

**Nursing and Midwifery Council**  
**Annual Report and**  
**Accounts 2014–2015**  
**and Strategic Plan**  
**2015–2020**

**Nursing and Midwifery Council**

**Annual Report and Accounts**  
**2014–2015 and Strategic Plan 2015–2020**

Annual Report 2014–2015 and Strategic Plan 2015–2020 presented to Parliament pursuant to Article 50(2) of the Nursing and Midwifery Order 2001, as amended by the Nursing and Midwifery (Amendment) Order 2008

Accounts presented to Parliament pursuant to Article 52(7) of the Nursing and Midwifery Order 2001, as amended by the Nursing and Midwifery (Amendment) Order 2008

*Ordered by the House of Commons to be printed on 9 November 2015*

**© Nursing and Midwifery Council (2015)**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Nursing and Midwifery Council copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

This publication is available at [www.nmc.org.uk](http://www.nmc.org.uk)

Any enquiries regarding this publication should be sent to the Nursing and Midwifery Council, 23 Portland Place, London, W1B 1PZ.

Print ISBN 9781474125550

Web ISBN 9781474125567

ID 27101507 11/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

## Contents

Foreword.....	5
Our role.....	6
Performance review 2014–2015 .....	6
Strategic Plan 2015–2020.....	17
Financial review .....	20
Remuneration report.....	23
Statement of the responsibilities of the Council and of the Chief Executive and Registrar in respect of the accounts .....	29
Annual governance statement .....	31
Independent auditor’s report to the trustees of the Nursing and Midwifery Council .....	44
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.....	46
Statement of financial activities for the year ended 31 March 2015.....	48
Balance sheet as at 31 March 2015 .....	49
Cash flow statement for the year ended 31 March 2015 .....	50
Notes to the Accounts.....	51
The Nursing and Midwifery Order 2001 (Form of Accounts) Determination 2010.....	71

## Foreword

Last year was a momentous one for the NMC. Thanks to hard work in previous years, our performance improved, our reputation was enhanced and we were able to set our sights for the future.

We are here to protect the public. Our report highlights the many critical improvements we have made this year to achieve this.

Our new Code promotes professionalism and sets out what we all expect from the nurses and midwives of today and tomorrow. The product of extensive consultation and engagement with the public, the professions and our many partners and stakeholders, the new Code has been well received by all. The new Code is central to our plans to introduce a revalidation system, to ensure nurses and midwives remain able to practise safely and effectively throughout their careers. Council will take a decision on this significant change to how we regulate in late 2015.

Other major achievements included exceeding our key target for progressing fitness to practise cases to hearings more quickly; new online registration making it easier for nurses and midwives to engage with us; and more robust controls on international applicants seeking to work in the UK. We also commissioned the first substantive review of midwifery regulation for a century, prompting changes which should protect families better in future.

We are pleased that the Professional Standards Authority recognised these significant improvements in its annual review of our performance, which saw us meet more standards of good regulation than ever before.

Alongside this, an independent review of our progress confirmed that we are focused on our core purpose of protecting the public. It showed we had made good on our promises to improve following the 2012 Professional Standards Authority Strategic Review. Every member of the public, nurse and midwife can now have confidence that we are an effective regulator.

We are committed to continuing to improve all we do. Building on these major achievements, the Council has set an ambitious strategy for the next five years: *Dynamic regulation for a changing world*. The strategy challenges us to ensure that our approach to regulation is forward-looking, adapting to changes in healthcare and the demands on nurses and midwives.

Our Council members, staff and all those who work for and with us can feel very proud of what we have achieved: we thank them all for their hard work and dedication. Special thanks must go to Mark Addison, former Chair, whose leadership made such a significant contribution to shaping the positive future which now lies ahead.

Dame Janet Finch  
Chair, NMC  
28 October 2015

Jackie Smith  
Chief Executive and Registrar, NMC  
28 October 2015

## **Our role**

- 1 The Nursing and Midwifery Council (NMC) is the independent nursing and midwifery regulator for England, Wales, Scotland and Northern Ireland. Our role is to protect the public and we seek to ensure that all our work delivers public benefit. We are accountable to Parliament through the Privy Council.
- 2 Our regulatory responsibilities are to:
  - 2.1 Keep a register of all nurses and midwives who meet the requirements for registration.
  - 2.2 Set standards of education, training, conduct and performance so that nurses and midwives are able to deliver high-quality healthcare consistently throughout their careers.
  - 2.3 Take action to deal with individuals whose integrity or ability to provide safe care is questioned, so that the public can have confidence in the quality and standards of care provided by nurses and midwives.
- 3 The Professional Standards Authority for Health and Social Care (PSA) oversees our work and reviews our performance each year. Our work is also scrutinised by the UK parliamentary Health Committee. The findings and recommendations of both help inform and shape our work.

## **Performance review 2014–2015**

- 4 Our corporate plan for 2014–2017 set out three goals.
  - 4.1 Protecting the public will be at the centre of all our activities. Our work will be designed around and measured against the benefits we can bring to the public.
  - 4.2 We will have open and effective relationships that will enable us to work in the public interest.
  - 4.3 Our staff will have the skills, knowledge and supporting systems needed to help us provide excellent services to the public and the people that we regulate.
- 5 This section sets out the main achievements against these goals during 2014–2015.

## **Goal 1 – protecting the public**

### **Registration**

- 6 As of 31 March 2015 there were 686,782 nurses and midwives on the register. Employers and members of the public can check the registration status of any nurse or midwife in the UK on our website.
- 7 In 2014–2015 we received and processed over 28,000 initial applications for registration. Of these, 20,334 were from applicants trained in the UK, 7,744 were

from applicants trained in the European Economic Area (EEA) and 665 were from applicants trained outside the EEA. On average we deal with 1,500 calls to our contact centre per day and this rises to 3,000 at peak times.

- 8 Our target was to complete 90 percent of registration applications over the year within 90 days and we completed 86 percent of registration applications within 90 days. We completed almost all UK applications within five days but a large increase in EU applications over the year impacted on achieving the overall target.
- 9 We have had in place for two years a programme to drive improvements in our registration function. During 2014–2015 we:
  - 9.1 Introduced a new test of competence for applicants from overseas (outside the EEA) from 1 October 2014. This process includes an initial online knowledge test with a subsequent practical assessment at a UK test centre. By the end of 2014–2015, 993 applicants had taken the first online assessments. No applicants had yet undertaken the practical test but a number were booked to sit the exam in April and May 2015.
  - 9.2 Launched NMC Online, allowing nurses and midwives to carry out a variety of registration tasks. Nurses and midwives can securely and easily renew their registration, check their renewal date, complete initial registration, submit notification of practice forms and we can process standard readmissions. As of 31 March 2015, 219,291 had signed up to the online system, approximately a third of nurses and midwives.
  - 9.3 Set up systems for nurses and midwives to self-declare that they have in place, or will have in place, appropriate professional indemnity arrangements when they practise in the UK. This is in keeping with the new Health Care and Associated Professions (Indemnity Arrangements) Order 2014 that came into force during the year.

## **Professional standards and guidance**

- 10 We set standards for practice and education for nurses and midwives. At the heart of these is the Code – our core standards of practice and behaviour for nurses and midwives. During 2014–2015 we:
  - 10.1 Consulted extensively between May and August 2014 on changes to the Code with input from thousands of nurses and midwives, patients and the public, employers and other stakeholders. We promoted this consultation through the media, online, social media and numerous stakeholder and speaking engagements. This process included sessions with our Public and Patient Advisory Group and our Professional Strategic Advisory Group.
  - 10.2 Launched *The Code: Professional standards of practice and behaviour for nurses and midwives* in January 2015, which became effective from 31 March 2015. The Code is structured around four themes – prioritising people, practising effectively, preserving safety and promoting professionalism and trust. It includes issues such as fundamentals of care, the duty of candour, delegation and raising concerns. This addressed commitments made in response to a number of issues raised by the Francis and Liverpool Care Pathway reports.

- 10.3 Published a leaflet for patients and the public about what the Code means for them and what they should expect from a nurse or midwife. We also published an easy-read version of the leaflet. The Code and our leaflets obtained a Crystal Mark, from the Plain English Campaign.
- 10.4 Published updated guidance for nurses and midwives on social media use and on raising concerns.
- 10.5 Consulted on joint guidance on the duty of candour with the General Medical Council – the first ever joint guidance between our two organisations. The guidance was published in June 2015.

## **Revalidation**

- 11 In common with other professional regulators we want to increase assurance that those on our register maintain their ability to practise safely and effectively throughout their careers. In September 2013 we committed to developing an approach to revalidation and over the past year we have carried out substantial preparatory work for its introduction. Our proposed approach is designed to be proportionate but effective and builds on existing requirements for nurses and midwives to maintain their registration.
- 12 We refined our model of revalidation through six months of consultation, stakeholder engagement and research. During 2014–2015 we:
  - 12.1 Brought forward an evidence report in December 2014 which combined all elements supporting the development of the model including formal consultation, stakeholder feedback and research.
  - 12.2 Published provisional guidance for revalidation to support piloting the model in 19 settings across a variety of UK health and care organisations in the NHS and a range of other settings including education, the independent sector, the military and unions.
  - 12.3 Supported programme boards in each of the four UK countries to ensure there is a clear and consistent understanding of the revalidation model.
  - 12.4 Commissioned two evaluations of the pilots. The first looks at individuals, assessing the relevance of the information and guidance, the clarity and feasibility of the requirements and user-friendliness of the online process. The second looks at readiness, impact and the cost to employers and the system to implement revalidation.
- 13 The outcomes from the evaluations will inform the Council’s decision in October 2015 on the launch of revalidation and will help us refine the policy, standards and guidance before finalisation.

## **Midwifery regulation**

- 14 Following the Parliamentary and Health Service Ombudsman in England’s report *Midwifery supervision and regulation: Recommendations for change* (2013), in respect of University Hospitals of Morecambe Bay NHS Foundation Trust, we accepted that there were structural flaws in the system of midwifery regulation and

commissioned the King's Fund to undertake an independent review on our behalf. Subsequently *The Report of the Morecambe Bay Investigation* (2015) by Dr Bill Kirkup CBE into the tragic circumstances at the Trust reinforced the need for change in this area.

- 15 After gathering evidence and engaging with a wide range of stakeholders, the King's Fund published its report in January 2015. Having considered a range of views and taken account of advice from our Midwifery Committee, the Council accepted the report's recommendation that the unique extra layer of regulation be removed from our legislation. Our Chair wrote to the Minister for Health asking the government to take this forward at the earliest opportunity.
- 16 We recognised that this was a significant decision that would not be welcomed by everyone, including many midwives. However the strong public protection implications of a system of regulation implemented outside the control of the regulator and potentially within the control of the profession had to be addressed.
- 17 We acknowledge that effective supervision is widely valued and are committed to working with the Department of Health and the four Chief Nursing Officers to provide support during the transitional period.

### **Education standards**

- 18 Our pre-registration nursing and midwifery education standards play a vital public protection role by setting out what nurses and midwives leaving training should be able to do. During 2014–2015 we:
  - 18.1 Co-sponsored, with Health Education England, a review of nurse education chaired by Baron Willis of Knaresborough. The review's report, *Shape of Caring: A Review of the Future Education and Training of Registered Nurses and Care Assistants*, was published in March 2015. We will be considering carefully the report's 34 recommendations in a UK-wide context and determining our response during 2015–2016.
  - 18.2 Commissioned an evaluation of our pre-registration nursing and midwifery education standards, in line with the commitment we made in responding to the Francis report. The evaluation looks at two aspects: firstly the effectiveness of the standards in protecting the public and preparing nurses and midwives for their professional roles; and secondly the reach, intelligibility and accessibility of the standards. An interim report was completed in February 2015 and the final report is due in the autumn of 2015.
  - 18.3 Developed a new education strategic delivery plan, aligned with our 2015–2020 corporate strategy. We did this with the support of our Education Advisory Group and held a number of listening events across the four countries on the areas covered in our plan.

### **Quality assurance of education and local supervising authorities**

- 19 We reviewed and refined our framework for the quality assurance of nursing and midwifery education and local supervising authorities following the end of the first year using the new framework. We made a number of revisions reflecting

feedback from universities and lay reviewers which also informed the training and development of quality assurance reviewers.

- 20 We showed we are prepared to respond proactively to concerns about patient safety by carrying out an extraordinary review of Guernsey local supervising authority. We made a number of visits to the jurisdiction working with ministry and hospital authorities to agree appropriate actions to protect service users.

### **Fitness to practise**

- 21 We publish a more detailed annual report on fitness to practise which is presented to Parliament. That report sets out in detail how we have discharged our statutory functions in this area. In this report we highlight the main developments in the service during the year. In 2014–2015 we:
- 21.1 Exceeded our December 2014 key performance indicator target to progress 90 percent of cases to the first day of a hearing within six months of the investigation concluding. Meeting this target was a condition of a grant received from the Department of Health in 2012.
  - 21.2 Made changes to our legislation, bringing in Case Examiners from 9 March 2015, introducing a new power to review “no case to answer” decisions, and enabling striking-off orders in health and lack of competence cases.
  - 21.3 Implemented a new investigations model focusing on outcome and risk. This included putting expertise at the “front end”, establishing a multi-skilled legal team and a high profile inquiry team, changing initial assessment of referrals to focus on likely outcomes, and working to engage registrants at an early stage in the process.
  - 21.4 Improved the management of those fitness to practise cases which can be resolved without the need for a full public hearing. This included improvements to the processes for voluntary removal and consensual panel determination with the publication of further guidance and training.
  - 21.5 Moved most of our hearings activity to new facilities in Stratford, which opened in November 2014 on time and on budget and with no tangible negative impact on productivity.
  - 21.6 Implemented a range of improvements to our customer service based on feedback. For example, we reviewed and updated our customer service standards, created a new witness support team to work with witnesses before and after they attend hearings, and introduced new facilities to improve the experience of witnesses attending our hearing centres.

## **Goal 2 – open and effective relationships**

### **Strategic relationships**

- 22 In our strategy we have recognised that we operate as part of a wider system of regulators and other bodies with responsibility for overseeing quality and safety in health and care settings. We have continued to keep our stakeholders up to date on the progress and improvements we are continuing to make. This has included

publishing our corporate plan, sharing it with stakeholders, and scrutinising progress against the plan in public sessions of Council meetings. In 2014–2015 we:

- 22.1 Met regularly with stakeholders and politicians across the countries of the UK to inform our UK-wide understanding and engagement.
  - 22.2 Strengthened our approach to patient and public engagement across the four countries. We established a Scottish Patient and Public Advisory Group, which has met in Glasgow and Edinburgh, and scoped work for an appropriate presence in Wales and Northern Ireland.
  - 22.3 Developed a new website, redesigned and with refreshed information, to better meet the needs of the public, patients, nurses and midwives, students and educators, and employers.
  - 22.4 Strengthened public understanding of our role and functions. For example, we re-launched our Facebook page to focus on the Code.
  - 22.5 Expanded our engagement on Twitter through chats and continued to monitor coverage of the NMC in the media.
  - 22.6 Established our Professional Strategic Advisory Group which brings together senior nurses and midwives from a variety of practice settings across the UK. The group has met four times and was closely involved in shaping the Code campaign, including promoting the Code in their local settings.
- 23 Our Chief Executive and Registrar has visited a number of health and care settings and spent time with senior nurses and midwives to better understand their practice environment and their views on our communications.

### **Participation in the wider health environment**

- 24 Our strategy is based on the need to engage effectively as part of a wider system of regulation and influence. We are working with a number of partner bodies to implement or refresh memoranda of understanding (MoU) that set out how we work with other organisations to protect the public, in particular through information sharing. This has included completing MoUs or operational protocols with:
- 24.1 the Trust Development Authority;
  - 24.2 the Disclosure and Barring Service;
  - 24.3 NHS Education Scotland;
  - 24.4 Care Council for Wales;
  - 24.5 Health Education England;
  - 24.6 Healthcare Inspectorate Wales; and
  - 24.7 Care Quality Commission.

- 25 We work with other regulators on European policy issues through the Alliance of UK Regulators on Europe and have made a number of coordinated responses to the European Commission on matters of mutual interest.
- 26 During 2014–2015 we:
- 26.1 Published a position statement on safe staffing in response to issues raised by senior nurses and midwives. It reflected that while it is not our role to set or assure standards related to appropriate staffing, it is a matter that has a bearing on what we do in a number of ways.
  - 26.2 Jointly published a statement on the professional duty of candour with eight of the healthcare professional regulators and consulted on guidance for nurses, midwives and doctors with the General Medical Council.
  - 26.3 Appeared before the House of Commons Health Committee as part of its inquiry on raising concerns and complaints.
  - 26.4 Appeared before the Morecambe Bay Inquiry.
  - 26.5 Reported on our public commitments in response to Francis and related reviews.
  - 26.6 Participated in the government’s work to strengthen reporting of female genital mutilation.
  - 26.7 Responded to the Freedom to Speak Up review led by Sir Robert Francis and to the Department for Business, Innovation and Skills on whistleblowing.
  - 26.8 Began to develop an employer link service to liaise with and provide advice to employers, particularly on fitness to practise issues. This included engagement with a range of stakeholders to understand what this might involve and the benefits it could bring.

### **Changes to our legislation**

- 27 Our legislation is out of date and needs urgent reform. During the year we have engaged with the Department of Health and other regulators to inform the government response to the Law Commissions’ report and draft Bill, published in January 2015. We developed our case for legislative change and published a position statement called *Better legislation for better regulation*. We published a joint statement with patients’ groups, nursing and midwifery professional bodies, unions, and systems and education representatives that called on political leaders to commit to bringing forward a bill reforming healthcare regulation.
- 28 We now know that the desired fundamental reform was not in the first session Queen’s Speech. This was disappointing and we will continue to work with the government to encourage it to address this issue urgently.
- 29 We worked closely with the Department of Health and parliamentarians on the Nursing and Midwifery (Amendment) Order 2014 which gave us the legislative ability to introduce Case Examiners and make other process improvements. A

number of other legislative developments had an impact on our work particularly the legislative changes from the revised EU directive on the mutual recognition of professional qualifications which included powers to introduce language controls for EU trained nurses and midwives.

### **Improving the collection and use of data and intelligence and sharing it with others**

- 30 We are clear about the importance of making improvements to the collection and use of both our own data and intelligence from other sources, and sharing what we know with other regulators and relevant partner organisations to improve public protection.
- 31 We did not make the progress we had hoped to this year on our data and intelligence work for a number of reasons. This was mainly due to pressure on resources and the demands of other priorities – not least, gaining impetus on the improvement of our information technology systems.
- 32 However, we have made early progress through the convening of an internal Data Steering Group to oversee all our work in this area, appointment of a data manager to lead scoping of what is needed to move us forward, establishment of a Technical Design Authority as part of the ICT improvement programme, and the convening of a data intelligence group linked to the employer link project to provide an organisation-wide view of settings data.

### **Goal 3 – services, systems and staff**

#### **Equality and diversity**

- 33 We aim to promote equality and diversity in carrying out our functions and in delivering our services as a regulator and as an employer.
- 34 Our annual equality objectives action plan had five objectives in 2014–2015:
  - 34.1 We will further embed diversity in the delivery of our statutory functions.
  - 34.2 Our leaders will continue to actively champion equality, diversity and inclusion.
  - 34.3 We will establish effective governance processes to support the delivery of equality and inclusion.
  - 34.4 Our staff will work in an environment where they are treated with dignity, fairness and respect.
  - 34.5 We will continue to deliver quality services relevant to the needs of a diverse community.
- 35 Our corporate strategy integrates equality and diversity commitments into each strategic priority theme. We also publish an equality and diversity annual report and regularly monitor progress against our equality objectives action plan. During 2014–2015 we:

- 35.1 Revised our diversity questionnaire, which is incorporated into NMC Online and will provide better data about our registrant population.
- 35.2 Considered and analysed the equality and diversity implications when developing policies and procedures.
- 35.3 Worked in partnership with the Business Disability Forum to develop a new reasonable adjustments policy. This policy is to improve the quality of reasonable adjustments for staff and service users with disabilities. We are currently scoping a project plan to consider costs and implementation.
- 35.4 Delivered mandatory equality and diversity training as part of the staff induction process. We also revised the staff intranet to remind and inform staff about our equality and diversity duties and the policies we have in place to promote an inclusive work environment.
- 35.5 Developed relationships with experts in the issues faced by people with protected characteristics and a number of working partnerships with external diversity experts and organisations to inform our work.
  - 35.5.1 We worked with the Gender Identity Research and Education Society on a trans policy.
  - 35.5.2 We joined the Race for Opportunity to use their expertise on issues affecting black, Asian and minority ethnic members of staff.
  - 35.5.3 We worked with Stonewall on understanding issues affecting lesbian, gay and bisexual members of staff.
  - 35.5.4 We worked with the Welsh Language Commissioner on Welsh language standards.
  - 35.5.5 We worked with the Equality and Human Rights Commission through their regulator meetings on sharing best practice.
- 36 We have improved our governance processes to support the delivery of equality and inclusion including ensuring an executive director chairs the Equality and Diversity Steering Group.

### **Information technology and security**

- 37 During the last year we have put in place a major programme to improve our information technology, security and governance arrangements.
- 38 We have developed a substantive improvement programme for our IT service, processes and controls following a series of independent reviews. New interim leadership has been put in place to deliver that programme and the Council is scrutinising work in this area closely.
- 39 We have implemented the majority of the high priority recommendations in line with the ISO 27001 framework for information security management. We have made progress in addressing the priorities identified in the information security improvement plan and our progress in this area is reviewed at a senior level

through our Information Governance and Security Board. We also work with other regulators in sharing best practice.

### **Freedom of information and data protection**

- 40 As a public body we comply with the Freedom of Information Act 2000 and the Data Protection Act 1998. In 2014–2015 we received and responded to around 400 freedom of information requests and over 300 data protection requests. There were four complaints made to the Information Commissioner’s Office over this time period, all of which were found in our favour.

### **Staff and human resources**

- 41 We continue to build an open culture which engages and empowers staff to perform to their best and which encourages learning and improvement.

#### **Workforce planning**

- 42 Staff turnover reduced for the second consecutive year to 24.5 percent though was higher than our key performance indicator target which was 23 percent. Of those who give a reason as to why they are leaving, most state career progression or change of career.
- 43 We have worked towards implementing effective workforce planning, starting with enhancing the quality of workforce reports and providing better workforce intelligence and real-time information for managers. There are regular meetings between the HR function and directorates on workforce needs and skills which inform business planning. We have made improvements to our ICT and HR systems which mean we have more comprehensive data about our workforce composition.
- 44 We aligned our workforce skills and behaviours closely to the corporate strategy by making sure that business plans considered workforce capacity and skill capability.

#### **Staff appraisal and development**

- 45 We introduced an online performance appraisal system with staff input. This includes reflection on the NMC behaviours and enables better management reporting and compliance monitoring.
- 46 We began work on further developing career progression pathways and a rewards system and we have made good progress in improving our competitiveness and market position. Our learning and development programmes are leading to an improvement in skills such as performance management.

#### **Staff culture**

- 47 We continued to foster a culture of openness in which staff feel able to raise concerns so the organisation can learn from mistakes. We signed up to Public Concern at Work’s (PCaW) First 100 Campaign, an initiative designed to support people who raise concerns. NMC staff can be assured that we are committed to handling concerns and whistleblowing in line with PCaW’s code of practice.

- 48 HR information shows that increasingly staff feel able to raise concerns, informally and formally through our HR processes.
- 49 We conducted a survey for all staff in June 2014 which showed an improvement in staff satisfaction and engagement from 57 percent to 64 percent. The results were fed back to the organisation and action plans were developed to address the findings.

## Strategic Plan 2015–2020

50 Our *Strategy 2015–2020: Dynamic regulation for a changing world* was agreed by our Council in March 2015 and can be found on [our website](#). It sets out four strategic development priorities which will enable us to deliver our overarching purpose to protect the public with greater effectiveness and impact. They are:

- Effective regulation
- Use of intelligence
- Collaboration and communication
- An effective organisation

51 The activities set out below are the main pieces of work we will undertake in 2015–2016 to deliver improvements that will contribute to the achievement of our corporate strategy 2015–2020.

### Strategic priority 1: Effective regulation

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

In 2015–2016 we will:

- Work in partnership with the four UK governments to launch an effective, transparent and proportionate model of revalidation in late 2015.
- Make the necessary changes to our processes to implement the new requirements of the EU Directive on Mutual Recognition of Professional Qualifications. This will include introducing language controls.
- Embed and evaluate the new case examiner function, implement the new powers to review ‘no case to answer’ decisions, and invest in strengthening our screening and investigation functions to secure consistent quality of regulatory decisions across all our fitness to practise processes.
- Establish an employer link service which facilitates information sharing, increases understanding of our processes and helps employers decide which fitness to practise concerns warrant referral to us and which are better handled locally.
- Develop the necessary policy positions for specific aspects of the register in preparation for a possible regulation bill. We will carry out initial scoping and research for a longer term review of the role, structure and content of the register to ensure it supports public protection in a changing healthcare and practice landscape.
- Publish and begin to implement an education strategic delivery plan. This will include completing the evaluation of our pre-registration education standards,

publishing new fit for purpose standards for prescribing and revising our pre-registration midwifery standards for publication in 2016.

- Undertake policy and legislation development work towards removing midwifery supervision from our legislation.
- Deliver a programme of quality management reviews across all our regulatory directorates. Quality objectives will be incorporated into staff objectives and we will review the overall impact of our quality programme in early 2016.

### **Strategic priority 2: Use of intelligence**

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

In 2015–2016 we will:

- Strengthen our approach to managing regulatory risk intelligence about settings where nurses and midwives practise. We will do this by establishing new systems and processes alongside the employer link service for collating, evaluating and acting on intelligence about risk from different sources.
- Deliver a programme of research and analysis activities that provides insight for effective regulation – for example work to improve insights from fitness to practise data.

### **Strategic priority 3: Collaboration and communication**

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

In 2015–2016 we will:

- Promote the Code through an ongoing campaign aimed at nurses, midwives and employers. We will produce and disseminate materials for patients and service users so that they understand what they should expect from nurses and midwives.
- Develop and publish employer facing resources on the implications and responsibilities of employing registered nurses and midwives.
- Engage effectively with registered nurses and midwives and our stakeholders to ensure the smooth implementation of revalidation.
- Establish a student forum and carry out a student survey in order to strengthen our relationships with future registrants and to learn from what they can tell us about professional education and practice.

- Develop sound relationships with other regulators – including system regulators, and train our staff to implement information sharing protocols consistently and well. We will launch joint guidance on candour with the General Medical Council.

#### **Strategic priority 4: An effective organisation**

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

In 2015–2016 we will:

- Increase our focus on service to our customers and stakeholders by adopting the Cabinet Office's Customer Service Excellence ® standard across the organisation. We will commission a programme of staff training and an initial assessment in July 2015, before developing an action plan to address any areas for improvement.
- Implement a programme of ICT improvement to support our core functions more efficiently and to provide a sound basis on which to build more transformational change.
- Carry out an assessment and mapping of our data and begin a programme of data-cleansing as essential groundwork for our future data and intelligence gathering, reporting and dissemination.
- Promote equality, diversity and inclusion in carrying out our functions as a regulator, a service provider and as an employer. This will include improving the collection and use of diversity data about our registrants, commissioning research, and ensuring we maintain accessibility to our services for people with disabilities.
- Provide a facility for nurses and midwives to make registration fee payments in instalments.
- Invest in our workforce to ensure it is engaged, high-performing and able to meet the future needs of the organisation. We will do this by incremental pay reform, undertaking a review of our workforce structure and capabilities and putting in place a programme of learning and development.
- Drive through a programme of efficiencies to ensure the ongoing effective use of our resources.

## Financial review

- 52 The net outgoing resources for the year amounted to £3.212 million (2013–2014: net outgoing resources £5.397 million).
- 53 During the year, income totalled £73.204 million (2013–2014: £65.193 million) and comprised fee income of £69.921 million (2013–2014: £62.772 million), grant income of £2.642 million from the Department of Health (2013–2014: grant income £1.438 million) and investment income of £0.641 million (2013–2014: £0.983 million).
- 54 The grant income of £2.642 million represents funding from the Department of Health to support improvements to the way we assess and process applications to the register from outside the European Economic Area (EEA). Grant funding of £0.193 million was provided by the Department of Health as the final tranche to support an historical audit of non EEA registrations and the implementation of electronic ID verification for non EEA applicants. Grant funding of £2.449 million was awarded to support the introduction of a test of competence for non EEA applicants. Further information on grant funding and expenditure is provided in note 27 to the accounts.
- 55 A Department of Health grant of £20 million paid in 2012–2013 provided additional financial resources to support the achievement of our fitness to practise adjudication key performance indicator target by December 2014; the clearance of the historic backlog of cases by December 2014; and the delivery of the minimum risk-based reserves level by January 2016. The grant was paid in January 2013 and was recognised in full as restricted revenue in 2012–2013. The grant is being released in equal monthly instalments over the term of the grant, and the restricted reserves balance will reduce accordingly each month, with the final amount being in December 2015.
- 56 We successfully achieved the fitness to practise adjudication key performance indicator target by December 2014 and cleared the historic backlog of cases, thus meeting these conditions of the grant.
- 57 By the final quarter of 2014–2015 the NMC had achieved its minimum available free reserve target of £10 million and this level is expected to be sustainable, based on the utilisation of the last tranche of the £20 million grant during 2015–2016.
- 58 During the year expenditure totalled £76.416 million (2013–2014: £70.590 million). This is further analysed within note 10 to the accounts.
- 59 The reserves of £49.656 million at 31 March 2015 included the value of the lease of the NMC's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2014 on an existing use basis at £17.185 million.
- 60 Our expenditure is primarily driven by the volume and complexity of our fitness to practise caseload. In recent years these have increased significantly. Therefore in March 2014, the Council took the decision to consult publicly on increasing the

registration fee from £100 to £120, and subsequently took the difficult decision at its meeting in October 2014 to increase the fee with effect from February 2015.

- 61 The registration fee level is reviewed annually by the Council. The volume and complexity of fitness to practise referrals have continued to increase, together with a need to invest in our other regulatory commitments. This means that despite significant efficiency improvements and savings that we have made, and with no immediate prospect of legislative change, the cost of regulation remains at £120 per registrant.
- 62 We understand the significant hardship nurses and midwives face in making a lump sum payment in difficult economic times. We have listened to nurses, midwives and their professional bodies, along with the Health Committee, and have committed to introducing the ability to pay the registration fee in instalments by the beginning of 2016 to make it easier for nurses and midwives to pay the fee. During 2014–2015 we consulted on and secured the requisite changes to our rules. We are making the necessary changes to our IT system and processes. We also continue to encourage nurses and midwives to claim the tax relief on the registration fee to which they are entitled, as only around 30 percent do so at present.
- 63 At 31 March 2015 negotiations are ongoing with HM Revenue and Customs (HMRC) in relation to a potential refund of income tax and National Insurance payments made in prior years in relation to fitness to practise panellists. This followed a ruling by HMRC in April 2012 that HMRC now considers that the NMC's fitness to practise panellists are not classed as office-holders and therefore employees for income tax and National Insurance purposes, but considers them to be self-employed. The amount of the potential refund is yet to be established and therefore it is not disclosed as a contingent asset in the financial statements.

## **Reserves policy**

- 64 The NMC operates a risk-based reserves policy which provides that our free reserves level should be based on an assessment of the financial impact of the risks faced by the NMC, plus an amount to cover our estimated share of the pension deficit. Free reserves are that part of a charity's unrestricted funds that are freely available to spend, that is, excluding restricted funds, tangible fixed assets and amounts designated for essential future spending.
- 65 The reserves level was reviewed twice by the Council during 2014–2015. The level was reviewed in October 2014 as part of the review of the financial projections upon which the fee level was set, and was reviewed again in March 2015 as part of the annual review of the budget and business plan. In reviewing the level, the Council considers the latest assessment and quantification of major risks, and agrees an appropriate range in which the risk-based element of reserves (also known as 'available free reserves') should be maintained.
- 66 In both October 2014 and March 2015 the Council reviewed the latest position in relation to risks underpinning the reserves policy and agreed that available free reserves should continue to be held in a target range of £10 million to £25 million.

- 67 This level of reserves is considered sufficient to meet the NMC's operating priorities and working capital requirements in the event of a significant unplanned circumstance, whilst alternative funding is secured.
- 68 Total free reserves were £20.137 million at 31 March 2015 (£17.115 million at 31 March 2014) after deduction of the net book value of fixed assets of £23.997 million (2013–2014: £23.753 million). After adjusting for the NMC's estimated share of the pension deficit, available free reserves at 31 March 2015 were £11.5 million (£7.6 million at 31 March 2014).

### **Investment policy**

- 69 The NMC has the power to invest its surplus funds as it considers appropriate to generate income. Currently the NMC has a formal investment policy, which limits investment to low and no risk options.
- 70 NMC funds are held in fixed interest deposit accounts spread across four UK high street banks. The revenue generated from the investments in 2014–2015 was £0.641 million (2013–2014: £0.983 million).

### **Fixed assets**

- 71 Information relating to changes in tangible fixed assets is given in note 13 to the accounts. The cost of fixed assets additions during the year was £3.721 million.
- 72 During 2014 the NMC vacated its leased hearing premises at 20 Old Bailey on expiry of the lease. Alternative premises in Stratford were converted into Fitness to Practise hearing and office space. The net cost of this project was £2.124 million.

**Dame Janet Finch**  
**Chair**  
**NMC**  
**28 October 2015**

**Jackie Smith**  
**Chief Executive and Registrar**  
**NMC**  
**28 October 2015**

## Remuneration report

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

### Council members' allowances and expenses

- 74 The Council is the governing body of the NMC and has ultimate decision-making authority as described in the annual governance statement. The members of the Council are the trustees of the NMC. The Chair of the Council during 2014–2015 was Mark Addison CB who held office until 31 December 2014 and was succeeded by Dame Janet Finch on 1 January 2015.
- 75 Council members do not receive remuneration for their services but receive an annual allowance of £12,000 based on the requirement for members to spend two to three days per month on NMC business. The Chair receives an annual allowance of £48,000 based on the requirement to spend an average of two days per week on NMC business. An attendance allowance of £260 per day is paid for training and induction activity prior to taking up appointment.
- 76 Until 9 March 2015, it was a legal requirement for Registration Appeals Panels to be chaired by a Council member. Council members received a daily allowance of £340, and a daily reading fee of £290 where required, for performing this role. During 2014–2015, allowances totalling £21,730 were paid to Council members to chair appeals panels (2013–2014: £26,485).
- 77 Allowances paid to Council members in 2014–2015 amounted to £189,730 (2013–2014: £207,485). This includes the allowances of £21,730 for chairing Registration Appeals Panels referred to above. The decrease in allowances paid in 2014–2015 is due to vacancies during the year. Full details of the amounts paid are set out in the table on pages 24–25. No special payments<sup>1</sup> were made to any Council member in 2014–2015.
- 78 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.
- 79 Where meetings are held in London, expenses are considered to be a taxable benefit in kind. The NMC pays the income tax and National Insurance arising through a PAYE settlement agreement with HMRC. In 2014–2015, £22,771 was provided for this tax liability in relation to Council members (2013–2014: £38,551). 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.

---

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

80 The expenses upon which the tax liability arises are included in the following table. The expenses received by members vary widely due to the costs of travel and accommodation for attending meetings from home locations across the UK.

<b>Council members</b>	<b>Allowance paid to member 2014–2015 (£)</b>	<b>Allowance paid to member 2013–2014 (£)</b>	<b>Expenses deemed benefit in kind 2014–2015 (£)</b>	<b>Expenses deemed benefit in kind 2013–2014 (£)</b>
Mark Addison CB - Chair <sup>2</sup>	<b>36,000</b>	48,000	<b>959</b>	836
Dame Janet Finch - Chair <sup>3</sup>	<b>12,000</b>	-	<b>137</b>	-
Alison Aitken <sup>4</sup>	-	1,000	-	1,295
Dr Kuldip Bharj OBE <sup>5</sup>	-	1,000	-	1,244
Professor Judith Ellis MBE <sup>6</sup>	<b>3,000</b>	12,170	<b>33</b>	60
Sue Hooton OBE <sup>7</sup>	-	1,000	-	1,034
Lorna Jacobs <sup>8</sup>	<b>145</b>	2,940	-	1,587
Grahame Owen <sup>9</sup>	-	1,485	-	832
Nicki Patterson <sup>10</sup>	-	6,000	-	3,745
David Pyle <sup>11</sup>	-	1,000	-	97
Carole Rees-Williams <sup>12</sup>	-	1,000	-	220
Ruth Sawtell <sup>13</sup>	-	1,000	-	87
Beatrice Teuten <sup>14</sup>	-	1,000	-	167
Professor Jane Tunstill <sup>15</sup>	-	1,000	-	-
Maureen Morgan OBE <sup>16</sup>	<b>13,940</b>	14,590	<b>1,489</b>	2,501
Maura Devlin <sup>17</sup>	<b>16,535</b>	7,020	<b>6,131</b>	3,360
Quinton Quayle	<b>12,000</b>	11,000	<b>1,012</b>	2,908
Louise Scull	<b>12,000</b>	11,000	<b>2,891</b>	3,238
Carol Shillabeer	<b>12,000</b>	11,000	<b>1,315</b>	2,305
Elinor Smith <sup>18</sup>	<b>9,970</b>	12,455	<b>2,738</b>	5,088
Amerdeep Somal <sup>19</sup>	<b>13,310</b>	15,850	<b>4,552</b>	7,024
Stephen Thornton CBE	<b>12,000</b>	11,000	<b>1,365</b>	2,986

<sup>2</sup> Chair until 31 December 2014.

<sup>3</sup> Appointed Chair of the Council from 1 January 2015.

<sup>4</sup> Held office to 30 April 2013.

<sup>5</sup> Held office to 30 April 2013.

<sup>6</sup> Resigned 30 June 2014.

<sup>7</sup> Held office to 30 April 2013.

<sup>8</sup> Held office to 30 April 2013. Includes allowance payments in 2013–2014 of £145 for chairing Registration Appeals Panels.

<sup>9</sup> Held office to 30 April 2013.

<sup>10</sup> Held office to 30 September 2013.

<sup>11</sup> Held office to 30 April 2013.

<sup>12</sup> Held office to 30 April 2013.

<sup>13</sup> Held office to 30 April 2013.

<sup>14</sup> Held office to 30 April 2013.

<sup>15</sup> Held office to 30 April 2013.

<sup>16</sup> Includes allowance payments in 2014–2015 of £1,940 for chairing Registration Appeals Panels.

<sup>17</sup> Includes allowance payments in 2014–2015 of £4,535 for chairing Registration Appeals Panels.

<sup>18</sup> Resigned 17 December 2014. Includes allowance payments in 2014–2015 of £970 for chairing Registration Appeals Panels.

<sup>19</sup> Includes allowance payments in 2014–2015 of £1,310 for chairing Registration Appeals Panels.

<b>Council members</b>	<b>Allowance paid to member 2014–2015 (£)</b>	<b>Allowance paid to member 2013–2014 (£)</b>	<b>Expenses deemed benefit in kind 2014–2015 (£)</b>	<b>Expenses deemed benefit in kind 2013–2014 (£)</b>
Lorna Tinsley <sup>20</sup>	<b>24,345</b>	23,975	<b>5,242</b>	5,343
Dr Anne Wright CBE <sup>21</sup>	<b>12,485</b>	11,000	<b>16</b>	-

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

### **Methods used to assess members' performance**

82 The Council has an agreed policy and process in place for reviewing and enhancing the effectiveness of both the Council itself and its members. Annual performance reviews of the Chair and individual members took place in 2014–2015.

83 The performance review of the Chair of the Council is undertaken by the Vice-Chairs. The review takes a structured and evidence-based approach. It includes a self-assessment by the Chair and peer assessment by members of the Council. The outcomes are used to agree objectives and ascertain development needs for the coming year. A similar process is in place for individual Council members led by the Chair.

### **Senior management team remuneration and performance assessment**

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

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

86 The Remuneration Committee considers and recommends to the Council an appropriate reward strategy for the Chief Executive and Registrar and the directors. The Committee approves the reward package of the Chief Executive and Registrar and the directors annually in line with the reward strategy set by the Council. In 2014–2015, a pay increase of 2.5 percent was applied to all staff, including members of the Executive.

87 The Remuneration Committee approves the process for, and reviews reports from the Chair regarding, the setting of objectives for and performance appraisal of the

<sup>20</sup> Includes allowance payments in 2014–2015 of £12,345 for chairing Registration Appeals Panels.

<sup>21</sup> Includes allowance payments in 2014–2015 of £485 for chairing Registration Appeals Panels.

Chief Executive and Registrar. It also reviews reports from the Chief Executive and Registrar regarding the setting of objectives for and performance appraisal of the directors. Directors' performance was assessed through our performance development review process which operated during 2014–2015.

- 88 In 2014–2015, the Council on the advice of the Remuneration Committee introduced a performance-related pay scheme for the Chief Executive and Registrar and directors. Under the scheme, the Chief Executive and Registrar and directors are eligible for an award of a non-consolidated, non-pensionable performance bonus based on an objective, evidence-based assessment against team and individual personal objectives linked to delivery of the corporate plan. Any bonus payments awarded for performance in 2014–2015 will be paid in 2015–2016. The effectiveness of the scheme will be reviewed by the Remuneration Committee annually, the first review being in October 2015.
- 89 The Chief Executive and Registrar's remuneration in 2014–2015 was £161,000<sup>22</sup> and the value of her pension benefits was £43,512,<sup>23</sup> giving rise to a single total figure of remuneration of £204,512 (in 2013–2014, her remuneration was £164,677 and the value of her pension benefits was £54,200,<sup>24</sup> giving rise to a single total figure of remuneration of £218,877).
- 90 Jackie Smith, the Chief Executive and Registrar, is an ordinary member of the NMC pension scheme (see note 11 to the accounts). Details of her pension position are as follows:
- The real increase during 2014–2015 in her pension at age 60 was between £2,500 and £5,000 pa (2013–2014: between £2,500 and £5,000).
  - If she took the maximum tax-free cash payment at age 60, the real increase during 2014–2015 in the value of this lump sum at 31 March 2015 was between £12,500 and £15,000 and the real increase in her residual pension was between £0 and £2,500 pa.
  - The accrued pension at age 60 at 31 March 2015 was between £10,000 and £15,000 pa (31 March 2014: between £5,000 and £10,000 pa). If she took the maximum tax-free cash at age 60, the value of this lump sum at 31 March 2015 was between £50,000 and £55,000 and this would leave a residual pension at age 60 at 31 March 2015 of between £5,000 pa and £10,000 pa.
  - The cash equivalent transfer value<sup>25</sup> of benefits at the beginning of the year was £199,000.

---

<sup>22</sup> The amount for 2014–2015 is made up of basic pay increased by 2.5 percent in line with the pay rise for all staff, together with payment for 6 days annual leave not taken during 2014–2015.

<sup>23</sup> The value of pension benefits is calculated as the real increase in pension in the year, multiplied by 20, plus the real increase in any lump sum, less contributions made by the member. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<sup>24</sup> The 2013–2014 comparative has been restated (from £69,240 to £54,200) to disclose the benefit based on the capped salary for pension purposes which applies in the pension scheme.

<sup>25</sup> The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

- The real net increase in the cash equivalent transfer value during the year to 31 March 2015 (adjusted for inflation and taking account of member contributions) is £80,000.
- The cash equivalent transfer value of benefits at 31 March 2015 is £342,000 (31 March 2014: £199,000).<sup>26</sup>

91 The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2014–2015.

## **Remuneration and performance assessment of other staff**

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

93 The remuneration of all employees is reviewed annually taking into account a range of information including overall affordability, cost of living rates, benchmarking data, and recruitment and retention data. The Council makes provision within the budget for any staff pay uplift in line with recommendations from the Remuneration Committee. In 2014–2015, the Remuneration Committee endorsed the Executive's recommendation to award an across-the-board inflationary increase in pay for all eligible staff of 2.5 percent with effect from 1 April 2014 (2013–2014: 2.3 percent).

94 As an organisation we are committed to investing in our staff. Building upon the pay and grading review completed in 2013–2014 we continue to work with external reward advisers to ensure we are able to attract and retain an appropriately skilled workforce. During 2014–2015 the Remuneration Committee decided that in addition to the across-the-board inflationary pay award, the pay of staff members with over 12 months service would be brought to a minimum level of 10 percent below the median rate for their pay grade where this was not already the case. The Council, on the advice of the Committee, also agreed that the Executive should have flexibility to pay differential rates for specialist skills in targeted areas where essential to attract and retain staff to deliver key organisational functions.

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

## **Pension arrangements**

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

97 Employees who are members of the defined benefit scheme make a contribution of six percent of salary. The employer's contribution into the pension scheme

---

<sup>26</sup> 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 2014 is due to changes in the financial assumptions used to calculate transfer values at the two different dates. The 2013-2014 comparative has been restated (from £216,000 to £199,000) to disclose the benefit based on the capped salary for pension purposes which applies in the pension scheme.

during 2014–2015 was 29.2 percent, as set by the Scheme Actuary. Approximately 36 percent of employees were members of this scheme at 31 March 2015. The scheme was closed to employees joining the NMC after 1 November 2013.

- 98 The NMC established a defined contribution scheme from 1 November 2013 which employees joining the NMC on or after this date could opt to join. The scheme was adopted as the NMC’s workplace pension scheme for the purposes of auto-enrolment from 1 April 2014, when all qualifying employees were automatically enrolled in the scheme. At 31 March 2015, 94 percent of those enrolled in the scheme remained in it. During 2014–2015 the basic required contributions to the scheme were four percent for the employer and one percent for the employee.

### **NMC pay differentials**

- 99 The remuneration of the highest-paid director, the Chief Executive and Registrar, was 5.88 times (2013–2014: 6.13 times) the median remuneration of the workforce, which was £27,398 (2013–2014: £26,859). The decrease in differential in 2014–2015 is because the Chief Executive’s remuneration in 2013–2014 included payment for 19 days annual leave not taken in that year.
- 100 Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, paid annual leave as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.
- 101 Further information about remuneration is contained in note 11 to the accounts.

**Dame Janet Finch**  
**Chair**  
**NMC**  
**28 October 2015**

**Jackie Smith**  
**Chief Executive and Registrar**  
**NMC**  
**28 October 2015**

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

- 102 The accounts are prepared in accordance with the direction received from the Privy Council which requires the accounts to be prepared in accordance with the Charities Statement of Recommended Practice Accounting and Reporting (SoRP) and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board (Appendix 1).
- 103 The Nursing and Midwifery Order 2001 requires that annual accounts are prepared and audited. The Council and its Chief Executive and Registrar (as Accounting Officer) are responsible for the preparation and approval of the accounts.
- 104 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.
- 105 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.
- 106 The Privy Council has appointed the Chief Executive and Registrar as Accounting Officer for the Nursing and Midwifery Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable, and for the keeping of proper records, are set out in the *Accounting Officer's Memorandum*, issued by the Privy Council, and in *Managing public money* (HM Treasury, 2013).

## **Principal place of business**

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

23 Portland Place  
London  
W1B 1PZ

## **Advisers**

### **Joint Auditors**

haysmacintyre  
Chartered Accountants  
26 Red Lion Square  
London  
WC1R 4AG

### **Joint Auditors**

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

### **Bankers**

HSBC  
117 Great Portland Street  
London  
W1A 4UY

### **Solicitors**

Field Fisher Waterhouse  
35 Vine Street  
London  
EC3N 2AA

### **Internal Auditors**

Moore Stephens  
150 Aldersgate Street  
London  
EC1A 4AB

## Annual governance statement

108 The NMC is an independent statutory body. Our powers and responsibilities are set out in the Nursing and Midwifery Order 2001 (as amended) (the Order) and in our statutory rules.<sup>27</sup> We are also a charity registered in England and Wales (number 1091434) and in Scotland (number SC038362). Our charitable object is to protect and safeguard the health and wellbeing of the public. The Council has had due regard to the Charity Commission's guidance and we explain elsewhere in this report how our work demonstrates public benefit.

### The Council

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

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

111 The Council is constituted in accordance with the Nursing and Midwifery Council (Constitution) (Amendment) Order 2012.<sup>28</sup> It is made up of 12 members and comprises an equal number of registrant and lay members. Lay members are those who have never been a registered nurse or midwife. All members are appointed by the Privy Council, who receive assurance from the Professional Standards Authority for Health and Social Care (PSA) on the robustness of the appointment or reappointment process adopted by the NMC.

112 Following an open recruitment exercise, Professor Dame Janet Finch was appointed as the Chair of the Council from 1 January 2015, succeeding Mark Addison CB, who served as Chair from 10 September 2012 to 31 December 2014.

113 During 2014–2015, three members were reappointed to serve further terms from 1 May 2015. We conducted an open recruitment exercise to fill two registrant vacancies and the Privy Council appointed two new members to take up office with effect from 1 May 2015. Both have been provided with an induction programme.

114 The membership of the Council during 2014–2015 and record of member attendance is set out below.

---

<sup>27</sup> SI 2002/253

<sup>28</sup> SI 2012/2745

## Council membership and attendance 1 April 2014 to 31 March 2015

	Meetings	Attended
Mark Addison CB (Chair to 31 December 2014)	4	4
Professor Dame Janet Finch (Chair from 1 January 2015)	2	2
Professor Judith Ellis MBE (resigned 30 June 2014)	1	1
Maureen Morgan OBE	6	3
Maura Devlin MBE	6	6
Quinton Quayle	6	6
Louise Scull	6	5
Carol Shillabeer	6	6
Elinor Smith (resigned 17 December 2014)	4	3
Amerdeep Somal	6	6
Stephen Thornton CBE (FN 1)	4	4
Lorna Tinsley	6	6
Dr Anne Wright CBE	6	6

FN 1: Granted leave of absence April to August 2014

115 The Order requires there to be a Midwifery Committee. In addition, the Council has established an Audit Committee; Remuneration Committee; and an Appointments Board to support it in its role. The remit, membership and attendance record for each Committee is set out below.

### Audit Committee

116 The remit of the Audit Committee is to support the Council and management by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The membership of the Committee and attendance for the period 1 April 2014 to 31 March 2015 is set out below.

	Meetings	Attended
Louise Scull (Chair)	4	4
Carol Shillabeer	4	3
Stephen Thornton (FN 1)	2	2
Maureen Morgan (FN 2)	1	1

FN 1: Granted leave of absence April to August 2014

FN 2: Substitute member of the Committee for the period May to August 2014

## Remuneration Committee

117 The remit of the Remuneration Committee is to ensure that there are appropriate systems in place for remuneration and succession planning at the NMC. The membership of the Committee and attendance for the period 1 April 2014 to 31 March 2015 is set out below.

Member	Meetings	Attended
Quinton Quayle (Chair)	5	5
Elinor Smith (resigned 17 December 2014)	4	4
Amerdeep Somal	5	5
Stephen Thornton (FN 1)	3	3
Maura Devlin MBE (from 10 February 2015)	1	1

FN 1: Granted leave of absence April to August 2014

## Midwifery Committee

118 The statutory remit of the Midwifery Committee is to advise the Council on all matters relating to midwifery. The membership of the Committee and attendance for the period 1 April 2014 to 31 March 2015 is set out below.

Member	Meetings	Attended
Dr Anne Wright CBE (Chair)	8*	8
Lorna Tinsley	8*	7
Patricia Gillen	8*	7
Pradeep Agrawal	8*	7
Yvonne Bronsky (from 1 January 2015)	2	2
Farrah Pradhan (from 1 January 2015)	2	2
Susanne Roff (from 1 January 2015)	2	1
Dr Tina Harris (from 2 January 2015)	2	2
Ann Holmes	8*	5
Kirsty Darwent (to 30 December 2014)	6*	4
Marie McDonald (to 30 December 2014)	6*	6

\*Three of these meetings were extraordinary meetings in confidential session

## Appointments Board

119 The remit of the Appointments Board is to assist the Council in connection with the exercise of any function relating to the appointment of Panel Members and Legal Assessors. The membership of the Committee and attendance for the period 1 April 2014 to 31 March 2015 is set out below.

Member	Meetings	Attended
Nigel Ratcliffe (Chair) (to 31 December 2014)	4	4
Bridget Anderson (reappointed 18 December 2014 )	4	1
Mary Dowling (reappointed 18 December 2014)	4	4
Stephen McCafferty (reappointed 18 December 2014)	4	4

## **Role of the Executive**

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

## **Effectiveness of governance**

- 123 The Council is committed to high standards of governance. Our practice complies with HM Treasury's *Corporate Governance Code of Good Practice* to the extent that it is applicable to the organisation. The Council conducts its business in accordance with the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.
- 124 The Council undertakes an annual review of its own effectiveness, as does each Committee. During 2014–2015, key outcomes taken forward from the review conducted in 2013–2014 included:
- 124.1 Refresh of member competencies. These were used to inform the reappointment and recruitment processes conducted during 2014–2015.
- 124.2 Adoption of a more streamlined approach to effectiveness reviews for 2014–2015.
- 125 The Council's 2014–2015 effectiveness review identified the following areas to be addressed in 2015–2016:
- 125.1 Ensuring the Council has the necessary skills, expertise and experience to effectively perform its strategic and oversight roles including in relation to finance, HR and ICT.
- 125.2 Ensuring that the Council has sufficient diversity in its membership to allow for a breadth of perspectives.
- 125.3 Providing appropriate development opportunities for Council members.
- 125.4 Further improving the quality of information provided to the Council (see paragraphs 132 and 133 below).

## External review

- 126 The Council commissioned an independent external review of progress against the recommendations in the PSA Strategic Review 2012.<sup>29</sup> The review found that, importantly, we are focused on our core regulatory functions and that we had made a substantial number of improvements, including progress against all four areas identified by the PSA as requiring action: regulatory purpose; external stakeholder perspectives; people and culture; and operational management.
- 127 The review assessed progress on governance as enhanced: it found strong evidence of well-developed and embedded processes and that the Council is firmly focused on strategic issues, with the Executive accountable for management of day to day operations. Overall, the review concluded that the NMC is in a much stronger position than in 2012.
- 128 The most significant area for further improvement identified in the review was the need for a greater leadership focus and increased investment in ICT. This is being addressed as a major priority as discussed in paragraph 149 below.
- 129 Other areas the review identified for continued focus included:
- 129.1 Customer service: the Council has committed to adopting the Cabinet Office's Customer Service Excellence Standard™ and a project to implement this began in 2014–2015, supported by external expertise.
  - 129.2 Quality assurance: action is discussed at paragraph 138.2 below.
  - 129.3 Management and financial information: action is being taken as set out in paragraphs 132 and 133 below.

## Professional Standards Authority performance review 2014–2015

- 130 The PSA's assessment of performance in 2014–2015 recognised significant improvements and progress across all our functions, resulting in an additional three Standards of Good Regulation being assessed as met in 2014–2015. Areas identified for improvement included implementation of revalidation; accuracy and integrity of the register; fitness to practise processes; customer service; decision-making; and information security. Actions to address each of these are being taken forward in 2015–2016 (see paragraph 162 below).

## NMC Strategy 2015–2020

- 131 The NMC Strategy 2015–2020 approved by the Council in March 2015 sets a clear direction for the future focused on four strategic priorities. Findings from the external review, PSA performance reviews, together with areas for improvement identified through other external and internal sources, horizon scanning and input from stakeholders have all informed development of the Strategy. The Strategy is being taken forward through our annual corporate plan 2015–2016, which is set out on pages 17 to 19. The plan is underpinned by directorate business plans, which set clear objectives for delivery.

---

<sup>29</sup> External review of progress made by the NMC against the recommendations of the PSA Strategic Review 2012 (NMC, September 2014).

## Quality of data

- 132 The Council continues to receive a combined performance and risk report at each meeting to ensure that assessments of risk are informed by performance. An internal audit review in 2013 provided assurance about the key corporate data relied on by the Council. In July 2014, the Council revisited the performance information it receives and determined that the key corporate performance indicators should remain in place for 2014–2015.
- 133 The Council remains proactive in determining, with the Executive, the information it requires to scrutinise performance and other matters. In the light of the external review and the Council's own effectiveness review, further improvements are being made to performance and financial reports for 2015–2016, including incorporation of clearer performance targets for key regulatory activities; development of qualitative performance information; and specific supporting performance data requested by the Council in key areas such as registration, fitness to practise and efficiency. We are prioritising work to strengthen the quality of data and systems as part of our plans for 2015–2016.

## Risk management and internal control

- 134 The Council is responsible for instituting and maintaining a sound system of risk management and internal control to enable the NMC to deliver its core regulatory purpose. The system of internal control is designed to manage, rather than to eliminate risk, and to provide reasonable, but not absolute, assurance of effectiveness. The Audit Committee provides assurance to the Council regarding the operation of the system of internal control and risk management.
- 135 The Council has overall responsibility for risk management and undertakes an annual corporate risk review. The Council has also discussed the principal risks facing the NMC at each of its public meetings during the year. The Audit Committee has discussed the process for risk control, and considered the effectiveness of the risk management process, at each of its meetings.
- 136 The Chief Executive and Registrar is responsible for implementing the system of risk management and internal control and, through the directors, for identifying and evaluating risks, putting in place appropriate mitigation measures and monitoring and reporting progress. The Executive Board reviews the corporate risk register at its monthly meetings. An internal risk scrutiny group provides assurance to the Executive Board on how risk is being managed across the organisation.
- 137 We undertake an annual internal review of the effectiveness of risk management. Lessons from this, and internal audits conducted in 2013–2014, have informed improvements to our risk management framework, including raising risk awareness and understanding of risk controls across the organisation. A further internal audit review in 2014–2015 confirmed that a well-designed risk management framework is in place and that our risk management process is embedded. Recommendations from this audit and our 2014–2015 annual effectiveness review will be taken forward in the year ahead.
- 138 Action taken to strengthen internal controls and sources of assurance during the year included:

- 138.1 Revision of the corporate Assurance Map and associated evidence by directors and consideration by the Audit Committee in June 2014. Further work to develop the utility of the assurance map is ongoing.
- 138.2 Further work to implement the Corporate Quality Assurance (QA) Strategy including:
- 138.2.1 developing corporate quality standards and embedding performance and quality management frameworks in all parts of the organisation by January 2015; and
  - 138.2.2 revising the focus and methodology of future corporate QA reviews to assess whether regulatory directorates' quality management measures are in place and working effectively.
- 138.3 Revision of the corporate complaints policy and process with associated training to key staff to support continuous learning and improvement.

### **Working with others to address shared risks**

- 139 We have refreshed or put in place a range of Memoranda of Understanding with systems regulators and other partner bodies to support joint and collaborative working. This includes sharing information within the constraints of our current data and systems and, as indicated above, we have prioritised this area for further work in 2015–2016. Amongst other things, the NMC strategy includes plans to develop this collaborative working further, building on a range of joint working already underway across both regulatory and support functions.
- 140 Significant developments during the year included publication of a Joint Statement by eight of the professional regulators on the professional duty of candour, in response to the Mid-Staffordshire NHS Hospitals Trust report<sup>30</sup> and subsequent development of joint guidance with the General Medical Council for doctors, nurses and midwives on the professional duty of candour (see also paragraph 153 below). We will build on these and other initiatives, such as development of an employer link service, to achieve our objectives and manage shared regulatory risks.

### **Public Interest Disclosures (Whistleblowing)**

- 141 The NMC has in place a public interest disclosure ('whistleblowing') policy for use by all individuals who work for, with, or on behalf of the NMC. The whistleblowing policy was invoked on two occasions in the year to 31 March 2015. In each case the concerns raised related entirely to internal processes and did not raise any issues relating to public protection. Both were investigated and reported to the Audit Committee with appropriate action taken to address the issues raised in each case.
- 142 We are committed to ensuring that staff are encouraged and able to raise concerns and we signed up to the Public Concern at Work (PCAW) First 100 campaign in July 2014. We are making minor revisions to our Whistleblowing

---

<sup>30</sup> Report of the Investigation into Mid-Staffordshire Hospitals Trust, Sir Robert Francis QC

policy, as well as taking steps to increase staff awareness and introduce training, to comply with the PCAW code of practice during 2015–2016.

### **Information Governance and lapses in protective security**

- 143 NMC policies require all information security incidents, including any loss of personal data, to be reported. Incidents are monitored by the Information Governance and Security Board which is accountable to the Executive Board for ensuring learning is identified to prevent recurrence. The Executive Board and Audit Committee receive regular reports on information security incidents.
- 144 During the year ended 31 March 2015, there were 119 information security incidents, of which four were classed as critical or major; 43 as moderate; 58 as minor; and 14 as insignificant. Three incidents were reported to the Information Commissioner's Office (ICO) during the period to 31 March 2015, one involving some documents containing sensitive personal data which were sent to the incorrect recipient in error, one in which a registrant's home address was included in error within the outcome of a hearing published on the NMC website, and one in which documents containing sensitive personal data were mislaid at a Fitness to Practise hearing venue. In two cases, the ICO decided to take no regulatory action and we await the outcome in the third case.
- 145 We maintain and regularly review a comprehensive analysis of the information security risks we face. We continue to implement our information security improvement plan, mapped to quality standard ISO27001, to address the highest risks and improve the maturity of our controls.
- 146 We have engaged proactively with the ICO to share our improvement plan and the progress we have made to date. Whilst we still have further improvements to make, the discussion with the ICO and their assessment of two of the breaches reported this year, give us confidence that we are taking the appropriate and proportionate actions to reduce both the risk and impact of information security breaches. We invited the ICO to conduct an information risk review to identify improvements we can make to comply with the eight principles of good information handling under the Data Protection Act 1988 and will take forward the recommendations in 2015–2016.

### **Key risks and issues addressed during the year**

- 147 During the year, the Council and Executive have acted to address risks and control weaknesses in key areas as set out below.
- 148 Following a disclosure made under the NMC's Whistleblowing Policy, the Executive commissioned a special investigatory review by internal audit. This identified evidence of bribery and corruption and circumnavigation of controls. There was no evidence that the organisation suffered significant financial loss as a consequence of these actions. The incidents were, however, reported to the police, as well as to the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator. Appropriate actions were taken in respect of the individuals and suppliers involved. The internal audit investigation identified scope for improvements in both ICT and wider procurement and contract monitoring processes, which are being addressed through a comprehensive improvement programme.

## ICT

- 149 In the light of this and other reviews, an interim Chief Technology Officer (CTO) and team were appointed to undertake an in-depth assessment of the ICT function. The CTO has developed a comprehensive ICT improvement plan to strengthen the maturity of all aspects of the ICT function and lay the foundations for transformational change by the end of 2015. This includes action to address ICT governance, capacity and capability, service delivery, ICT architecture and procurement and contract management. The Chief Executive and Registrar reviews progress against the improvement plan weekly and the Council scrutinises progress at each meeting.

## Finance and procurement

- 150 A special internal audit review of anti-fraud controls was commissioned following the discovery of a low value payroll-related fraudulent activity. Fraud awareness training for staff, developed with input from internal audit fraud specialists, is being implemented during 2015–2016.
- 151 Urgent action to address both procurement and contract management issues, including in ICT, and the recommendations arising from the anti-fraud review have been incorporated into a comprehensive finance improvement programme. The programme is also addressing weaknesses in purchasing identified through a planned audit of key financial controls. Substantial elements of the improvement programme are already in place, with further work both to tackle control weaknesses and embed a continuous improvement approach due to be completed by March 2016.

## Midwifery supervision and regulation

- 152 Following a report by the Parliamentary and Health Service Ombudsman (PHSO)<sup>31</sup> which highlighted potential conflict of interest in the current legal framework governing midwifery supervision and regulation, the Council commissioned an independent review.<sup>32</sup> The Council accepted the resulting recommendations that midwifery regulation should be reformed. We welcomed the assurance by the Department of Health that the necessary legislative changes will be implemented at the earliest opportunity. We are committed, along with the Department of Health and Chief Nursing Officers in the four UK nations, to ensuring appropriate support during the transition period.
- 153 Alongside and related to the issues which prompted the PHSO report, we are addressing the recommendations of the Investigation report into maternity and neonatal services at the University Hospitals of Morecambe Bay NHS Foundation Trust between January 2004 and June 2013.<sup>33</sup> This includes:

153.1 Investigating further the conduct of registrants involved in the care of patients during the time period of the investigation;

---

<sup>31</sup> Midwifery supervision and regulation: recommendations for change (Parliamentary and Health Service Ombudsman, 2013)

<sup>32</sup> Review of Midwifery Regulation in the UK, Kings Fund (NMC, January 2015)

<sup>33</sup> Department of Health, 2015

- 153.2 Producing guidance on the professional duty of candour jointly with the General Medical Council to clarify and reinforce the duty of professional staff to report concerns about clinical services, particularly where these relate to patient safety; and
- 153.3 Ensuring that failure to report such concerns is addressed within our fitness to practise processes, as appropriate.
- 154 We also acted promptly to protect service users when concerns came to light relating to midwifery practice in Guernsey. We conducted an extraordinary review of the Local Supervising Authority (LSA) in October 2014<sup>34</sup> and continue to monitor progress against action plans produced by Guernsey's Health and Social Services Department and the LSA and support efforts to improve patient safety. We published a report of our findings on wider health care concerns which came to light during the review both in the public interest and so that action could be taken by those with the locus to do so. Our leadership in tackling these issues was commended by the PSA.
- 155 Other risks and issues addressed during the year included:
- 155.1 Ensuring that we have sufficient resources to fulfil our overarching statutory duty to protect the public. In October 2014 the Council agreed, based on the cost of regulation, to increase the annual registration fee to £120, for registrations effective from February 2015. An efficiency programme is being taken forward to further address this risk.
- 155.2 Strengthening controls to support the integrity of the register, including by introducing a two part test of competence for new applicants trained outside the EU/EEA area.
- 155.3 Successfully securing the achievement of our key fitness to practise performance target by December 2014, meeting a condition imposed by the Department of Health for the grant provided in 2013. This included managing a smooth relocation of our hearings venue to a new location during a critical period.
- 155.4 Progressing our programme to implement revalidation and moving to pilot testing stage during 2015, in partnership with stakeholders and leaders of the professions across the four countries.

### **Audit Committee**

- 156 Throughout the year, the Audit Committee has advised the Council on the strength of assurance available, including escalating risks and issues as appropriate such as those in relation to the Finance and ICT functions, and the Quality Assurance strategy. In addition, matters addressed by the Committee included:
- 156.1 Reviewing the reports and management responses to external audit reports.

---

<sup>34</sup> Extraordinary Review report, LSA Guernsey (NMC, 2014)

- 156.2 Reviewing and recommending to the Council approval of the statutory annual report and accounts and fitness to practise annual report.
- 156.3 Reviewing the revised risk management policy and framework and how it is being embedded.
- 156.4 Approving the internal audit work plan 2014–2015; considering management responses to internal audit reviews; and overseeing action to address or close outstanding internal audit recommendations.
- 156.5 Undertaking a periodic review of the effectiveness of internal audit.
- 156.6 Reviewing progress on implementation of the corporate quality assurance strategy and seeking further assurance around this. Introducing from February 2015 a deep dive into each functional directorate's arrangements for addressing risk, quality and continuous improvement.
- 156.7 Reviewing the register of serious events and data breaches and actions being taken to implement learning to prevent recurrence.
- 156.8 Reviewing all single tender actions to assure itself that proper processes are being adhered to by the Executive.

#### **Internal Audit annual opinion 2014–2015**

- 157 Fourteen planned internal audit assignments were conducted during the year in accordance with the programme agreed by the Audit Committee, of which four were advisory in nature and 10 audits. As reported above, additional audit work commissioned included an IT (ITIL<sup>35</sup>) review and two investigations – one on payroll processes and another on IT procurement.
- 158 The majority of planned audit assignments found that either good controls were in place or that there were some weaknesses requiring remedial action; one planned audit assignment relating to data intelligence gathering and management found significant weaknesses. All internal audit recommendations were accepted and are being addressed, with implementation overseen by the Audit Committee.
- 159 The Head of Internal Audit's annual report highlighted as key issues: the control weaknesses relating to payroll; purchasing systems; procurement and contract management; ICT infrastructure and oversight of the major ICT service provider. The Head of Internal audit's annual opinion is that

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

*In all cases, management have taken prompt action to investigate and implement changes to internal controls and processes."*

---

<sup>35</sup> Formerly Information Technology Infrastructure Library

## **Overall assessment of effectiveness of governance and assurance**

- 160 As Chair of the Council and Accounting Officer, we have reviewed the effectiveness of governance and internal controls. In doing so, we have relied upon the opinion and reports of the Head of Internal Audit, as well as a range of sources of assurance. These include assessments by directors of the quality of controls and assurance in place in the functional directorates for which they are responsible; the annual review of the effectiveness of risk management; various internal and external reviews, including the PSA performance review; the opinion and management letter of external auditors; and the external review of progress against the PSA strategic review 2012. The Audit Committee has provided assurance to the Council on the effectiveness of our arrangements. The Committee has advised that in its view good progress has been made over the past year in strengthening the quality, reliability and comprehensiveness of assurance available through a combination of greater transparency and increased Executive, Committee and Council scrutiny and oversight.
- 161 Our view is that governance and internal controls are generally operating adequately, except in the significant areas identified by the annual internal audit opinion (paragraph 159 above). These are being addressed as a major priority as discussed in paragraphs 149 to 151 above with work continuing in 2015–2016 as set out below.

### **Key issues and risks going forward**

- 162 We intend to maintain a clear focus on strengthening governance, internal controls and risk management throughout the year ahead, particularly in relation to the ICT function, finance, procurement and contract management. Other issues and risks, including those arising from internal and external reviews; internal audit; and the PSA performance review 2014–2015 which we continue to manage closely going forward include:
- 162.1 Ongoing work to strengthen the accuracy and integrity of the register.
  - 162.2 Strengthening our approach to managing regulatory risk intelligence about healthcare settings by establishing new processes for overseeing, evaluating and acting on intelligence about settings at risk, including working more closely with systems regulators to do so.
  - 162.3 Improving our understanding of our workforce and investing in it to address the high levels of staff turnover being experienced, including through taking targeted action where high turnover represents the highest risks to the organisation. We also plan to review the capability of our workforce to meet the future needs of the organisation.
  - 162.4 Continuing to implement and embed our information security improvement plan and the ICO recommendations as described above (paragraphs 145-146).
  - 162.5 Ensuring that we meet our objective to deliver an effective system of revalidation by December 2015, by working closely with the programme boards across the four countries and securing independent evaluation of

system impact and readiness, as well as internal assurance of readiness to inform the Council's final decision about when to proceed.

162.6 Ensuring a smooth transition to the removal of midwifery supervision from our legislation and, pending the required legislative change, that the current regulatory and supervisory framework is supported to operate effectively.

162.7 Continuing to invest in our fitness to practise functions to maintain and further improve our customer service, our processes and the quality and timeliness of case resolution. This includes continuing to engage with government and other stakeholders to encourage introduction of more flexible and streamlined legislative provisions to enable us to act to protect the public more speedily and effectively.

162.8 Progressing an extensive ongoing programme of work in place to deliver the changes required a result of the EU Directive on Mutual Recognition of Professional Qualifications whilst not compromising our public protection safeguards. This will include implementing a new system of language controls following legislative changes.

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

**Dame Janet Finch**  
**Chair**  
**NMC**  
**28 October 2015**

**Jackie Smith**  
**Chief Executive and Registrar**  
**NMC**  
**28 October 2015**

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

We have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2015, 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 members, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under section 154 of that Act, and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the 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's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of Council (Trustees) and auditor**

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

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

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2015, 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, and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## **Matters on which we are required to report by exception**

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

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

**haysmacintyre**  
Statutory Auditor

26 Red Lion Square  
London  
WC1R 4AG

28 October 2015

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

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

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2015 under Article 52 of the Nursing and Midwifery Order 2001. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

## **Scope of the audit of the financial statements**

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

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

## **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Nursing and Midwifery Council's affairs as at 31 March 2015 and of its outgoing resources for the year then ended; and
- the financial statements have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001 and Privy Council directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Privy Council directions made under Article 52 of the Nursing and Midwifery Order 2001; and
- the information given in 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 and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**

**Date: 29 October 2015**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## Statement of financial activities for the year ended 31 March 2015

		Un- restricted funds 2015	Restricted funds 2015	Total funds 2015	Total funds 2014
	Note	£'000	£'000	£'000	£'000
<b>Incoming resources</b>					
Incoming resources from charitable activities:					
• Fee income	3	69,921	–	69,921	62,772
Incoming resources from generated funds:					
• Investment income	2	554	87	641	983
• Grant (Dept of Health)	27	–	2,642	2,642	1,438
<b>Total incoming resources</b>		<b>70,475</b>	<b>2,729</b>	<b>73,204</b>	<b>65,193</b>
<b>Resources expended</b>					
Charitable activities					
	4	62,525	8,703	71,228	66,413
Governance costs					
	5	3,466	–	3,466	2,975
Other resources expended:					
• Communications and public engagement	6	1,722	–	1,722	1,202
<b>Total resources expended</b>		<b>67,713</b>	<b>8,703</b>	<b>76,416</b>	<b>70,590</b>
<b>Net (outgoing)/incoming resources from operations before transfers</b>		<b>2,762</b>	<b>(5,974)</b>	<b>(3,212)</b>	<b>(5,397)</b>
Transfers between funds		504	(504)	–	–
<b>Net (outgoing)/incoming resources before other gains</b>		<b>3,266</b>	<b>(6,478)</b>	<b>(3,212)</b>	<b>(5,397)</b>
<b>Other recognised gains</b>					
Unrealised gain on revaluation of fixed assets					
		–	–	–	3,741
<b>Net movement in funds</b>		<b>3,266</b>	<b>(6,478)</b>	<b>(3,212)</b>	<b>(1,656)</b>
Reserves brought forward		40,868	12,000	52,868	54,524
<b>Total funds carried forward</b>		<b>44,134</b>	<b>5,522</b>	<b>49,656</b>	<b>52,868</b>

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 51 to 70 form part of these accounts.

## Balance sheet as at 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	13	<u>23,997</u>	<u>23,753</u>
<b>Total fixed assets</b>		<u>23,997</u>	<u>23,753</u>
<b>Current assets</b>			
Debtors	15	2,137	1,157
Short-term deposits	25	62,100	67,100
Cash at bank and in hand	25	<u>14,562</u>	<u>11,150</u>
<b>Total current assets</b>		<b>78,799</b>	79,407
<b>Current liabilities</b>			
Creditors (amounts falling due within one year)	16	(51,491)	(49,287)
Provisions (amounts falling due within one year)	17	<u>(428)</u>	<u>(325)</u>
<b>Net current assets</b>		<b>26,880</b>	29,795
<b>Total assets less current liabilities</b>		<b>50,877</b>	53,548
<b>Creditors</b> (amounts falling after more than one year)	18	(504)	(105)
<b>Provisions</b> (amounts falling after more than one year)	19	(717)	(575)
<b>Net assets</b>		<u><u>49,656</u></u>	<u><u>52,868</u></u>
<b>Restricted funds</b>	27	5,522	12,000
<b>Unrestricted funds</b>		<u>44,134</u>	<u>40,868</u>
<b>Total funds</b>		<u><u>49,656</u></u>	<u><u>52,868</u></u>

The notes on pages 51-70 form part of these accounts.

**Dame Janet Finch**  
Chair  
NMC  
28 October 2015

**Jackie Smith**  
Chief Executive and Registrar  
NMC  
28 October 2015

## Cash flow statement for the year ended 31 March 2015

	Note	£'000	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	23		<b>1,492</b>	4,376
<b>Returns on investment and servicing of finance</b>				
Interest received	2	<b>641</b>		983
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets	13	<b>(3,721)</b>		(2,521)
			<u><b>(3,080)</b></u>	<u>(1,538)</u>
<b>Increase in cash in the year</b>			<u><b>(1,588)</b></u>	<u>2,838</u>

The notes on pages 51 to 70 form part of these accounts.

# Notes to the Accounts

## 1. Accounting policies

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

### a) Accounting convention

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

### b) Fixed assets

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

Equipment	- 3 to 5 years
Furniture	- 10 years
Refurbishment - 23 Portland Place	- 10 years
Leasehold premises - 23 Portland Place	- 50 years
Leasehold premises - 61 Aldwych	- 10 years (over the life of the lease)
Leasehold premises - Clarendon House -Ground floor	- 10 years (over the life of the lease)
Leasehold premises - Clarendon House -First floor	- 2 years (over the life of the lease)
Leasehold premises - 1 Kemble Street	- 8.5 years (over the life of the lease)
Leasehold premises – 20 Old Bailey	- 23 months (over the life of the lease)
Leasehold premises – 2 Stratford Place	- 9.7 years (over the life of the lease)
IT projects	- 3 to 5 years

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

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

**c) Resources arising – income**

**Investment income**

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

**Income from charitable activities**

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. Other registration and verification fees have been credited to income on the day of receipt.

**d) Allocation of costs**

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

**Charitable activities**

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

**Governance costs**

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

**Other expenditure**

Other expenditure comprises:

**Communications and public engagement**

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

**e) Development costs**

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

**f) Fund accounting**

The Council maintains various types of funds as follows:

i) Restricted funds

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

ii) Unrestricted funds

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

**g) Leased assets**

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

**h) Pension costs**

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

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

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

**2. Investment income**

	<b>Unrest- ricted £'000</b>	<b>Restrict- ed £'000</b>	<b>2015 £'000</b>	2014 £'000
Interest receivable				
• from deposits at banks	<b>554</b>	<b>87</b>	<b>641</b>	983
	<b>554</b>	<b>87</b>	<b>641</b>	<b>983</b>

### 3. Fee income

	2015 £'000	2014 £'000
Periodic fees	68,437	61,483
Registrations	1,327	1,170
Verifications	124	119
Test of competence	33	0
	<u>69,921</u>	<u>62,772</u>

### 4. Charitable activities

	Unrest- ricted £'000	Restrict- ed £'000	2015 £'000	2014 £'000
Standards promotion and policy development	3,682	-	3,682	1,880
Education	1,821	-	1,821	1,650
Maintaining the register	6,733	1,759	8,492	7,539
Fitness to practise	50,289	6,944	57,233	55,344
	<u>62,525</u>	<u>8,703</u>	<u>71,228</u>	<u>66,413</u>

These costs include direct costs,<sup>36</sup> staff costs and related overheads.

### 5. Governance costs

	2015 £'000	2014 £'000
Members' allowances, travel, subsistence and training	272	313
Auditors' remuneration - audit fees - haysmacintyre	26	25
Auditors' remuneration - audit fees - NAO	5	5
Allocation of operating costs (inc. salaries) <sup>37</sup>	3,163	2,632
	<u>3,466</u>	<u>2,975</u>

### 6. Other expenditure – Communications and public engagement

	2015 £'000	2014 £'000
Conferences, seminars and publicity	122	70
Communications	99	76
Printing and distribution of NMC publications	550	256
Allocation of operating costs (inc. salaries) <sup>38</sup>	951	800
	<u>1,722</u>	<u>1,202</u>

<sup>36</sup> See Notes to the Accounts, note 8.

<sup>37</sup> See Notes to the Accounts, note 1d).

<sup>38</sup> See Notes to the Accounts, note 1d).

## 7. Total resources expended

	Staff costs £'000	Depreciation £'000	Other costs £'000	Total 2015 £'000	Total 2014 £'000
Charitable activities:					
• Standards promotion and policy development	1,722	66	1,894	3,682	1,880
• Education	481	46	1,294	1,821	1,650
• Maintaining the register	4,540	249	3,703	8,492	7,539
• Fitness to practise	20,144	2,915	34,174	57,233	55,344
Governance costs	2,245	107	1,114	3,466	2,975
Other expenditure:					
• Communications and public engagement	672	41	1,009	1,722	1,202
	<b>29,804</b>	<b>3,424</b>	<b>43,188</b>	<b>76,416</b>	<b>70,590</b>

## 8. Analysis of direct costs

	Direct costs £'000	Support costs £'000	Total 2015 £'000	Total 2014 £'000
<b>Charitable activities:</b>				
• Standards promotion and policy development	3,347	335	3,682	1,880
• Education	1,590	231	1,821	1,650
• Maintaining the register	7,239	1,253	8,492	7,539
• Fitness to practise	51,024	6,209	57,233	55,344
<b>Sub-total charitable activities</b>	<b>63,200</b>	<b>8,028</b>	<b>71,228</b>	<b>66,413</b>
• Governance	3,306	160	3,466	2,975
• Communications and public engagement	1,514	208	1,722	1,202
<b>Total</b>	<b>68,020</b>	<b>8,396</b>	<b>76,416</b>	<b>70,590</b>

## 9. Analysis of support costs

Support cost	Standards promotion and policy development	Education	Maintaining the register	Fitness to practise	Governance	Com-munications and public engagement	Total 2015	Total 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Facilities	27	18	99	493	13	17	667	672
Finance	84	58	315	1,559	40	52	2,108	1,778
HR	100	69	375	1,859	48	62	2,513	2,481
ICT	124	86	464	2,298	59	77	3,108	2,313
	<b>335</b>	<b>231</b>	<b>1,253</b>	<b>6,209</b>	<b>160</b>	<b>208</b>	<b>8,396</b>	<b>7,244</b>

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

## 10. Total resources expended by natural classification

	2015 £'000	2014 £'000	Details (see next page)
Salaries and associated costs	29,804	24,188	10.1
Other staff expenses	1,055	1,443	10.2
Premises	3,524	3,699	10.3
Insurance	142	141	
Sundry, furniture, equipment and maintenance	244	198	
Hire of equipment	10	3	
Fitness to practise	25,513	26,674	10.4
Registration Appeals	112	92	
Depreciation	3,424	2,900	10.5
Loss on equipment disposal	53	0	
Dilapidations	312	264	
Catering for fitness to practise hearings and meetings	675	705	
Staff canteen	115	126	
Quality assurance of education cost	1,119	1,056	10.6
Professional fees	3,880	3,329	10.7
Auditors' remuneration - audit fees	26	25	
Auditors' remuneration - audit fees (NAO)	5	5	
Auditors' remuneration - non audit costs	0	0	
IT development and support	3,141	2,780	10.8
Postage	894	923	
Printing and stationery	556	481	
Advertising and recruitment	307	374	10.9
Conferences, seminars and publicity	122	70	10.10
Printing and distribution of NMC publications	550	256	10.11
Members' allowances, travel and subsistence	272	313	
Committee costs	21	18	
Other support costs	540	527	10.12
<b>Total resources expended</b>	<b>76,416</b>	<b>70,590</b>	

### Additional details for table in note 10

#### 10.1 Salaries and associated costs

These costs are set out in more detail in Note 11 to the accounts.

Staff salary costs have increased in 2014–2015 due to both higher headcount numbers and higher salary levels year on year. Headcount numbers increased primarily in Fitness to Practise, to ensure that we met our adjudication KPI target by December 2014 and to service the ongoing increase in caseload in the department.

The second phase of the organisation-wide pay and grading review was implemented from November 2014, which brought the salary level of all eligible staff to within

10 percent of the benchmarked median market level. This followed a 2.5 percent pay award made to eligible staff with effect from 1 April 2014.

Pension costs increased year on year with the introduction of auto-enrolment for all eligible staff into the defined contribution pension scheme, from 1 April 2014.

Temporary staff were engaged primarily in Fitness to Practise, both to fill vacancies arising as a result of staff turnover, and also to support the achievement of the Fitness to Practise targets. Specialist contractor resource was also engaged across the NMC, in particular in ICT, and to support specific regulatory projects including the development of the test of competence for non-EEA applicants to the register, which was funded by a Department of Health grant.

## **10.2 Other staff expenses**

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

Lower staff travel costs were incurred due to a combination of fewer Fitness to Practise hearing days taking place in 2014–2015, better utilisation of internal venues for hearing activity, and improved resource planning in relation to the staffing of hearings at venues across the four countries.

Investment in staff training and development remained a key priority in 2014–2015, to help retain and develop staff across the organisation. In 2013–2014 mandatory training for all staff on the NMC behaviours was run in line with the launch of the NMC behaviours; comparable costs were not incurred in 2014–2015.

## **10.3 Premises**

The decrease in premises costs is due to lower service charges at our newly leased premises at 2 Stratford Place compared with those incurred at 20 Old Bailey, which was vacated in November 2014.

## **10.4 Fitness to Practise**

Details of Fitness to Practise activity in the year are set out in the performance review section of the annual report. There was a slight decrease in costs year on year aligned with fewer hearing days in total taking place in 2014–2015, due to the decrease in requirement in the final quarter of the year following the achievement of the adjudication KPI target in December 2014. Savings from the efficiencies implemented in 2012–2013, which include alternatives to full hearings, bringing case investigations in-house and reduced shorthand writer costs continued to be realised through 2014–2015.

## **10.5 Depreciation**

The increased depreciation charge is due to a full year of depreciation in 2014–2015 relating to the ICT infrastructure upgrade, which was capitalised with effect from December 2013, and a full year of depreciation for the first floor at Clarendon House, which was not incurred in 2013–2014.

## **10.6 Quality assurance of education costs**

The increase in quality assurance costs is due to an extraordinary review which was required in Guernsey in 2014–2015 and a higher number of training events for quality assurance reviewers compared to 2013–2014.

## **10.7 Professional fees**

External professional and legal advice was sought in 2014–2015 to provide support and guidance in a number of areas across the organisation. Consultants were engaged to drive the testing and piloting of revalidation, the new registration processes for applicants from outside the EEA, and the programme of work relating to the implementation of the Employer Link Service. Professional advice was also engaged for the external review of midwifery regulation, the development of our NMC online services, the recruitment of the new Chair and the review of progress against the Professional Standards Authority's 2012 strategic review recommendations.

## **10.8 IT development and support**

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

## **10.9 Advertising and recruitment**

The reduction is due to the use of more cost-effective online methods of recruitment in 2014–2015, with external agencies only being sourced to assist with the recruitment of specialist roles, and a reduced requirement to recruit to senior level roles.

## **10.10 Conferences, seminars and publicity**

As the NMC seeks to raise its public profile, increased costs have been incurred with attendance at a greater number of events during 2014–2015. There was also a significant focus on stakeholder engagement in relation to revalidation.

## **10.11 Printing and distribution of NMC publications**

The increase is due to the print and distribution costs of the revised Code, a copy of which was sent to every registered nurse and midwife in 2014–2015.

## **10.12 Other support costs**

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

## 11. Information regarding employees

	2015	2014
	£'000	£'000
<b>Salaries and associated costs</b>		
Wages and salaries: <sup>39</sup>		
• Management	756	741
• Administration	17,284	15,275
Social security costs (Employers NI contributions):		
• Management	93	87
• Administration	1,459	1,268
Pension costs - present staff: <sup>40</sup>		
• Management	155	147
• Administration	3,705	3,204
Pension costs - retired staff of previous organisations <sup>41</sup>	27	26
Temporary and contractor staff	6,325	3,440
	<u>29,804</u>	<u>24,188</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 (£)	2015 Number of staff	2014 Number of staff
100,001 - 110,000	-	1
110,001 - 120,000	3	3
120,001 - 130,000	2	1
130,001 - 140,000	-	-
140,001 - 150,000	-	-
150,001 - 160,000	-	-
160,001 - 170,000	1	1

<sup>39</sup> See Notes to the Accounts, note 10.1.

<sup>40</sup> See Notes to the Accounts, note 21.

<sup>41</sup> See Notes to the Accounts, note 21.

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

	<b>2015</b>	2014
	£	£
S Page	<b>1,001-1,500</b>	1,001-1,500
K Kolyva	<b>3,500-4,000</b>	3,500-4,000
A Sansome	<b>5,001-5,500</b>	4,500-5,000
J Billings	<b>5,500-6,000</b>	-
L Mallors	-	1,001-1,500

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

<b>Total accrued pension at 60 at 31 March</b>	<b>2015</b>	2014
(£)	Number of staff	Number of staff
0 - 5,000	<b>2</b>	3
5,001 - 10,000	-	1
10,001 - 15,000	<b>1</b>	-
15,001 – 20,000	-	-
20,001 – 25,000	<b>1</b>	1

Directors are ordinary members of the NMC pension schemes.

During 2014–2015 employer contributions were made into the defined contribution pension scheme on behalf of two directors, totalling £8,245 (2013–2014: £0).

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

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

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

The NMC also operates a defined contribution pension scheme for its staff through The People’s Pension. These costs are accounted for in the SOFA as they fall due. The

employer basic contribution in 2014–2015 was 4 percent and the staff basic contribution was 1 percent. Staff members are not permitted to be members of both the defined benefit and the defined contribution pension schemes.

### Other information in relation to employees

In addition to the above, there were 23 (2014: 17) other members of staff whose remuneration fell in the following bands:

	<b>2015</b>	2014
	<b>Number of staff</b>	Number of staff
£60,001 - £70,000	<b>9</b>	8
£70,001 - £80,000	<b>10</b>	7
£80,001 - £90,000	<b>3</b>	1
£90,001 - £100,000	<b>1</b>	1

The average number of employees in the year was 545 (senior management 6 and other staff 539) and in the previous year was 496 (senior management 6 and other staff 490). The increase in staff numbers is due to the need for additional staff in our Fitness to Practise directorate (see note 10.1).

## 12. Taxation

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

### 13. Tangible fixed assets for use by the charity

	Furniture	Equipment	23PP Long leasehold premises Note 13.1	23PP Building refurbishment	FtP Buildings refurbishment	IT Projects	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>							
1 April 2014	448	6,511	15,448	5,620	5,988	3,388	37,403
Additions	95	1,816	-	-	1,810	-	3,721
Disposals	-	(312)	-	-	(1,297)	-	(1,609)
Revaluation	-	-	-	-	-	-	-
31 March 2015	543	8,015	15,448	5,620	6,501	3,388	39,515
<b>Depreciation:</b>							
1 April 2014	242	3,648	-	3,883	2,489	3,388	13,650
Charge for year	33	1,396	352	563	1,080	-	3,424
Eliminated on disposals	-	(259)	-	-	(1,297)	-	(1,556)
Revaluation adjustment	-	-	-	-	-	-	-
31 March 2015	275	4,785	352	4,446	2,272	3,388	15,518
<b>Net book value</b>							
<b>31 March 2015</b>	<b>268</b>	<b>3,230</b>	<b>15,096</b>	<b>1,174</b>	<b>4,229</b>	<b>0</b>	<b>23,997</b>
Net book value 31 March 2014	206	2,863	15,448	1,737	3,499	0	23,753

### **13 Tangible fixed assets for use by the charity – continued**

- 13.1 The UKCC (the NMC's predecessor body) acquired the leasehold interest in 23 Portland Place, London W1B 1PZ from the General Nursing Council for England and Wales at nil cost. The lease expires in the year 2933. The lease was valued as at 31 March 2014 on an existing use basis, by external valuers Carter Jonas, at £17,185,000. It should be noted that there is a restrictive covenant on the lease.
- 13.2 The IT projects asset category includes the Fitness to Practise case management system and the ICT infrastructure upgrade, which were completed during 2009–2010.
- 13.3 Equipment includes the cost of IT infrastructure, hardware and software. The principal addition in the year relates to the development of a platform to host the test of competence for non-EEA applicants to the register. This was funded by a Department of Health grant of £504k, which was fully spent in 2014–2015. The net book value of this at 31 March 2015 was £438k. Other additions in the year included system development and improvements in relation to revalidation, online registration services, and the investment in equipment at our new leased premises at 2 Stratford Place.
- 13.4 Fitness to Practise building refurbishment additions relate to the conversion of new leased premises at 2 Stratford Place into Fitness to Practise hearing and office space, and the disposal reflects the vacating of hearing premises at 20 Old Bailey, on expiry of the lease.

### **14. Related party transactions**

The NMC is accountable to Parliament through the Privy Council. The Nursing and Midwifery Order 2001 sets out the nature of the relationship between the NMC and the Privy Council and the reporting mechanisms required. 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 2014–31 March 2015, the total amount paid in respect of those holding the office of Chair was £48,000 (2013–2014: £48,000).

During the year, allowances, travel and subsistence and training expenses of £272,000 (2013–2014: £313,000) were paid to, or incurred in relation to, members of the Council.

Council members are paid directly via NMC payroll.

Details of amounts paid to individual Council members are set out in the remuneration report on pages 23–25.

An accrual of £22,771 (2013–2014: £38,551) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

## 15. Debtors

	2015	2014
	£'000	£'000
Other debtors	499	167
Prepayments and accrued income	1,638	990
	<u>2,137</u>	<u>1,157</u>

## 16. Creditors

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Other creditors and accruals	9,630	9,824
Other taxes and social security (including Employers NI)	4	454
Deferred income - Periodic fees for 2014–2015	–	39,009
Deferred income - Periodic fees for 2015–2016	41,857	–
	<u>51,491</u>	<u>49,287</u>

## 17. Provisions

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Dilapidations	361	258
Pension provision – early retirement <sup>42</sup>	67	67
	<u>428</u>	<u>325</u>

## 18. Creditors

	2015	2014
	£'000	£'000
Amounts falling due after more than one year		
Deferred income - Periodic fees for 2015–2016	-	105
Deferred income - Periodic fees for 2016–2017	118	-
Other	386	-
	<u>504</u>	<u>105</u>

<sup>42</sup> During 2012–2013 the provision in the defined benefit pension scheme for early retirement on the grounds of permanent incapacity was invoked in respect of an employee. The amount payable was determined by the Scheme Actuary and approved by the Pension Scheme Trustees. The full amount of £513k was recognised in the SOFA in 2012–2013. Payments to the Scheme are made on a monthly basis and commenced in December 2012. At March 2015 £357k in total was remaining in the provision in respect of future years.

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

## 19. Provisions

Amounts falling due after more than one year	<b>2015</b>	2014
	<b>£'000</b>	£'000
Dilapidations	<b>427</b>	218
Pension provision – early retirement <sup>43</sup>	<b>290</b>	357
	<b>717</b>	575

## 20. Charitable status

On 27 March 2002 the NMC was registered in the Central Register of Charities (charity no. 1091434). In view of this a rate relief has been allowed by the City of Westminster. There are also tax benefits because of this status<sup>44</sup>. On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

## 21. Pension commitments

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

The NMC participates in a defined benefit multi-employer scheme with the Department of Health and NHS Education for Scotland (The Nursing and Midwifery Council and Associated Employers pension scheme, scheme registration number 101652586) administered by Premier Pensions Management Limited. The National Assembly for Wales, a previous participant, withdrew from the scheme during 2013. The scheme, to which approximately 36 percent of the NMC's employees belong as at 31 March 2015, is a funded, defined benefit scheme.

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

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

<sup>43</sup> See Notes to the Accounts, Note 17, footnote 42.

<sup>44</sup> See Notes to the Accounts, Note 12.

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

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

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

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

The NMC introduced a defined contribution pension scheme which staff could join on a voluntary basis from 1 November 2013 operated by The People's Pension. The NMC contributed at a basic rate of 4 percent of pensionable salary during 2014–2015 and the employee's basic contribution rate was 1 percent. Employees may make additional contributions which are matched by the employer up to a maximum employer contribution of 12 percent. This scheme has been adopted as the auto-enrolment scheme for the NMC from 1 April 2014.

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

	<b>2015</b>	2014
	<b>£'000</b>	£'000
NMC's (employer's) defined benefit scheme contributions made in year	<b>3,545</b>	3,349
NMC's (employer's) defined contribution scheme contributions made in year	<b>315</b>	2
	<b>3,860</b>	3,351
NMC's (employer's) contribution defined benefit scheme	<b>29.2%</b>	27.4%
Employees' contribution defined benefit scheme	<b>6%</b>	6%
NMC's (employer's) basic contribution defined contribution scheme	<b>4%</b>	4%
Employees' basic contribution defined contribution scheme	<b>1%</b>	1%

The NMC meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These

costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2014–2015 this expenditure amounted to £27,000 (2013–2014: £26,000).

## 22. Capital commitments

At 31 March 2015, there was no capital expenditure that was approved but not contracted for, nor any capital expenditure that had been contracted for but that had not been provided for in the financial statements.

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

	2015 £'000	2014 £'000
Net (outgoing)/incoming resources from operations	(3,212)	(5,397)
Investment income	(641)	(983)
Depreciation charges	3,424	2,900
Loss on equipment disposal	53	-
Decrease/(increase) in debtors	(980)	590
Increase in creditors and provisions	2,848	7,266
Net cash inflow from operating activities	<u>1,492</u>	<u>4,376</u>

## 24. Reconciliation of net cash flow to movement in net funds

	2015 £'000	2014 £'000
Increase/(decrease) in cash during the year	(1,588)	2,838
Net funds at 1 April 2014	78,250	75,412
Net funds at 31 March 2015	<u>76,662</u>	<u>78,250</u>

## 25. Analysis of changes in net funds

	1 Apr 2014 £'000	Cash flows £'000	31 Mar 2015 £'000
Cash at bank and in hand	78,250	(1,588)	76,662
Total	<u>78,250</u>	<u>(1,588)</u>	<u>76,662</u>

## 26. Leasing commitments

At 31 March 2015 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating leases which expire:				
• Within one year	59	339	3	2
• In the second to fifth years inclusive	1,497	1,629	-	-
• In more than five years	759	113	-	-
Annual commitment at year end	<u>2,315</u>	<u>2,081</u>	<u>3</u>	<u>2</u>

The NMC leases premises at 61 Aldwych, London, for the period until 10 September 2019, Clarendon House (ground floor), 114-116 George Street, Edinburgh, for the period until 24 April 2021, Clarendon House (first floor), 114-116 George Street, Edinburgh, for the period until 20 February 2016, 1 Kemble Street, London, for the period until 21 December 2019 and 2 Stratford Place for the period until 21 July 2024.

## 27. Movement in restricted funds

	Balance at 1 April 2014 £'000	Income £'000	Resources expended £'000	Transfers £'000	Balance at 31 March 2015 £'000
FtP / reserves restoration (i)	12,000	87	(6,944)	-	5,143
Overseas registrations (ii)	-	193	(193)	-	-
Overseas test of competence (iii)	-	2,449	(1,566)	(504)	379
<b>Balance at 31 March</b>	<u>12,000</u>	<u>2,729</u>	<u>(8,703)</u>	<u>(504)</u>	<u>5,522</u>

- (i) A grant of £20 million was provided by the Department of Health to provide the financial stability to enable the achievement of the NMC's adjudication Key Performance Indicator target by December 2014, the clearance of the historic backlog of Fitness to Practise cases by December 2014 and delivery of the minimum risk-based reserves level by January 2016. The grant is being spent in equal monthly instalments over the term of the grant, and the restricted fund balance reduces accordingly each month, commencing in February 2013, with the final amount being in December 2015.
- (ii) The grant of £0.193 million represents the 2014–2015 grant funding from the Department of Health to support the completion of the historical audit of non EEA

registrations and the implementation of electronic ID verification for non EEA applicants.

- (iii) The grant of £2.449 million represents 2014–2015 funding from the Department of Health to support the introduction of competency testing for non EEA applicants to the register, of which £504k has been capitalised and transferred to unrestricted reserves (see Note 13.3).

## 28. Statement of funds

	Balance at 1 April 2014 £'000	Income £'000	Resources expended £'000	Transfers £'000	Balance at 31 March 2015 £'000
Unrestricted funds	40,868	70,475	(67,713)	504	44,134
Restricted funds	12,000	2,729	(8,703)	(504)	5,522
<b>Balance at 31 March</b>	<b>52,868</b>	<b>73,204</b>	<b>(76,416)</b>	<b>-</b>	<b>49,656</b>

## 29. Net Assets by fund

	General unrestricted £'000	Restricted £'000	Total £'000
Fixed assets	23,493	504	23,997
Current assets	73,781	5,018	78,799
Current liabilities	(51,919)	-	(51,919)
Long-term liabilities	(1,221)	-	(1,221)
Balance at 31 March 2015	<b>44,134</b>	<b>5,522</b>	<b>49,656</b>

## 30. Special payments

There were no special payments<sup>45</sup> in the year to 31 March 2015 (year to 31 March 2014 no special payments).

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



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

Their Lordships make the following determination in exercise of powers conferred by article 52(1) of the Nursing and Midwifery Order 2001<sup>46</sup>.

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 31<sup>st</sup> 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.

---

<sup>46</sup> 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

ISBN 978-1-4741-2555-0



9 781474 125550