owen	12,000	12,000	2,172	2,707
Mr D Pyle	12,000	12,000	1,115	1,813
Mrs C Rees-Williams	12,000	12,000	2,190	1,410
Professor M Renfrew ⁴¹	9,000	12,000	2,519	3,694
Ms R Sawtell	12,000	12,000	694	502
Mrs B Teuten	12,000	3,780	433	133
Prof J Tunstill	12,000	12,000	26	-

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

Julia Drown, a partner member, was appointed Chair of the Audit Committee in December 2010. In 2011-2012, she received attendance allowance of £2,080 in this capacity (2010-2011: £520), and incurred expenses considered to be a benefit in kind of £248 (2010-2011: £93). Throughout 2011-2012, she continued as a member of the Pension Fund Trustees and in this capacity she received attendance allowance of £1,820 (2010-2011: £1,560) and expenses considered to be a benefit in kind of £99 (2010-2011: £529).

Methods used to assess members' performance

The appraisal system for Council members was agreed by the Council in 2010. The system is competency-based, in common with many systems used for review of board members. Members complete an annual self appraisal form and meet with the Chair for feedback and identification of any training needs. The Chair of Council additionally underwent a 360 degree appraisal process which included feedback from Council members, senior staff and external stakeholders.

³⁹ Demitted Office 31 December 2010

⁴⁰ Resigned 29 February 2012

⁴¹ Demitted office 31 December 2011

Senior Management Team remuneration and performance assessment

The senior management team (called the Directors Group) comprises the Chief Executive and Registrar and directors. They are not members of the Council and are not trustees of the NMC.

The Chief Executive and Registrar is the only employee appointed directly by and accountable to Council and has decision-making authority to the extent described in the Annual Governance Statement (section 9) as delegated by Council. The only remuneration details disclosed in full are therefore those for employees who performed the role of Chief Executive and Registrar during 2011-2012.

The remuneration of the Chief Executive and Registrar and the directors is reviewed annually. The Directors Group is made up of directors who report directly to the Chief Executive and Registrar. Any increases to pay made during 2011-2012 were based on the rating awarded to the individual through the annual performance and development review (PDR) process, which is carried out in April. The Remuneration Committee advises the Chair on the remuneration of the Chief Executive and Registrar; it then advises the Chief Executive and Registrar on the remuneration of the members of the Directors Group. The Remuneration Committee consists of three Council members and one independent member. Benchmarking of the roles of the directors is carried out periodically by third parties and this information is made available to the committee.

The employment contract of the Chief Executive and Registrar normally requires notice of six months to be given by either party in order to terminate the contract. For senior management the period is three months.

From 16 December 2011, Jackie Smith was deputising as chief executive to cover a period of ill-health on the part of the Chief Executive and was formally made Acting Chief Executive and Registrar on 26 January 2012 following the resignation of the former Chief Executive and Registrar on 11 January 2012. Her remuneration in 2011-2012 for the period from 16 December 2011 to 31 March 2012 was £45,194.

Jackie Smith is an ordinary member of the NMC pension scheme (see note 12). Details of her pension position are as follows:

The real increase during 2011-2012 in her pension at age 60 was between £0 and £2,500 pa.

If she took the maximum tax-free cash payment at age 60, the real increase in the value of this lump sum at 31 March 2012 was between £7,500-£10,000 and the real increase in her residual pension was between £0 and £2,500 pa.

The accrued pension at age 60 at 31 March 2012 was between £0-£5,000. If she took the maximum tax-free cash at age 60, the value of this lump sum at 31 March 2012 was between £10,000-£15,000 and this would leave a residual pension at age 60 at 31 March 2012 of between £0-£5,000 pa.

The cash equivalent transfer value of benefits at the beginning of the year was £19,000.

The real increase in the cash equivalent transfer value during the reporting year to 31 March 2012 (adjusted for inflation and taking account of member contributions) is £31,000.

The cash equivalent transfer value of benefits at 31 March 2012 is £63,000.⁴²

The Acting Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2011-2012.

The Chief Executive and Registrar of the NMC for the period 1 April 2011 to 11 January 2012 was Dickon Weir-Hughes. For the period from April 2011 to 11 January 2012 he was paid £122,175 together with a payment in respect of his contractual notice period of £77,500.

Dickon Weir-Hughes was an ordinary member of the NMC pension scheme until 11 January 2012 (see note 12). Details of his pension position at 31 March 2012 but relating to benefits accrued between 31 March 2011 and 11 January 2012 are as follows:

The real increase during 2011-2012 in his pension at age 60 was between £0 and £2,500 pa (2010-2011: between £0 and £2,500).

If he took the maximum tax-free cash payment at age 60, the real increase in the value of this lump sum at 31 March 2012 was between £5,000 and £7,500, and the real increase in his residual pension was between £0 and £2,500 pa.

The accrued pension at age 60 at 31 March 2012 was between £30,000 and £35,000 pa (31 March 2011 between £30,000 and £35,000 pa). If he took the maximum tax-free cash payment at age 60, the value of this lump sum at 11 January 2012 was between £165,000 and £170,000 and this would leave a residual pension of between £25,000 and £30,000 pa.

The cash equivalent transfer value of benefits at the beginning of the year was £483,000.

The real increase in the cash equivalent transfer value during 2011-2012, adjusted for inflation and taking account of member contributions, was £20,000 (2010-2011: £10,000).

The cash equivalent transfer value of benefits at 31 March 2012 was £707,000 (31 March 2011: £483,000).⁴³

Dickon Weir-Hughes received no non-cash benefits (benefits in kind) in 2011-2012 (or in 2010-2011).

⁴² The difference between the transfer value at the beginning of the year, plus the real increase over the year, compared with the transfer value at 31 March 2012 is due to changes in the financial assumptions used to calculate transfer values at the two different dates.

⁴³ See previous footnote.

Remuneration and performance assessment of other staff

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

The remuneration of all other employees is also reviewed annually. As with the pay reviews for directors, during 2011-2012 a direct link was made between each person's PDR rating and what they were awarded in the pay review. The Directors Group makes decisions each year on the percentage rises to be applied to the different PDR ratings for all other employees. In doing so, the Directors Group took into account overall affordability, cost of living rates, benchmarking data and recruitment and retention data. To ensure consistency across the organisation, managers' recommendations for PDR ratings for their team members were reviewed by a manager's manager and subsequently by the Directors Group. In 2011-2012 pay awards had effect from 1 April 2011. The NMC has a pay guidance document which contains full details of how the pay arrangements operate.

All employees are entitled to join the NMC pension scheme from the start of their employment. The employee makes a contribution of six percent of salary. The employer's contribution is 27.4% percent. Approximately 50 percent of employees are scheme members.

NMC pay differentials

We are required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce.

The highest paid individual at the NMC in 2011-2012 was the former Chief Executive and Registrar (Dickon Weir-Hughes). His remuneration for the period to 11 January 2012 was £199,675, including a contractual payment in lieu of notice of £77, 500 (2010-2011: £141,695).

This was 7.25 times (2010-2011: 5.38 times) the median remuneration of the workforce, which was £27,554 (2010-2011: £26,357). The significant increase in the ratio in 2011-2012 is due to the contractual payment made to the Chief Executive in lieu of notice described above. A calculation based on normal full annual salary alone would produce a ratio of 5.63 times the median for 2011-2012, a small increase over 2010-2011.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Further information about remuneration is contained in note 12 to the accounts.

Professor Judith Ellis MBE
Deputy Chair
NMC
4 September 2012

Jackie Smith
Acting Chief Executive and Registrar
NMC
4 September 2012

8. Statement of responsibilities for Council and its Acting Chief Executive and Registrar in respect of the accounts

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 Statement of Recommended Practice Accounting and Reporting (SoRP) by Charities and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board (Appendix 1).

The Nursing and Midwifery Order 2001 requires that annual accounts are prepared and audited. The Council and its Acting Chief Executive and Registrar (as Accounting Officer) are responsible for the preparation and approval of the accounts.

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.

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.

The Privy Council has appointed the Acting Chief Executive and Registrar of the Nursing and Midwifery Council 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.

Our principal places of business

While the NMC works across England, Scotland, Northern Ireland, and Wales, its principal places of business are:

23 Portland Place
London
W1B 1PZ

61 Aldwych
London
WC2B 4AE

One Kemble Street
London
WC2B 4AN

114-116 George Street
Edinburgh
EH2 4LH

Council's advisers

Joint Auditors

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

Joint Auditors

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

Bankers

HSBC
117 Great Portland Street
London
W1A 4UY

Solicitors

Field Fisher Waterhouse
35 Vine Street
London
EC3N 2AA

Internal Auditors

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

Relevant audit information

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.

Professor Judith Ellis MBE
Deputy Chair
NMC
4 September 2012

Jackie Smith
Acting Chief Executive and Registrar
NMC
4 September 2012

9. Annual Governance Statement

Introduction

The Nursing and Midwifery Council (the NMC) faced a series of internal challenges during 2011-2012. In January 2012, the Department of Health asked the Council for Healthcare Regulatory Excellence (CHRE) to conduct a strategic review of the organisation.⁴⁴ CHRE published an interim report on 10 April 2012⁴⁵ and a final report on 3 July 2012.⁴⁶

CHRE's final report addressed four key themes: regulatory purpose, regulatory functions, people and culture, and operational management. The report refers to problems at every level and in every system including weaknesses in governance, leadership and culture, decision making, business systems and financial stewardship.

CHRE commended the full co-operation it had received and our open and responsive approach, recognising that considerable activity was already underway with encouraging signs that the foundations for change were beginning to be put in place. CHRE concluded that given the strong passion for public protection amongst our staff and our willingness to learn, there is scope to transform the organisation into a modern, fit for purpose regulator.

In response, we have set a clear strategic direction intended to turn the NMC into an efficient and effective regulator, which protects the public and inspires both public and professional confidence.

This will be delivered through the major change programme we have put in place to address CHRE's recommendations. We anticipate that, as recognised by CHRE, it will take some two years to deliver demonstrable outcomes.

Scope of responsibility

It is the responsibility of the NMC to ensure that business is conducted in accordance with the law and proper standards and that the resources and assets for which it is responsible are safeguarded, properly accounted for, and used economically, efficiently and effectively. We recognise that we need to do more to secure this and set out our plans below.

Following the resignation of the previous Chair (31 March 2012) and Chief Executive and Registrar (11 January 2012), interim arrangements were made for these roles to be undertaken pending recruitment to the substantive positions. Following our appointments as Deputy Chair and Accounting Officer, we have taken personal responsibility for ensuring that action is being taken to put in place effective governance, internal control and risk management and that the NMC adheres to high standards of probity in the management of its funds.

⁴⁴ Written Ministerial Statement to Parliament, Department of Health, 26 January 2012

⁴⁵ Strategic Review of the NMC, Interim Report, CHRE, 10 April 2012

⁴⁶ Strategic Review of the Nursing and Midwifery Council, Final Report, CHRE, 3 July 2012

The purpose of the governance framework

CHRE's report makes clear that a governance framework had been in place throughout the year ending 31 March 2012, but that this was not consistently adhered to nor did it provide the necessary assurances for Council.

As an initial measure, Council agreed a refreshed governance framework on 29 March 2012, taking into account CHRE's emerging findings. A substantial workstream within the change programme is focused on putting governance at the heart of all we do. This is intended to ensure that we deliver our core regulatory functions effectively, efficiently and economically, account for our performance openly, improve our stewardship of resources, secure the trust and confidence of the public, our stakeholders and staff and comply with all statutory and charitable requirements, including delivering public benefit.

Revisions to the governance framework will continue, to include more effective systems of internal control and risk management. We recognise that any such arrangements cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provide reasonable and not absolute assurance of effectiveness. However, we aim to have a system of internal control which ensures that as part of an ongoing process we identify and prioritise risks to the achievement of the NMC's policies, aims and objectives, evaluate the likelihood of those risks being realised and their impact, and put risk treatment in place to mitigate them efficiently, effectively and economically.

The governance framework and compliance with the Corporate Governance Code

The NMC is a body corporate established by the Nursing and Midwifery Order 2001 ("the Order")⁴⁷ and a charity registered in England and Wales by the Charity Commission (number 1091434) and in Scotland by the Office of the Scottish Charity Regulator (number SC038362).

The Council

The Council is the governing body of the NMC and members of the Council are collectively accountable. The Council members are the trustees of the charity. As trustees, Council members have ultimate responsibility for directing the affairs of the NMC, ensuring that it is solvent, well-run, and delivering public benefit. It is also responsible for ensuring compliance with the Code of Corporate Governance, in so far as it is applicable, given the status of the NMC as an independent statutory body and charity.⁴⁸

The Order currently provides for Council to consist of up to 14 members: seven registrant members and seven lay members. Lay members are those who have never been a registered nurse or midwife. All members are appointed by the Privy Council.

⁴⁷ SI 2002/253 (as amended)

⁴⁸ Corporate governance in central government departments: Code of good practice 2011, HM Treasury 2011

The following served as Council members (trustees) during the period covered by this statement:⁴⁹

Professor Tony Hazell	(Chair from 1 April 2011 to 31 March 2012. Resigned 31 March 2012)
Alison Aitken	
Dr Kuldip Bharj OBE	
Professor Judith Ellis MBE	(Deputy Chair from 1 April 2012 and council member since 1 January 2009)
Joyce Fletcher	(resigned 31 May 2012)
Sue Hooton OBE	(appointed 12 June 2012)
Lorna Jacobs	
Gayle Nelson	(resigned 29 February 2012)
Grahame Owen	
Nicki Patterson	(appointed 12 June 2012)
David Pyle	
Carole Rees-Williams	
Professor Mary Renfrew	(demitted office 31 December 2011)
Ruth Sawtell	
Beatrice Teuten	
Professor Jane Tunstill	

The Department of Health consulted earlier this year on proposals to reduce the Council to eight members.⁵⁰ It is envisaged that, subject to the outcomes of the consultation, any changes to the constitution of Council will be implemented in 2013.

The Council meets formally and in public, 10 times a year. It also holds a two-day informal private session during which it looks at its effectiveness as a Council as well as considering the changing external environment in which healthcare regulation operates and how this will affect its future strategy.

As indicated, work is currently underway to strengthen the governance framework. This includes giving further consideration to the extent to which we can apply the Code of Corporate Governance and associated guidance, including examining our performance against the compliance checklist, so far as it is relevant.⁵¹ We are:

- Revising and clarifying the standing orders which govern the conduct of Council and committee business.
- Reviewing the scheme of delegation which sets out the responsibilities of the Council, committees, the Chief Executive and Registrar and Executive team (the Directors Group) and aim to tie this back more clearly to statutory requirements.

⁴⁹ www.nmc-uk.org/About-us/The-Council/NMC-Council-members

⁵⁰ Nursing and Midwifery Council (Constitution) (Amendment) Order: A paper for consultation. Department of Health, May 2012.

⁵¹ Corporate governance in central government departments: Code of good practice 2011: Compliance Checklist, NAO March 2012.

- Reviewing our financial regulations. We intend to define more clearly procedures for the authorisation and control of items of revenue and capital expenditure, as well as put in place more effective mechanisms for ensuring compliance, including the serious event review process we are developing as described below.
- We are reviewing and strengthening our risk management policy, as described later in the statement.

We already have in place:

- A code of conduct for Council and partner members, based on the seven principles of public life (the Nolan Principles), including a public register of interests of Council and partner members and policies on declaring any gifts or hospitality.
- Agreed policies and procedures relating to:
 - Complaints against Council or partner members.
 - Public Interest Disclosure (Whistleblowing). A revised policy was agreed by Council in June 2012.
 - Complaints about the way in which the NMC carries out its functions.
 - Anti-fraud, Bribery and Corruption.

Council and committee meetings are open, with agendas, minutes and papers being publicly available unless deemed confidential under strict criteria defined in standing orders.

The Council acts collectively in making decisions. Council members do not exercise any individual authority except where responsibilities are specifically delegated to individual members. Where it is not practical to consult with members, the Chair exercises a degree of autonomy in taking urgent decisions, in consultation with the Chief Executive and Registrar, subject to keeping members informed as soon as practicable.

Role of the Council

The Council is responsible for:

- Ensuring the NMC effectively fulfils its statutory objectives, general functions and duties and appropriately exercises the legal powers vested in it under the Nursing and Midwifery Order 2001, the Charities Act 2011 and other relevant legislation.
- Determining the overall strategic direction of the NMC, its policies, aims and objectives.
- Ensuring that the NMC delivers public benefit in furtherance of its charitable purposes and complying with the duty to pay due regard to the public benefit guidance published by the Charity Commission as required by section 17 of the Charities Act 2011.
- Annually approving the corporate plan and budget to ensure the necessary resources are available to fulfil the NMC's statutory objectives.

- Monitoring the performance of the Chief Executive and Registrar through the Chair and holding them to account for the exercise of powers delegated by the Council in the scheme of delegation and delivery of the corporate plan and budget.
- Reporting annually to Parliament, the Charity Commission and Office of the Scottish Charity Regulator on the performance of the NMC.
- Promoting and protecting the NMC's statutory powers, values, integrity, image and reputation.
- Ensuring high standards of governance that command the confidence of all stakeholders.

Committees

The Order requires provision of a Midwifery Committee. The Council may establish other committees or task forces for specific purposes. However, such groups must have clear terms of reference and any authority delegated to them must be detailed in the Scheme of Delegation before the group can make any decisions.

In addition to the Midwifery Committee, three other Committees were in place during 2011-12: the Audit Committee, the Remuneration Committee and the Appointments Board.

The committees, with the exception of the Appointments Board (see below), consist of Council members and partner (non-Council) members recruited through an open process against competencies specific to the remit of that committee.

Midwifery Committee

The statutory remit of the Midwifery Committee is to advise the Council on all matters relating to midwifery. Chaired by Dr Kuldip Bharj, the committee consists of two Council members and eight partner members. There are five midwives and five lay members on the committee.

Audit Committee

The Audit Committee is responsible for ensuring that Council has effective internal controls in place and that there are appropriate systems for managing risk. The committee consists of three Council members and three partner members. It was chaired by Julia Drown (partner member) until 30 April 2012 and by Ruth Sawtell (Council member) from 1 May 2012.

Remuneration Committee

The remit of the Remuneration Committee is to advise the Chair of Council on the appointment and remuneration of the Chief Executive and Registrar and to advise the Chief Executive and Registrar on the appointment and remuneration of the members of the Executive (Directors) ensuring equity and probity and that good practice in corporate governance is followed. John Halliday (a non-Council member) was appointed as Chair of the Remuneration Committee on 1 January 2012. The Committee comprises three Council members in addition to the Chair.

Appointments Board

The Appointments Board is responsible for ensuring that the processes for the appointment, training and performance management of partner members are independent, transparent and follow best practice. Partner members include non-Council members of committees, fitness to practise panel members and Local Supervising Authority reviewers. To maintain the Board's independence from the Council, its five members including the chair are all non-Council members. The Chair of the Appointments Board is Professor Nigel Ratcliffe.

Attendance at Council and committee meetings

Attendance by members and partner members at Council and committee meetings held between 1 April 2011 and 31 March 2012 is recorded below.

Member	Council	Attended in person	Attended by teleconference
Alison Aitken	10	9	0
Dr Kuldip Bharj OBE	10	8	0
Professor Judith Ellis MBE	10	8	0
Joyce Fletcher	10	7	1
Professor Tony Hazell ⁵²	10	10	0
Lorna Jacobs	10	9	0
Gayle Nelson ⁵³	9	5	1
Graham Owen	10	9	1
David Pyle	10	9	0
Carole Rees-Williams	10	8	1
Professor Mary Renfrew ⁵⁴	6	4	1
Ruth Sawtell	10	9	0
Beatrice Teuten	10	9	0
Professor Jane Tunstill	10	10	0

Audit Committee

Professor Judith Ellis MBE	3	3	N/A
Grahame Owen	3	3	N/A
Ruth Sawtell	3	3	N/A
Julia Drown (partner member)	3	3	N/A
Kim Lavelly (partner member)	3	3	N/A
Louise Scull ⁵⁵ (partner member)	1	1	N/A

⁵² Resigned 31 March 2012

⁵³ Resigned 29 February 2012

⁵⁴ Demitted office 31 December 2011

⁵⁵ Appointed 1 December 2011, so only eligible to attend one meeting in 2011-2012.

Midwifery Committee

Dr Kuldip Bharj OBE	2	2	N/A
Beatrice Teuten	2	2	N/A
Ann Holmes (partner member)	2	2	N/A
Dorothy Patterson (partner member)	2	2	N/A
Francis McCartney (partner member)	2	0	N/A
Gillian Boden (partner member)	2	1	N/A
Kirsty Darwent (partner member)	2	2	N/A
Marie McDonald (partner member)	2	1	N/A
Rose McCarthy (partner member)	2	2	N/A
Ruth Carter (partner member)	2	2	N/A

Remuneration Committee

Gayle Nelson	1	1	N/A
David Pyle	1	1	N/A
Professor Jane Tunstill	1	1	N/A

The Role of the Executive

The Chief Executive and Registrar is the NMC's chief officer and has executive responsibility for the operational management of the NMC. This includes procedures for financial matters, conduct and discipline. The Chief Executive and Registrar is supported by the Directors Group. The Chief Executive and Registrar and the directors are expected to promote, by leadership and example, the values embodied in the Nolan principles including declaring interests and any offers of gifts or hospitality.

The Chief Executive and Registrar is responsible for ensuring the Chair and Council have timely, accurate and clear information to carry out their responsibilities.

The Chief Executive and Registrar is responsible for leading the Directors Group and staff in:

- Fulfilling the NMC's statutory objectives, general functions and duties and exercising its legal powers.
- Developing plans, programmes and policies for Council approval.

- Realising the Council's strategies and plans for the future.
- Delivering the NMC's services in line with targets and performance measures agreed with the Council.

As the NMC's Accounting Officer, the Chief Executive and Registrar is personally accountable and responsible for matters relating to financial propriety and regularity, keeping proper account of financial affairs and the effective use of resources, including the NMC's use of registrant funds and for:

- Prudent and economical administration.
- Avoidance of waste and extravagance.
- Efficient and effective use of available resources.
- General organisation, staffing and management.

The Council's performance and assessment of its own effectiveness

CHRE's Strategic Review of the NMC found amongst other things, confusion over the NMC's regulatory purpose, lack of clear, consistent strategic direction, weaknesses in leadership and internal culture, decision-making based on poor management information and inadequate business planning and financial management. It further found that the governance framework had not been complied with, that the Council and executive management team had not been sufficiently transparent and accountable, and there was no effective decision-making forum at executive level.

During 2011-2012, Council had itself become aware of these issues. It was not satisfied that it was always receiving the full information required to reach sound decisions or that the information and data was of sufficient quality to enable it to scrutinise and challenge the activities of the organisation effectively. It had also become apparent that whilst appropriate governance and related policies were in place, these were not being adhered to consistently and that the absence of an effective decision-making forum at executive level had led to work being initiated without sufficient clarity and rigour being applied in committing the organisation to particular courses of action.

We have fully accepted the findings of the CHRE strategic review and have already begun to implement its recommendations. We recognise that this is a long term plan and will take us two to three years to implement in full.

Highlights of Audit Committee reports

The Audit Committee provides a report to Council following each meeting. During 2011-2012, key items addressed by the Committee and reported to Council included:

- Adoption of the annual report and accounts 2010-2011.
- The NMC's Anti-Fraud, Bribery and Corruption policy.
- Revision of the NMC's risk appetite.
- Revision of the NMC's incident management policy.

- Revision of the NMC's risk management policy, including a revised approach to recording, managing and reporting risk.
- The levels of financial delegation.
- The risk of Council not having a financially qualified member. The Committee recommended that a member with financial expertise be appointed at the earliest opportunity.
- The NMC's reserves policy: the Committee recommended that Council retain its existing reserves policy, but recognise there may be a need to use reserves which would bring the balance below the policy level to meet particular business pressures. In such a case the Council would need to demonstrate how it intended to restore the level of reserves in line with the policy.
- Action to address the issues arising from CHRE's 2011 audit of the Fitness to Practise directorate.
- Amendments to the NMC's Public Interest Disclosure (Whistleblowing) policy, to incorporate additional safeguards.
- Revisions to the NMC's guidance on the publication of papers, confidentiality and the admission of the public and press to meetings of the committee and Council.
- Progress against the internal audit work programme 2011-2012 and proposals for the work programme in 2012-2013.

Risk assessment, the NMC's risk profile and how it is managed

Risk management and internal control framework and assessment of effectiveness

As Accounting Officer and Chair of Council, we have responsibility for keeping under review the effectiveness of the NMC's risk management and internal control systems. We are advised and supported by the Audit Committee, Directors Group (prior to that the Corporate Leadership Board), the work of the Governance department and internal auditors, Parkhill.

Although risk management processes were in place, CHRE concluded that these were not consistently and effectively applied, had not prevented poor performance or detected non-compliance with operating procedures. CHRE also considered that maximum benefit had not been derived from the outsourced internal audit function due to poor scoping of internal audit projects and that project management has been weak and inconsistently applied.

Our focus is now on addressing these weaknesses and improving how we identify, evaluate and manage risk.

Steps already taken include:

- More rigorous oversight and scrutiny of risk by Council. Council approved changes to the presentation of the risk register to make it more transparent and accessible.

Since May 2012, the corporate risk register has been discussed at public meetings of the Council and is now the first substantive item on the agenda.

- The Audit Committee is now chaired by a Council member. Partner members of the Audit Committee are invited to attend Council meetings, as observers, on a rotational basis to ensure that they are aware of the strategic issues facing the organisation. Following each meeting, the Audit Committee produces a report to Council as well as an annual report on its activities.
- In October 2011, Council reviewed and revised the NMC's risk appetite, based on recommendations made by the Audit Committee. The NMC is risk averse in matters relating to public protection and safeguarding public confidence in the professions and has an open attitude in all other areas.
- Introduction of a process for undertaking serious event reviews (SERs), initially in the Fitness to Practise directorate and subsequently across the organisation to ensure that serious breaches of policies or procedures or compliance with the governance framework are reported, action plans implemented and lessons learnt to prevent future recurrence. Further work is now being done to ensure that the serious event review and incident reporting policies are brought together into a single coherent whole, widely understood and consistently applied.
- Introduction of a protocol, approved by the Audit Committee, to clarify the respective responsibilities of the Committee, directors and internal audit and ensuring that internal audit reviews are scoped more rigorously with clear timescales for management responses and actions. We are putting in place a system to ensure internal audit recommendations are followed up and implementation verified. Further work is planned to ensure that more effective use is made of internal audit and that its reviews add value.
- A more detailed review of risk management has been undertaken and a delivery action plan developed to embed risk management in the organisation, including training to improve understanding and application of risk management at all levels. We also recognise the need to integrate business planning, risk management and performance reporting and to strengthen project management within the organisation.

Significant internal control issues facing the NMC

During 2011-2012, the main significant risks we had identified and were already addressing related to:

- Leadership of the organisation following departure of the Chief Executive and Registrar necessitating appointment of an Acting Chief Executive and Registrar and interim appointments at director level.
- Failure to deliver improvements to Fitness to Practise functions quickly enough to prevent inadequate operation of statutory responsibilities including timeliness of case progression, customer service, the quality of decision-making and data security.
- Financial pressures and an income level not sustainable with the delivery of essential regulatory activities.

- The adequacy of IT systems and back-up, including risks relating to the failure of core systems and disaster recovery.
- Failure to embed risk management within the NMC.

The steps we had already been taking to tackle the above issues have now been subsumed within the actions we are taking to address CHRE's specific recommendations, as described below.

How we are addressing CHRE's findings and recommendations

As CHRE recognised considerable activity has been underway since January 2012 to transform the organisation. The major change programme we had put in place is being further developed to encompass the totality of the change and improvement processes as recommended by CHRE, including those arising from the separate CHRE Performance Review Report 2011-2012.⁵⁶

- **Ensuring clarity of purpose and a consistent focus on the NMC's regulatory purpose**
 - In January 2012, we reviewed all activities, programmes and projects underway to ensure that only those essential to public protection are taken forward. In developing our Corporate Plan for 2012-2015 we were therefore able to focus our efforts and resources on ensuring delivery of our four core statutory functions. This will be further consolidated through a more systematic and rigorous approach to developing the corporate and business plans for 2013-2016.
 - We are currently restructuring the organisation to refocus our work and improve efficiency and effectiveness. The new structure will result in a reduction from seven to four directorates designed to be more clearly aligned to the NMC's core statutory functions, so that both staff and stakeholders can see and equate more clearly what we are here to do and how we deliver it. Internal communications are being strengthened to ensure that staff are clear about the NMC's purpose and role.
- **Engaging more effectively with stakeholders and the public**
 - We are revitalising our relationships with key stakeholders to communicate our plans for improvement and build a constructive dialogue based on a clear understanding of respective roles and responsibilities. We are committed to adhering to good practice in public consultations and are developing plans to ensure this happens in future and that our consultations reflect a genuine attempt to elicit and take account of the views of those who contribute. We also recognise the need to engage more effectively with those we are here to protect: patients, service users and the public. We recognise the challenge that this represents and are developing a strategy to address this in a coherent way.

⁵⁶ Performance Review Report 2011-2012, Annual Report Volume II, CHRE, 28 June 2012

- **Strengthening the leadership and culture of the organisation**

- A substantive chair has been appointed to take up post from 10 September 2012. Recruitment to the position of Chief Executive and Registrar is underway, as well as processes for appointments to the executive team within the new structure. Key to these appointments has been the specification of the desired behavioural competencies the leadership team will be expected to demonstrate. A crucial component of the change programme is the introduction of new ways of working to promote the cultural changes needed including a more open and consultative approach, greater empowerment of staff and a more customer service led approach. This will be reinforced and supported by a new Human Resources strategy currently in development.

- **Improving governance and ensuring consistent compliance with the governance framework.**

- Putting strong governance at the heart of the NMC's work is a major strand of the change programme. As indicated, a revised governance framework was agreed by Council on 29 March 2012 and work is underway to strengthen the governance framework further including putting in place effective mechanisms for monitoring and reporting breaches of compliance with the framework.
- As part of the corporate planning process for 2013-2016, Council will be setting clear aims and objectives and taking a much more robust approach to monitoring performance and holding the executive to account for delivery.
- Further work is being initiated to ensure that more effective use is made of internal audit, including through clearer scoping of internal audit reviews, ensuring prompt management responses and implementation of recommendations.
- Addressing weaknesses in decision-making and business systems. A forum with responsibility for making decisions at executive level, the Directors Group, has now been put in place. Steps are being taken to ensure that decisions are recorded and fully reported, including the basis on which resources are agreed and allocated. Development work is underway to improve project management and embed clear authorisation and control procedures.
- We are reviewing the Council and committee structure, remits and reporting lines to ensure more effective oversight and scrutiny. CHRE's interim recommendation that the Audit Committee be chaired by a Council member has already been implemented.

- **Improving financial competence and management**

- A Council Finance Review Group is developing a long-term financial strategy to address the financial challenges which the NMC faces, including the need for investment in IT systems and the anticipated continued increase in the fitness to practise workload. As part of this process, we concluded that our current income level is not sufficient to sustain the level of activity necessary to address the increase in fitness to practise workload. We have consulted publicly on proposals to increase registration fees to ensure that our financial base correctly reflects the level of resources needed to protect the public.

- Steps will be taken at the earliest opportunity to recruit a Council member with appropriate financial qualifications and expertise. As an interim measure, Council has agreed that an independent member of the Audit Committee with financial expertise will attend future Council meetings in an advisory (non-voting) capacity.
- We are working to strengthen our financial management and give financial information a much higher profile within the organisation. A revised budget was developed and approved in June 2012 based on further work on fitness to practise activity. The Finance Review Group is developing clear and specific requirements for accurate financial management information which will be the basis for more rigorous monitoring by Council on a monthly basis. We are strengthening our financial modelling and recognise the need to develop more rigorous requirements for producing financial assumptions, costing planned activities, challenging budgets and holding directors to account. We intend to develop plans to link financial consequences more clearly to decision-making and to exercise more effective financial controls and will be developing our systems to achieve this.
- A corporate efficiency board is now in place, reporting to the Council Finance Review Group. It is intended that this will develop realistic and achievable efficiency plans, track savings and monitor delivery of efficiency targets.
- **Ensuring we have the right ICT infrastructure in place**
 - An ICT strategy is in development and has been subject to independent review by external consultants. As recommended by CHRE, we will be seeking to ensure that we understand the capabilities of our current systems before taking decisions on further ICT investment. However, provision has been made for essential infrastructure improvements which are urgently needed.
 - We are also tackling issues relating to the accuracy of the register arising from the lack of connectivity between the registrations system (WISER) and separate fitness to practise case management system which has given rise to some errors. This is a top priority and action has been taken to address the immediate issues and to ensure any errors are corrected on a daily basis and prevent future recurrences through introduction of tighter control procedures for making changes to the register resulting from fitness to practise decisions. This, together with plans to make information about the fitness to practise history of registrants more easily available through on-line searches are intended to enable us to meet the relevant CHRE Standards of Good Regulation. However, complete resolution of the disjunction between the registration and fitness to practise IT systems will need to be considered as part of the development of the longer term ICT strategy.
- **Improving the clarity and consistency of decision-making, including the management information on which decisions are based and performance monitored**
 - Substantive work is in hand to improve the performance information provided to Council and Directors Group. Since May 2012, Council has been receiving a monthly balanced scorecard report against key performance indicators. We are continuing to refine and develop this on an iterative basis.

- Work to improve the availability and use of management information at team level and below is also underway.
- An external review of management information within Fitness to Practise has been undertaken and implementation of the recommendations should improve both the quality and presentation of data.
- **Improving the performance of the Fitness to Practise function**
 - As set out in the commentary at section four of this annual report and our separate annual fitness to practise report, the unprecedented increase in fitness to practise referrals over the past two years, together with the management failures described by CHRE, have led to a significant backlog of cases. Whilst some progress is being made, we recognise the significant scale of the challenge we face to deliver fitness to practise functions which meet CHRE's Standards of Good Regulation and deliver the level of protection the public and patients rightly expect.
 - An action plan, agreed with the Department of Health and CHRE, is in place to address recommendations from CHRE's 2011 reports on the NMC's performance and its audit of the first stage of our fitness to practise procedures. The plan focuses on improving the timeliness with which cases are progressed, customer service, and the quality of decision-making. Progress against the plan is monitored monthly through a Council sub-Group, which includes external representation, and by Council itself at each meeting.
 - Building on this, as CHRE recommends, we are developing and integrating a comprehensive fitness to practise improvement strategy as a key workstream within the change management programme. This pulls together the considerable range of improvement initiatives already underway into a coherent whole, addressing business planning and oversight, quality assurance, performance measurement and information and operational management. This will enable us to identify more clearly the expected outcomes and improvements from all the activity underway, including efficiency savings, and track progress more rigorously so that we can be assured that the substantial investment being made is delivering increased public protection.

Challenges arising from external developments

Taking into account the wider strategic context, we recognise that additional challenges to be addressed in 2012-15 include: ensuring the NMC is equipped to address any issues arising from the report of the Public Inquiry into Mid-Staffordshire NHS Foundation Trust (Francis Inquiry)⁵⁷ or from the Law Commission review of the legislation governing healthcare regulation.⁵⁸ Work is underway to prepare for the possible outcomes from these reviews.

⁵⁷ www.midstaffspublicinquiry.com.

⁵⁸ www.lawcommission.justice.gov.uk/consultations/healthcare

Significant lapses in protective security including data losses

In accordance with NMC policies, all information security incidents, including data breaches, must be reported. Our definition of an information security incident includes events where there was a potential for a data breach but no actual unauthorised disclosure of data. All incidents are monitored by the Information Governance and Security Group which is accountable to the Directors Group to ensure learning is identified to prevent recurrence.

During 2011-2012, there were 36 information security incidents, of which 26 related to breach of confidentiality. We considered one data breach incident of sufficient significance to report it to the Information Commissioner's Office and one incident concerning identity fraud relating to a registrant has been the subject of police investigation.

Concluding remarks

Whilst not underestimating the scale of the challenge ahead, we are determined to address all the weaknesses in our organisational arrangements to ensure that the NMC effectively fulfils its purpose to protect the public. We will:

- Maintain an accurate accessible register of all nurses and midwives who are fit to practise in the UK.
- Set and enforce the fundamental standards of professional practice across the UK which all nurses and midwives must meet to be on the register.
- Quality assure nursing and midwifery education in a proportionate way, taking into account the findings of University quality reviews and the reports of regulators of practice.
- Streamline and improve the management of fitness to practise activity to ensure timely progression of cases to protect the public.

We will have succeeded if we restore public and professional confidence in the role of the NMC as an effective regulator.

Professor Judith Ellis MBE
Deputy Chair
NMC
4 September 2012

Jackie Smith
Acting Chief Executive and Registrar
NMC
4 September 2012

Independent Auditors' Report to the Nursing and Midwifery Council

We have audited the financial statements of Nursing & Midwifery Council for the year ended 31 March 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Council and auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2012 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

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

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

haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

4 September 2012

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

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2012 under Article 52 of the Nursing and Midwifery Order 2001. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Nursing and Midwifery Council's affairs as at 31 March 2012 and of its incoming resources and resources expended for the year then ended; and
- the financial statements have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001 and Privy Council directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

10 September 2012

Statement of financial activities for the year ended 31 March 2012

		Un- restricted funds 2012	Restricted funds 2012	Total funds 2012	Total funds 2011
	Note	£'000	£'000	£'000	£'000
Incoming resources					
Incoming resources from charitable activities:					
• Fee income	3	51,581	-	51,581	51,397
Incoming resources from generated funds:					
• Investment income	2	1,200	-	1,200	876
• Trading income	4	-	-	-	5
• Grant (Dept of Health)	26	-	-	-	189
Total incoming resources		52,781	-	52,781	52,467
Resources expended					
Charitable activities	5	54,672	235	54,907	37,723
Governance costs	6	3,552	-	3,552	3,771
Other resources expended:					
• Communications and public engagement	7	2,732	-	2,732	3,222
Total resources expended		60,956	235	61,191	44,716
Net (outgoing)/incoming resources from operations		(8,175)	(235)	(8,410)	7,751
Net movement in funds		(8,175)	(235)	(8,410)	7,751
Reserves brought forward		49,724	355	50,079	42,328
Total funds carried forward		41,549	120	41,669	50,079

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 63 to 82 form part of these accounts.

Balance sheet as at 31 March 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	14	<u>18,416</u>	<u>17,177</u>
Total fixed assets		<u>18,416</u>	<u>17,177</u>
Current assets			
Debtors	16	1,557	1,204
Short-term deposits	23	60,000	66,500
Cash at bank and in hand	23	<u>5,432</u>	<u>3,747</u>
Total current assets		66,989	71,451
Current liabilities			
Creditors (amounts falling due within one year)	17	<u>(43,640)</u>	<u>(38,431)</u>
Net current assets		<u>23,349</u>	<u>33,020</u>
Total assets less current liabilities		41,765	50,197
Creditors (amounts falling due after more than one year)	18	<u>(96)</u>	<u>(118)</u>
Net assets		<u>41,669</u>	<u>50,079</u>
Restricted funds	26	120	355
Unrestricted funds		<u>41,549</u>	<u>49,724</u>
Total funds		<u>41,669</u>	<u>50,079</u>

The notes on pages 63 to 82 form part of these accounts.

Professor Judith Ellis MBE
Deputy Chair
NMC
4 September 2012

Jackie Smith
Acting Chief Executive and Registrar
NMC
4 September 2012

Cash flow statement for the year ended 31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
Net cash inflow/(outflow) from operating activities	22		(2,141)		10,107
Returns on investment and servicing of finance					
Interest received	2	1,200		876	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	14	(3,874)		(980)	
			<u>(2,674)</u>		<u>(104)</u>
Increase/(decrease) in cash in the year			<u>(4,815)</u>		<u>10,003</u>

The notes on pages 63 to 82 form part of these accounts.

Notes to the accounts

1 Accounting policies

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

a) Accounting convention

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

b) Fixed assets

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

Equipment	- 3 years
Furniture	- 10 years
Refurbishment - 23 Portland Place	- 10 years
Leasehold Premises - 23 Portland Place	- 50 years
Leasehold Premises - 61 Aldwych	- 10 years (over the life of the lease)
Leasehold Premises – Clarendon House	- 10 years (over the life of the lease)
Leasehold Premises – 1 Kemble Street	8.5 years (over the life of the lease)
IT projects	- 3 years

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

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

c) Resources arising – income

Investment income

Investment income is accounted for when receivable and includes any related tax recoverable.

Income from charitable activities

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

Trading income

Trading income is recognised in the statement of financial activities when receivable. Trading income arose from advertising in *NMC News*, the publication of which ceased in 2010.

d) Allocation of costs

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

Charitable activities

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

Governance costs

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

Other expenditure

Other expenditure comprises:

Communications and public engagement

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

e) Development costs

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

f) Fund accounting

The Council maintains various types of funds as follows:

i) Restricted funds

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

ii) Unrestricted funds

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

g) Leased assets

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

h) Pension costs

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

2 Investment income

	2012	2011
	£'000	£'000
Interest receivable		
• from deposits at banks	1,200	876
	1,200	876

3 Fee income

	2012	2011
	£'000	£'000
Periodic fees	51,002	50,752
Registrations	389	509
Verifications	184	129
Replacement of Pin cards	6	7
	51,581	51,397

4 Other income

	2012 £'000	2011 £'000
Trading income		
NMC News	-	5
	<u>-</u>	<u>5</u>

5 Charitable activities

	Unrest- ricted £'000	Restrict- ed £'000	2012 £'000	2011 £'000
Standards promotion and policy development	2,998	235	3,233	3,556
Education	2,378	-	2,378	1,659
Maintaining the register	8,147	-	8,147	6,400
Fitness to practise	41,149	-	41,149	26,108
	<u>54,672</u>	<u>235</u>	<u>54,907</u>	<u>37,723</u>

These costs include direct costs,⁵⁹ staff costs and related overheads.

6 Governance costs

	2012 £'000	2011 £'000
Members' allowances, travel and subsistence	291	309
Auditors' remuneration - audit fees - haysmacintyre	24	23
Auditors' remuneration - audit fees - NAO	5	5
Allocation of operating costs (inc. salaries) ⁶⁰	3,232	3,434
	<u>3,552</u>	<u>3,771</u>

7 Other expenditure – Communications and public engagement

	2012 £'000	2011 £'000
Conferences, seminars and publicity	112	209
Communications	66	86
Printing of NMC publications	475	939
Allocation of operating costs (inc. salaries) ⁶¹	2,079	1,988
	<u>2,732</u>	<u>3,222</u>

⁵⁹ See Notes to the Accounts, note 9

⁶⁰ See Notes to the Accounts, note 1d)

⁶¹ See Notes to the Accounts, note 1d)

8 Charitable activities costs

	Staff costs £'000	Depre- ciation £'000	Other costs £'000	Total 2012 £'000	Total 2011 £'000
Charitable activities:					
• Standards promotion and policy development	2,171	174	888	3,233	3,556
• Education	806	60	1,512	2,378	1,659
• Maintaining the register	4,189	387	3,571	8,147	6,400
• Fitness to practise	9,786	1,754	29,609	41,149	26,108
Governance costs	2,450	113	989	3,552	3,771
Other expenditure:					
• Communications and public engagement	1,334	147	1,251	2,732	3,222
	<u>20,736</u>	<u>2,635</u>	<u>37,820</u>	<u>61,191</u>	<u>44,716</u>

9 Analysis of direct costs

	Direct costs £'000	Support costs £'000	Total 2012 £'000	Total 2011 £'000
Charitable activities:				
• Standards promotion and policy development	2,657	576	3,233	3,556
• Education	2,179	199	2,378	1,659
• Maintaining the register	6,862	1,285	8,147	6,400
• Fitness to practise	37,450	3,699	41,149	26,108
Sub-total charitable activities	<u>49,148</u>	<u>5,759</u>	<u>54,907</u>	<u>37,723</u>
• Governance	3,175	377	3,552	3,771
• Communications and public engagement	2,245	487	2,732	3,222
Total	<u>54,568</u>	<u>6,623</u>	<u>61,191</u>	<u>44,716</u>

10 Analysis of support costs

Support cost	Standards promotion and policy development £'000	Education £'000	Maintaining the register £'000	Fitness to Practise £'000	Governance £'000	Com-munications and public engagement £'000	Total 2012 £'000	Total 2011 £'000
Facilities	68	23	151	435	44	57	778	625
Finance	154	54	345	993	101	131	1,778	1,502
HR	140	48	312	899	92	118	1,609	1,172
ICT	214	74	477	1,372	140	181	2,458	3,958
	576	199	1,285	3,699	377	487	6,623	7,257

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

11 Total resources expended by natural classification

	2012 £'000	2011 £'000	Details (see next page)
Salaries and associated costs	20,736	16,889	11.1
Other staff expenses	1,043	735	11.2
Premises	3,068	1,920	11.3
Insurance	97	77	
Sundry, furniture, equipment and maintenance	230	126	11.4
Hire of equipment	5	7	
Fitness to Practise	23,705	13,953	11.5
Depreciation	2,635	2,369	11.6
Catering for fitness to practise hearings and meetings at 61 Aldwych	170	159	
Staff canteen	232	251	
Quality assurance of education cost	1,068	881	11.7
Local Supervisory Authority review costs	56	39	11.8
Professional fees	2,495	2,082	11.9
Auditors' remuneration - audit fees	24	23	
Auditors' remuneration - audit fees (NAO)	5	5	
IT development and support	1,798	1,415	11.10
Postage	690	560	
Printing and stationery	842	801	
Advertising and recruitment	788	378	11.11
Conferences, seminars and publicity	112	209	11.12
Printing of NMC publications	475	939	11.13
Members' allowances, travel and subsistence	291	309	
Committee costs	135	149	
Other support costs	491	440	11.14
Total resources expended	61,191	44,716	

Additional details for table in note 11

11.1 Salaries and associated costs

Investment in staff resource increased in 2011-2012 primarily in Fitness to Practise. This increased resource is required to manage the increased volume and complexity of cases being referred to us, and to deliver the significant improvements in timeliness, quality and customer service, identified by CHRE, in order to deliver public protection to the standards of good regulation. In addition, there was increased staff investment in the NMC Standards and Policy directorate and the Education directorate, to strengthen delivery in these areas.

Additional resource was also engaged to support the delivery of a number of projects.

11.2 Other staff expenses

Increased staff travel costs were incurred in Fitness to Practise in the year to service the increased volume of hearings (including interim order hearings). There was also increased investment in staff training and development activity in 2011-2012, in line with the increase in staff numbers, and a stronger focus on this area.

11.3 Premises

Significant changes were made to our estate during 2011-2012 to accommodate increased staff levels, and to ensure we have dedicated fit for purpose premises for FtP hearings around the UK. We leased office space at Clarendon House, Edinburgh from March 2011 and at 1 Kemble Street, London from June 2011. In addition, we rented serviced office accommodation at Temple Court, Cardiff, from November 2011.

11.4 Sundry, furniture, equipment and maintenance

The increase was driven by the increased number of new starters requiring provisioning of equipment and furniture.

11.5 Fitness to Practise

Please refer to section 4 of the annual report for details of Fitness to Practise activity in the year. The increase in costs was directly aligned with the significantly increased investigation and hearing activity undertaken in the year.

11.6 Depreciation

Increased depreciation charges are due to a full year of depreciation on expenditure on the ICT infrastructure made during the prior year. The expenditure was required to modernise working practices and ensure IT systems and processes are fit for purpose. In addition, there has been a year of depreciation on the capital fit out of the office space at Clarendon House, Edinburgh.

11.7 Quality assurance of education cost

The increase is due to increased monitoring activity during 2011-2012, as the initial focus and scrutiny had to be extended in a number of monitoring events, as a result of adverse Care Quality Commission (CQC) reports or adverse clinical governance issues in specific practice placement learning areas. In addition, the timeframe for the monitoring schedule was condensed into one financial year, in this case 2011-2012, rather than the monitoring schedule being spread across two financial years. This had been an agreed approach in the expectation that the delivery of the Quality Assurance (QA) framework would change to an in-house provision during 2012-2013. A further options appraisal regarding the provision of QA was considered in June 2012.

11.8 Local Supervisory Authority review costs

The increase is as a result of the extraordinary review of the University Hospitals Morecambe Bay NHS Foundation Trust in 2011-2012, undertaken jointly with CQC, as a result of concerns relating to the quality of supervision of midwives and maternity care at the trust. In addition, expenditure was incurred in 2011-2012 for the recruitment and training of new Local Supervising Authority reviewers.

11.9 Professional fees

An increased level of external professional and legal expertise was required in 2011-2012 to support a number of NMC key projects, including improvements to the Fitness to Practise case management system functionality and usage, the delivery of EU aptitude tests and adaptation programmes, our contribution to the inquiry into the standards of care at the Mid-Staffordshire NHS Foundation Trust, a review of our delivery of quality assurance of education, and improvements to registrations processes. Consultants were engaged to provide advice on a number of aspects of Fitness to Practise delivery and resourcing, including the significant initiative to bring case investigation in-house. In addition, there is ongoing HR and general consultancy on the changes now being implemented in relation to the organisational structure and future strategic focus of the NMC's work.

11.10 IT development and support

The increase is due primarily to a full year of the contract for the outsourced hosting and support of our core ICT infrastructure, which was effective from August 2010. This will provide us with a more flexible, cost effective and resilient service. In addition, there were increased costs of software licences and maintenance, to support the increased capital investment in systems and the increased number of users across the NMC.

11.11 Advertising and recruitment

The level of recruitment activity increased in 2011-2012, to fill the additional roles required in Fitness to Practise and the other regulatory directorates. There were a number of recruitment exercises in the year for senior appointments. In addition, there was a significant recruitment exercise for new Fitness to Practise panel chairs.

11.12 Conferences, seminars and publicity

The decrease results from focusing on the most effective communications and engagement activities, and reducing cost wherever possible.

11.13 Printing of NMC publications

The reduction is due to the redirection of investment into a diverse range of alternative and targeted communications with nurses and midwives using a variety of media, the majority of which are on-line. In addition, there were significant publication and distribution costs in 2010-2011 for *Fit for you*, a mailshot designed to capture the communication preferences of all nurses and midwives, and for *Raising and escalating concerns: Guidance for nurses and midwives*, a copy of which was sent to everyone on the register in November 2010. There were no such mailouts in 2011-2012.

11.14 Other support costs

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

12 Information regarding employees

	2012	2011
	£'000	£'000
Salaries and associated costs		
Wages and salaries ⁶²		
• Management	941	754
• Administration	11,908	9,386
Social security costs (Employers NI contributions):		
• Management	97	79
• Administration	1,020	794
Pension costs - present staff. ⁶³		
• Management	189	164
• Administration	2,779	2,496
Pension costs - retired staff of previous organisations ⁶⁴	25	25
Temporary staff	3,777	3,191
	<u>20,736</u>	<u>16,889</u>

Information relating to the senior management team

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

Salary bands	2012	2011
(£)	Number of staff	Number of staff
10,001 - 20,000	0	1
20,001 - 30,000	1	0
30,001 - 40,000	1	0
50,001 - 60,000	0	1
60,001 - 70,000	1	1
70,001 - 80,000	2	1
80,001 - 90,000	1	1
90,001 - 100,000	0	1
100,001 - 110,000	0	2
110,001 - 120,000	1	0

⁶² See Notes to the Accounts, note 11.1

⁶³ See Notes to the Accounts, note 20

⁶⁴ See Notes to the Accounts, note 20

120,001 - 130,000	2	0
140,001 - 150,000	0	1

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

	2012 £	2011 £
L Mallors	1,001-1,500	-
S Atkinson	1,001-1,500	1,001 – 1,500
S Williams	2,001-2,500	2,001 – 2,500
R Thompson	3,501-4,000	3,501 – 4,000

The total accrued pension at age 60 at 31 March 2012 for those directors who participate in the NMC pension scheme was as follows:

Total accrued pension at 60 at 31 March 2012 (£)	2012 Number of staff	2011 Number of staff
0 - 5,000	4	5
5,001 - 10,000	2	2
10,001 - 15,000	1	2
15,001 – 20,000	1	0

Directors are ordinary members of the NMC pension scheme.

Pension benefits are provided through a scheme operated 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.

Other information in relation to employees

In addition to the above, there were fifteen (2011: ten) other members of staff whose remuneration fell in the following bands:

	2012	2011
	Number of staff	Number of staff
£60,001 - £70,000	12	6
£70,001 - £80,000	1	3
£80,001 - £90,000	1	0
£90,001 - £100,000	0	1
£100,001 - £110,000	1	0

The average number of employees in the year was 370 (management 9 and administration 361) and in the previous year was 286 (management 8 and administration 278). The increase in staff numbers is due to the need for additional staff in our Fitness to Practise directorate (see note 11.1).

13 Taxation

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

14 Tangible fixed assets for use by the charity

	Furniture	Equipment	Building refurbishment	Long leasehold premises	Building 61 Aldwych Kemble St.	IT Projects	Total
	£'000	£'000	£'000	Note 14.1 £'000	£'000	Note 14.2 £'000	£'000
Cost:							
1 April 2011	316	2,721	5,687	9,772	1,770	3,392	23,658
Additions during year	-	865	807	-	2,202	-	3,874
31 March 2012	<u>316</u>	<u>3,586</u>	<u>6,494</u>	<u>9,772</u>	<u>3,972</u>	<u>3,392</u>	<u>27,532</u>
Depreciation:							
1 April 2011	141	1,628	2,199	195	398	1,920	6,481
Charge for year	31	439	657	196	222	1,090	2,635
31 March 2012	<u>172</u>	<u>2,067</u>	<u>2,856</u>	<u>391</u>	<u>620</u>	<u>3,010</u>	<u>9,116</u>
Net book value							
31 March 2012	<u>144</u>	<u>1,519</u>	<u>3,638</u>	<u>9,381</u>	<u>3,352</u>	<u>382</u>	<u>18,416</u>
Net book value 31 March 2011	175	1,093	3,488	9,577	1,372	1,472	17,177

14 Tangible fixed assets for use by the charity – continued

- 14.1 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 2010 on an existing use basis, inclusive of the refurbishment, by external valuers Drivers Jonas, at £13,750,000. It should be noted that due to the restrictive user clause the lease is un-assignable.
- 14.2 The IT projects asset category includes the Fitness to Practise case management system and the ICT infrastructure upgrade, which were completed during 2009-2010.

The following capital projects were undertaken during the year:

- The refit of leased office premises at 1 Kemble Street, London, to accommodate Fitness to Practise staff
- The conversion of leased office premises at 61 Aldwych, London, into a dedicated Fitness to Practise hearing venue with ten hearing suites
- The completion of the refit of lease office premises at Clarendon House, 114-116 George Street, Edinburgh
- The implementation of an ID Management system to facilitate secure access for registrants to the NMC's on-line services
- An upgrade of our data storage capacity for disaster recovery
- The implementation of an integrated online HR and payroll system

15 Related party transactions

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

During the period 1 April 2011 – 31 March 2012 the Chair of Council was paid £48,000 (2010-2011: £48,000).

During the year, allowances and travel and subsistence expenses of £291,000 (2010-2011: £309,000) were paid to members of the Council.

All Council members were paid directly via NMC payroll.

Details of amounts paid to individual Council members are set out in the remuneration report on page 35.

An accrual of £25,517 (2010 – 2011: £24,394) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

16 Debtors

	2012	2011
	£'000	£'000
Other debtors	147	109
Prepayments and accrued income	1,410	1,095
	<u>1,557</u>	<u>1,204</u>

17 Creditors

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Other creditors and accruals	13,607	8,520
Other taxes and social security (including Employers NI)	538	387
Deferred income - Periodic fees for 2010-2011	-	29,524
Deferred income - Periodic fees for 2011-2012	29,495	-
	<u>43,640</u>	<u>38,431</u>

18 Creditors

	2012	2011
	£'000	£'000
Amounts falling due after more than one year		
Deferred income - Periodic fees for 2011-2012	-	118
Deferred income - Periodic fees for 2012-2013	96	-
	<u>96</u>	<u>118</u>

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

19 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 status⁶⁵. On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

20 Pension commitments

The NMC participates jointly with the Department of Health, NHS Education for Scotland, and the National Assembly for Wales in a pension scheme administered by Premier Pensions Management Limited (scheme registration number 101652586). The scheme, to which approximately 50 percent of the NMC's employees belong, is a funded, defined benefit scheme.

⁶⁵ See Notes to the Accounts, note 13

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

The latest completed valuation of the scheme was carried out by Premier Pensions Management Limited as at 31 March 2010, using the projected unit method of valuation. At the date of the valuation the audited market value of the scheme assets was £78.3 million (excluding annuities held for insured pensioners and additional voluntary contributions invested in separate funds to provide benefits on a money purchase basis). The value of the assets represented 91 percent of the value of the benefits, which had accrued to members after allowing for expected future increases in earnings and pensions. The past service shortfall of assets is being amortised over 10 years to 31 March 2020. The main assumptions used in the valuation were a real return on investments above salary increases of 1.5 percent per annum and above pension increases of 1.5 percent per annum.

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

	2012	2011
	£'000	£'000
NMC's (employer's) contributions to all schemes made in year	2,968	2,660
	2,968	2,660
NMC's (employer's) contribution	27.4%	24.1 %
Employees' contribution	6.0%	6.0 %

If the scheme had been wound up on the valuation date (31 March 2010), the assets would have been approximately 71.6 percent of the amount necessary to purchase insurance contracts to meet the accrued benefits for active members and past leavers and the current benefits for pensioners. The estimated deficit would have been £31 million.

There is a Recovery Plan in place to ensure that the scheme funding level will reach 100 percent based on current actuarial assumptions, by 31 March 2020. The NMC will make good the deficit over the period to 31 March 2020 by continuing its existing Recovery Plan payments of £1.123 million per annum.

Accounting standard, FRS 17: No provision relating to NMC's share of the total scheme deficit of £7.9 million as at the time of the latest actuarial valuation (31 March 2010) is included within the accounts at the end of the year, as it is a multi-employer scheme and the NMC is unable to identify its share of the underlying assets and liabilities.

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

The NMC meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2011- 2012 this expenditure amounted to £24,991(2010- 2011: £24,686).

21 Capital commitments

At 31 March 2012, 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.

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

	2012	2011
	£'000	£'000
Net (outgoing)/incoming resources from operations	(8,410)	7,751
Investment income	(1,200)	(876)
Depreciation charges	2,635	2,369
(Increase) in debtors	(353)	(608)
Increase in creditors and provisions	5,187	1,471
Net cash (outflow)/inflow from operating activities	(2,141)	10,107

23 Reconciliation of net cash flow to movement in net funds

	2012	2011
	£'000	£'000
(Decrease)/increase in cash in year	(4,815)	10,003
Net funds at 1 April	70,247	60,244
Net funds at 31 March	65,432	70,247

24 Analysis of changes in net funds

	1 Apr 11	Cash flows	31 Mar 12
	£'000	£'000	£'000
Cash at bank and in hand	70,247	(4,815)	65,432
Total	70,247	(4,815)	65,432

25 Leasing commitments

At 31 March 2012 the NMC had commitments for payments in the following year under non-cancellable operating leases as set out below.

	Land and buildings		Plant and machinery	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Operating leases which expire:				
• Within one year	-	-	-	-
• In the second to fifth years inclusive	-	-	5	6
• In more than five years	1,940	1,291	-	-
Annual commitment at year end	<u>1,940</u>	<u>1,291</u>	<u>5</u>	<u>6</u>

The NMC leases premises at 61 Aldwych, London, for the period until 10 September 2019, Clarendon House, 114-116 George Street, Edinburgh, for the period until 24 April 2021 and at 1 Kemble Street, London, for the period until 21 December 2019.

26 Movement in restricted funds

	Balance at 1 April 2011 £'000	Income £'000	Resources expended £'000	Balance at 31 March 2012 £'000
Revalidation – (i)	258	-	(148)	110
Fitness to practise data assessment - (ii)	97	-	(87)	10
Balance at 31 March	<u>355</u>	<u>-</u>	<u>(235)</u>	<u>120</u>

- (i) The balance of £258,000 at 1 April 2011 related to a Department of Health contribution towards the NMC's work on revalidation. £148,000 was utilised during 2011-2012. The balance carried forward of £110,000 will be utilised in 2012-2013.
- (ii) The balance of £97,000 at 1 April 2011 related to a Department of Health grant to assess the NMC's fitness to practise data in order to develop a risk-based framework for revalidation. £87,000 was utilised during 2011-2012. The balance carried forward of £10,000 will be utilised to complete the work in 2012-2013.

27 Net Assets by fund

	General unrestricted	Restricted	Total
	£'000	£'000	£'000
Fixed assets	18,416	-	18,416
Current assets	66,869	120	66,989
Current liabilities	(43,640)	-	(43,640)
Long-term liabilities	(96)	-	(96)
Balance at 31 March 2012	41,549	120	41,669

28 Special payments

There were four special payments in the year to 31 March 2012 totalling £99,300 (year to 31 March 2011 three special payments totalling £127,889). These payments were ratified as appropriate and reasonable payment 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 2001⁶⁶.

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.

⁶⁶ 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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