

Nursing and Midwifery Council

Annual Report and Accounts 2016–2017 and Strategic Plan 2017–2018



Nursing and Midwifery Council

Annual Report and Accounts
2016–2017 and Strategic Plan 2017–2018

Annual Report 2016–2017 and Strategic Plan 2017–2018 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 17 July 2017

© **Nursing and Midwifery Council (2017)**

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.

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

This publication is available at www.nmc.org.uk

Print ISBN 9781474146692

Web ISBN 9781474146708

ID 15061709 07/17

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 2016–2017	7
Strategic Plan 2017–2018.....	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	32
Annual governance statement	34
Independent auditor’s report to the trustees of the Nursing and Midwifery Council	47
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.....	49
Statement of financial activities for the year ended 31 March 2017	52
Balance sheet as at 31 March 2017	53
Statement of cash flow for the year ended 31 March 2017	54
Reconciliation of net income/(expenditure) to net cash flow from operating activities ..	55
Analysis of cash and cash equivalents	56
Notes to the Accounts.....	57
The Nursing and Midwifery Order 2001 (Form of Accounts) Determination 2010.....	83

Foreword

We are pleased to present our Annual Report for 2016–2017. This year saw us make further progress on our journey towards achieving the ambition set out in our Strategy 2015–2020 - to become a dynamic, innovative and leading regulator.

The first year of revalidation, the single most important change to date in how we regulate, has been a resounding success. This is due in no small part to the nursing and midwifery professions who have embraced the new process so enthusiastically; their positivity and professionalism does them credit. The ongoing support of our stakeholders across the UK has also been crucial and is much appreciated.

Successes like revalidation have meant growing confidence in us and our work. This was further confirmed by our best ever review from the Professional Standards Authority, meeting all but one of the 24 Standards of Good Regulation.

In 2016–2017 we agreed to the Government's request to be the regulator for a new profession - nursing associates. This represents a significant new responsibility. We are committed to working with the nursing profession, stakeholders and partners to ensure the successful introduction of this new addition to the nursing family.

This year education has been a major priority. The way that nurses and midwives work has changed a lot in the last decade and will change even more in the next 10 years. It is vital that their education and training prepares them to meet the needs of patients and the public for the future. With the help of our stakeholders across the four countries, we have made good progress. Public consultation on our proposals for nurse education is now underway. Work has already begun on drafting new standards for the future midwife and will be a major focus for us in the year ahead.

Long awaited changes to our fitness to practise legislation will come into force later this year. These will help us protect the public more quickly by reaching decisions at the earliest opportunity.

We have a full and challenging agenda ahead. We are alert to the possibility of new or unexpected demands. As ever, public protection will be at the forefront of our activities and decisions.

We would like to thank our Council members and staff for their hard work and dedication. We also thank our stakeholders for their support. Together, we will continue to work to protect the public as effectively as we can.

Dame Janet Finch
Chair, NMC
5 July 2017

Jackie Smith
Chief Executive and Registrar, NMC
5 July 2017

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 role has always been to protect the public. This was made more explicit by the Health and Social Care (Safety and Quality) Act 2015. The Council's overarching objective in exercising its functions is the protection of the public, the pursuit of which involves the following objectives:
 - 2.1 To protect, promote and maintain the health, safety and well-being of the public.
 - 2.2 To promote and maintain public confidence in the nursing and midwifery professions.
 - 2.3 To promote and maintain proper professional standards and conduct for members of the nursing and midwifery professions.
- 3 Our regulatory responsibilities are to:
 - 3.1 Keep a register of all nurses and midwives who meet the requirements for registration.
 - 3.2 Set standards of education, training, conduct and performance so that nurses and midwives are able to deliver high-quality healthcare consistently throughout their careers.
 - 3.3 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.
- 4 The Professional Standards Authority for Health and Social Care (PSA) oversees our work and reviews our performance each year. We were pleased to receive our best ever review from the PSA in December 2016, meeting all but one of the 24 Standards of Good Regulation.

Performance review 2016–2017

- 5 Our *Strategy 2015–2020: Dynamic regulation for a changing world* challenges us to ensure that our approach to regulation is innovative, forward-looking and able to adapt to changes in health care and the demands on nurses and midwives.
- 6 It sets out four strategic priorities to deliver our overarching objective of public protection:
 - 6.1 Effective regulation
 - 6.2 Use of intelligence
 - 6.3 Collaboration and communication
 - 6.4 An effective organisation
- 7 Our *Corporate plan 2016–2017* sets out our priorities and specific delivery commitments to ensure we make progress towards achieving the strategy.

Strategic priority 1: Effective regulation

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

Registration and Revalidation

- 8 We keep the register of nurses and midwives who are legally eligible to practise in the UK. At 31 March 2017, there were over 690,000 nurses and midwives on our register. Only those who demonstrate that they meet our standards can be admitted to our register and maintain their registration. Our registration processes include checks that those applying to enter the register have the right qualifications and, where necessary, check to make sure they have the right skills to practise safely and effectively. Employers and members of the public can check the registration status of any nurse or midwife in the UK on our website.
- 9 The first year of implementation for revalidation, the biggest change to how we regulate nurses and midwives in our history, has been a major success. Revalidation requires all nurses and midwives on our register to demonstrate on a regular basis that they are able to deliver care in a safe, effective and professional way. This means that the public are receiving care at the hands of professionals who engage in a regular process of reflection, learning and improvement. Revalidation has been warmly embraced by the professions and by 31 March 2017 over 200,000 nurses and midwives had revalidated successfully.
- 10 Feedback on revalidation during this first year has been very positive, with nurses, midwives and employers praising the process for being simple, straightforward and beneficial.

- 11 Support from our stakeholders across England, Wales, Scotland and Northern Ireland has been key in ensuring the success of revalidation during this first year. We are grateful for their support and will continue to work closely with them in the future to identify any areas for improvement and to ensure that nurses and midwives continue to be supported through the process.
- 12 We have published quarterly reports showing how revalidation is working. Further information and analysis can be found in our first revalidation annual report, published separately.
- 13 We recognise that it will take time to see what the impact of revalidation is on patient care. We will be evaluating this over a three year period.

Other Registration activity

- 14 We have continued to improve our online services for nurses and midwives. This year we provided greater flexibility by introducing the option to pay the annual registration fee by quarterly instalments. By 31 March 2017, over 53,000 nurses and midwives had taken advantage of this option to spread the cost of registration.
- 15 We recognise the invaluable contribution made by nurses and midwives on our register who were trained outside the UK; they play a vital role in the UK's health and care workforce. This year we took the following steps to increase flexibility for those seeking to enter our register from outside the UK, whilst continuing to ensure that only those with the right skills and knowledge are successful.
 - 15.1 We introduced two new UK test centres for the test of competence for nurses and midwives trained outside the EU and EEA. The new centres are at Ulster University and Oxford Brookes University.
 - 15.2 We held a number of stakeholder workshops to review our overseas processes. This was to identify opportunities to streamline our processes, make them easier to follow for applicants and to align them more clearly with UK visa processes. A number of changes have been implemented and others are planned.
- 16 We maintained strong performance throughout the year against our registration key performance indicators. In 2016–2017 we processed just under 29,000 (2015–2016: over 30,000) initial applications for registration. Of these:
 - 16.1 20,039 (2015–2016: 19,133) were from applicants trained in the UK.
 - 16.2 6,374 (2015–2016: 9,389) were from applicants trained in the European Economic Area (EEA).
 - 16.3 2,400 (2015–2016: 2,145) were from applicants trained outside the EEA.
- 17 We completed 98.2 percent of UK registration applications within 10 days, exceeding our target of 95 percent within 10 days. 99.2 percent of UK registration applications were completed within 30 days.

- 18 We completed 94 percent of EU/overseas registration applications within 68 days, exceeding our target of 90 percent within 68 days.
- 19 On average our contact centre dealt with 1,350 calls each day, rising to 1,800 each day at peak registration and renewal periods (2015–2016: 1,635 rising to 1,916).

Education

- 20 We have a duty to protect the public by setting standards to equip nurses and midwives with the knowledge, skills and professional behaviours they need to deliver high quality care when they join our register. Education is one of our strategic priorities and in March 2016, the Council approved a four year programme to revise our education standards. Our priority focus in 2016–2017 has been development of new pre-registration nursing standards, which has been led by Dame Jill Macleod Clark. We undertook significant four country stakeholder engagement to shape our thinking and inform the development of draft standards, ready for public consultation in 2017.
- 21 We made progress on the development of a new Education Framework for institutions educating and training future nurses and midwives. The proposed new framework will be the subject of public consultation in 2017 alongside the proposed new pre-registration nursing standards.
- 22 We also commissioned an independent fundamental review of how nursing and midwifery education could be quality-assured in the future, resulting in options which the Council will consider during 2017.
- 23 We have worked closely with the Government and other parties on the nursing degree apprenticeship designed to help widen access to the nursing profession and due to be introduced in England in September 2017. Those following the new apprenticeship pathway will be trained to meet the NMC's pre-registration standards, ensuring that all new nurses joining our register are equipped with the right skills, knowledge and experience to deliver safe and effective care. Work is ongoing to understand apprenticeship arrangements in Scotland, Wales and Northern Ireland.
- 24 Work is also beginning on new pre-registration standards for the midwife of the future, led by Professor Mary Renfrew FRSE. Early engagement and evidence building work has begun and the drafting of the new midwifery standards will begin in 2017.

Nursing Associates

- 25 In January 2017 the Council agreed in principle to a request from the Secretary of State for Health that the NMC should be the regulator for the new nursing associate role. In making its decision the Council's foremost consideration was public protection. We will develop the standards and educational requirements for the nursing associate role so that the role can act as a stepping-stone to becoming a registered nurse, for those who wish to progress further and are able to do so.

- 26 Following this decision, we have begun a two year programme of work to ensure we are ready to begin registering the first nursing associates in early 2019.
- 27 This expansion of our role represents a significant new responsibility and demonstrates confidence in us and our work. We will continue to work closely with stakeholders across the UK, including the Department of Health, to ensure the successful development and implementation of this new addition to the nursing family.

Quality assurance of education

- 28 At 31 March 2017 there were 79 Approved Education Institutions (AEIs). Since the changes to student funding have been announced which remove the cap on nursing and midwifery places in England we have seen an increase in enquiries from new organisations seeking to be an AEI.
- 29 At 31 March 2017 there were 916 programmes in approval. We have seen an increase in the approval of different routes to pre-registration nursing education. AEIs are responding to a changing health and care landscape, local workforce needs and the move towards widening access by creating a variety of pathways to becoming a graduate registered nurse. This includes work-based models, flexible part time pathways and nurse apprenticeship routes to nursing.
- 30 We operated a risk-based approach to monitoring and 16 AEIs were visited during the academic year 2015–2016. As in previous years, practice learning emerged as the most significant area of concern. Monitoring visits for the 2016–2017 academic year are now underway and the outcomes will be reported in autumn 2017.
- 31 As reported in *Quality Assurance of Education and Local Supervising Authorities – Annual Report 2015–2016* (November 2016), we have strengthened reporting requirements and engaged with AEIs on the public protection drivers for exceptional reporting outside of routine reporting cycles. Enhanced updating of risks by AEIs means that we share intelligence proactively with other professional and system regulators and are able to triangulate intelligence with other parts of the NMC such as the Employer Link Service and Fitness to Practise.

Midwifery

- 32 During the year we worked closely with the Department of Health to bring forward legislative change to remove midwifery supervision from our statutory responsibilities. We asked for this change after a number of critical incidents and subsequent independent reports confirmed the previous arrangements were structurally flawed from the perspective of public protection. The change came into force on 31 March 2017. We worked closely with the Chief Nursing Officers and midwifery leaders in each of the four countries to ensure a smooth transition to new non-regulatory arrangements for clinical supervision.
- 33 Following the change to our legislation, Local Supervising Authorities ceased at the end of March 2017 and with it our quality assurance activity.

- 34 Monitoring the progress and impact of legislative change and supporting a smooth transition to the new arrangements was a major focus for the Midwifery Committee, which provided advice to Council throughout the year. The Committee sought assurance on behalf of the Council on the full range of risks associated with the regulatory process through to the transition stage, and how those risks were managed.
- 35 The statutory requirement to have a Midwifery Committee was removed by legislative change on 31 March 2017. We are grateful to the members of the Midwifery Committee for their work throughout the year and in particular to the Chair and Council member of the Committee. In its final report to the Council the Midwifery Committee gave assurance that the Council's moral responsibility to support the smooth transition of activities following legislative change was fulfilled.
- 36 From April 2017 the Council will take direct responsibility for midwifery regulation, in line with the Council's approach to nursing regulation. We are committed to ensuring that the voice of midwives continues to be heard. We will make more use of listening events, two-way engagement, expert task-focused groups, stakeholder events and workshops to inform a more effective approach to the development of regulatory standards and policy. In its final report to the Council the Midwifery Committee expressed confidence in the Council's future approach to receiving midwifery advice and hearing the voice of the midwifery profession.
- 37 In November 2015, the Chief Executive established a Midwifery Panel to ensure the 'midwifery voice' continued to be heard and was embedded in the organisation post-legislative change. The Panel is chaired by the Chief Executive and membership includes the Royal College of Midwives, the four Chief Nursing Officers, senior midwifery academic input, expert user lay input, as well as the two Council members who were formerly members of the Midwifery Committee. The Midwifery Panel continued to operate alongside our Midwifery Committee, looking specifically at future midwifery regulation. The Panel will continue to meet during 2017–2018 to advise on matters relating to midwifery regulation.

Fitness to practise

- 38 Our annual report on fitness to practise sets out how we have discharged our statutory functions. In this report we highlight the main developments in the service during the year.
- 39 We were pleased that legislative changes we have long pressed the Government for were finally secured. They will enable us to modernise our fitness to practise approach. The changes will be implemented in 2017, enabling us to strengthen public protection by taking a more proportionate approach and focusing resource on the most serious cases. We will work with professional bodies and unions to ensure early engagement to dispose of less contentious cases more quickly and appropriately.
- 40 If public safety is at immediate and serious risk, we can impose an interim order to restrict the way in which a nurse or midwife can practise or prevent them from practising until we have fully considered their case. Our performance against our target to secure 80 percent of interim orders within 28 days remained consistently above 90 percent throughout the year.

- 41 We completed an average of 76 percent of cases within 15 months, slightly below our target of 80 percent. This was due to prioritising the progression of older cases as planned. Over the next 12 months we will focus on further improving timeliness through the use of our new powers, early engagement and enhancing our case management.
- 42 Over the year our Employer Link Service has continued to expand its activities. A new advice line provided advice to approximately 2,000 callers on a range of issues. The service has continued to develop relationships with all NHS trusts and boards in the UK, as well as over 20 of the largest independent sector healthcare providers in the UK.
- 43 Together with the Secretary of State for Health, we have asked the PSA to carry out an independent lessons learned review into our handling of the Morecambe Bay fitness to practise cases. We have already identified and implemented a range of important measures designed to make sure we handle cases better in the future but we look forward to any further improvements the PSA can help us identify should we be faced with similar tragic events again. The review will commence once the final fitness to practise cases have concluded in 2017 and the findings will be published in full.

Strategic priority 2: Use of intelligence

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

- 44 We have made some progress at an operational level. For example, employer codes have been introduced so that fitness to practise cases can be aligned against individual employers. In addition, we have designed and developed an allegations code framework to identify the regulatory concerns that have been referred. This will enable us to identify patterns and trends so we can take a more proactive approach with employers to help reduce unnecessary referrals or identify trends which may warrant further exploration.
- 45 In the longer term our transformation programme will provide the opportunity to build in the capability, systems and tools which will enable us to make further progress. During 2017–2018 we will take forward some initial work on developing our strategic capability.

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.

- 46 We have continued to undertake extensive engagement across settings and across the four countries throughout the year on a range of matters.
- 47 We undertook work with patient and public groups, including focus group discussions with patient groups in Northern Ireland, Scotland and Wales. We co-delivered an event with the General Medical Council for patient and public groups, which provided us with an additional mechanism for gaining public feedback in order to inform and strengthen our work.
- 48 Revalidation continued to feature prominently in our external engagement with the Chief Executive and senior staff undertaking speaking engagements at a wide range of events throughout the year to promote understanding. In anticipation of the significant increase in the numbers of nurses and midwives due to go through revalidation in September 2016, a regular cascade of revalidation information was sent to key stakeholder organisations to support nurses, midwives and employers through this busy period. Following operational experience and customer feedback we published a revised version of the standards and guidance document *How to revalidate with the NMC* (March 2017).
- 49 We worked with a number of our key strategic stakeholders in developing our communications and engagement plan for our education programme. This included the establishment of an Education Stakeholder Advisory Forum comprising senior stakeholders from across the UK. The forum, which met twice during the second half of the year, provides a means of keeping our stakeholders up to date and an opportunity to seek views on and help to shape our proposals.
- 50 We undertook a range of communications to support the successful transition of midwifery supervision to new arrangements in all four countries of the UK. The first phase of this work involved a direct communications campaign with midwives and other stakeholders to encourage them to take part in the Government's consultation. The second phase focused on supporting midwives, stakeholders and women's and patient groups to understand the changes as they began to be embedded. This included working with the transition boards and midwifery leads in the four countries to coordinate communications messages and to direct midwives to sources of information about the new arrangements across the UK.
- 51 We also held a number of events across the UK to engage with the professional bodies and unions to discuss reforms to fitness to practise legislation.

Collaborating across the wider health environment

- 52 We recognise that we are part of a wider system for public benefit and protection. We have continued to engage regularly with key partners and stakeholders across England, Wales, Scotland and Northern Ireland and have contributed to a wide range of initiatives and groups as an integral part of our work. We meet regularly with representatives of the professional bodies and unions and engage widely with professionals at all levels as well as educators and employers.
- 53 Our Professional Strategic Advisory Group brings together senior nurses and midwives from a variety of practice settings across the UK. We kept the group up to date on various initiatives including our Employer Link Service, our education programme, nursing associates and changes to fitness to practise and midwifery supervision.
- 54 The Department of Health held a series of events to debate the reform of healthcare professional regulation in London, Leeds, Glasgow, Cardiff and Belfast hosted by regulatory bodies and NHS employers. We hosted the London event in July 2016 as well as participating in each of the other meetings.
- 55 With our Irish and Spanish counterparts we jointly organised the meeting of the European Network of Nurse Regulators which was held in Madrid in October 2016. Issues of mutual interest were discussed, including a joint position on future updates to the minimum EU standards for training of general care nurses and the importance of continued close collaboration when the UK leaves the EU.

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.

Transforming the NMC

- 56 In early 2016, the Council initiated work on a transformative programme including: workforce; people and culture; accommodation; and business and technology to support the ambition set out in our Strategy to be a dynamic, forward-thinking regulator. The planning, resourcing and initiating of this work has been taken forward in 2016–2017. In March 2017 the Council agreed in principle to move ahead with the first phase of the programme, subject to further consideration in 2017–2018.

Staff and human resources

- 57 The new Executive structure of the Chief Executive and five Directors has been progressively filled during 2016–2017 with the full permanent team now in place. There is also more stable leadership in place to support the Executive.
- 58 Work will be taken forward during 2017–2018 on the development of a People Strategy to provide an overall framework to positively drive people initiatives across the organisation.

- 59 A key initiative will be reviewing reasons for staff turnover which remained high at 24.6 percent at 31 March 2017.
- 60 We had a response rate of 75 percent to our annual employee survey in 2016, which this time sought the views of temporary as well as permanent staff. Whilst overall staff engagement improved to 67 percent (65 percent in 2015) the survey results identified a number of opportunities, which we will take forward through the development of our People Strategy and the supporting plan.
- 61 Our Learning and Development programme included a range of activities to support the development of capability in all areas. The programme will be strengthened for 2017–2018, with particular focus on supporting change management.

Equality and diversity

- 62 We aim to promote equality, diversity and inclusion (EDI) in carrying out our functions and in delivering our services as a regulator and as an employer. As set out in our Strategy 2015–2020 we aim to embed EDI throughout our core activities. Our aim is to be recognised as a fair regulator and employer, and for our stakeholders to be confident that we treat everyone fairly and inclusively. We publish an equality and diversity annual report and regularly monitor progress against our EDI action plan. During 2016–2017 we:
- 62.1 Developed and started to implement a new EDI Framework: a governance and monitoring system to embed EDI activities into business and performance management in the organisation.
 - 62.2 Published research about progress and outcomes in fitness to practise for BME nurses and midwives.
 - 62.3 Continued to evaluate and monitor NMC activities to understand the impact on different groups that share protected characteristics, for example through our equality impact assessments of the fitness to practise legislative changes, our education programme and our evaluation of revalidation.
 - 62.4 Rolled out unconscious bias training for fitness to practise panellists and decision-makers.
 - 62.5 Continued to improve the diversity data we hold for nurses and midwives.
- 63 We recognise that we still have more progress to make in this area and we will continue to make improvements in 2017–2018, in particular in how we embed the EDI Framework into our everyday activities.

Freedom of information and data protection

- 64 As a public body we comply with the Freedom of Information Act 2000 and the Data Protection Act 1998. There were 311 data protection requests in 2016–2017 (over 270 in 2015–2016). In 2016–2017 we received 545 Freedom of Information requests (519 in 2015–2016). We responded to 523 of these and the remainder were withdrawn.

- 65 Where a member of the public is not satisfied with the response to their request, they can request an internal review/make a complaint. This is dealt with by an officer who was not involved in the original decision. There were 25 internal reviews carried out in 2016–2017 of which 20 upheld the original decision not to disclose. In five cases, the review led to the requested information being disclosed.
- 66 There were seven complaints made to the Information Commissioner’s Office (nine in 2015–2016) over this time period. In six cases the Information Commissioner agreed with our decision. In one case, the Information Commissioner asked that we reconsider; we did so and subsequently disclosed the information requested.

Strategic Plan 2017–2018

- 67 Our *Strategy 2015–2020: Dynamic regulation for a changing world* sets out our strategic priorities which will enable us to deliver our overarching purpose to protect the public with greater effectiveness and impact.
- 68 Our Corporate plan sets out the key work we will undertake in 2017–2018 to deliver improvements that will contribute to the achievement of our corporate strategy 2015–2020.

Strategic priority 1: Effective regulation

Education

By 31 March 2018 we will have:

- **Nursing:** published new competency based pre-registration education standards ready for early adoption from September 2018 and full roll-out by September 2019, taking into account the views and feedback from the public, patients and all our stakeholders.
- **Midwifery:** prepared draft new competency based pre-registration education standards ready for us to begin testing with midwifery professionals, educators, patients, the public and other stakeholders.
- **Nursing and midwifery education programmes:** published a new education framework setting out the requirements for institutions seeking to deliver approved programmes, taking into account the views and feedback from the public, patients, the profession and stakeholders.
- **Nursing and midwifery education quality assurance:** continued development of our approach to quality assurance of education.
- **Nursing and midwifery post-registration standards:** reviewed prescribing, medicines management, and return to practice standards, taking into account the views from the public, patients and stakeholders, and revised these standards if appropriate.

Nursing Associates

By 31 March 2018 we will have:

- Developed and consulted on both standards of proficiency and standards for education for nursing associates. In doing so, we will consult with and listen to the views of patients, the public and our stakeholders.

Fitness to practise

By 31 March 2018 we will have:

- Implemented legislative changes to address fitness to practise concerns proportionately and quickly having taken into account the views of patients, the public, and our stakeholders. Case examiners will have begun to use new powers to give advice, issue warnings and agree undertakings in cases as appropriate.

Maintaining core regulatory performance

Throughout 2017–2018 we will:

- Maintain strong performance against our key targets for Registration and Fitness to Practise.
- Continue to report on our customer service performance and improvements introduced as a result of customer feedback.

Strategic priorities 2, 3 and 4: Use of intelligence; Collaboration and communication; An effective organisation

Transformation

Our transformation programme is key to operating more effectively and efficiently in how we deliver our core regulatory functions and improve both customer service and value for money in the future. It is a four year programme which will involve development of our people, our location, our technology and modernisation of our services.

New systems and services using advances in technology are an essential first step: a new contact centre will be at the forefront of our investment in 2017–2018. This will bring our services in line with best practice, providing improved access and choice for all who interact with us or need our services. Designing in quality, achieving a better customer experience and delivering best value for money for nurses' and midwives' fees are key objectives for this initial phase of investment.

A phased approach to delivery of the transformation programme is proposed to ensure a safe transition to new ways of working.

Our approach to transformation is subject to final decisions by the Council in July 2017.

People

Investment in our people and capabilities is key to our success. Our People Strategy will set out our approach to how we attract, recruit, retain, develop, engage, motivate, recognise and reward our people. It will articulate our commitment to the development of our workforce, making the NMC a place where people want to work with us to achieve our aims. We will embed equality, diversity and inclusion in everything we do, so that people can see that their contributions are valued and recognised.

Transformation

By 31 March 2018, subject to the Council's decisions in July 2017, we will have:

- delivered the first phase of the contact centre, including procuring appropriate accommodation.
- delivered the first phase of a new customer relationship management system and associated new technology.
- implemented the first elements of the People Strategy, including improved Human Resources and Organisational Development capacity and delivery to support staff and managers through the first phase of transformation.

Financial review

- 69 The NMC has maintained financial stability during 2016–2017.
- 70 During the year, income totalled £86.155 million (2015–2016: £80.265 million) and comprised of fee income of £84.988 million (2015–2016: £79.417 million), investment income of £586,000 (2015–2016: £643,000), and other income of £581,000 (2015–2016: nil). For comparison, 2016–2017 did not include any grant income (2015–2016: £205,000).
- 71 The net expenditure for the year amounted to £491,000 before pension movements (2015–2016: net income £3.931 million). After adjusting for the actuarial revaluation of the pension deficit, the net movement in funds was an increase of £62,000 (2015–2016: increase of £8.123 million).
- 72 During the year expenditure totalled £86.646 million (2015–2016: £76.344 million). This is further analysed within notes 5 to 10 to the accounts.
- 73 Education was a corporate plan commitment for 2016–2017. Significant work was undertaken on the development of new standards for the education and training of the future nurse, new standards for educational institutions, and an independent review of educational quality assurance. This is reflected in the increased investment in education to £3.4 million in 2016–2017 (£2 million in 2015–2016).
- 74 Fitness to Practise remains a priority. A significant increase in case outcomes was achieved in 2016–2017, with the closure of 1,580 cases (1,031 cases in 2015–2016). This increase in activity has been a key driver of an increase in expenditure related to Fitness to Practise to £66.4 million in 2016–2017 (£58 million in 2015–2016). Part of the cost increase is also attributable to increased support costs of which investment in early work on transformation is a key element. As the major area of direct delivery activity for the NMC, Fitness to Practise attracts the major part of attributed support spend.
- 75 Revalidation for all registrants wishing to remain on the register was introduced from April 2016. During 2016–2017, over 200,000 nurses and midwives revalidated. This is in line with the projections required to be on track to revalidate all nurses and midwives over the three year period 2016–2019. This has partially contributed to the increased cost of maintaining the register to £11.4 million in 2016–2017 (£9.7 million in 2015–2016). Other factors include higher costs on appeals and, as with other areas, an increase in allocated support costs.
- 76 During 2016–2017 the Council initiated work on a transformation programme, an aim of which is to drive value for money in the organisation. Development costs incurred on the transformation programme in 2016–2017 amounted to £2.9 million.
- 77 An actuarial gain was made on the defined benefit pension scheme of £553,000 (2015–2016: gain of £4.202 million). The reserves of £41.175 million at 31 March 2017 include the value of the lease of the NMC's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2014, on an existing use basis, at £17.185 million.

- 78 As at 31 March 2017, negotiations are still ongoing with HM Revenue and Customs (HMRC) in relation to a potential refund of income tax and National Insurance payments made in prior years in relation to fitness to practise panellists. This followed a ruling in April 2012 that HMRC now considers that the NMC's fitness to practise panellists are not classed as office holders or employees for income tax and National Insurance purposes. They are classed as 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

- 79 The NMC operates a risk-based reserves policy which provides that our free reserves level should be based on an assessment of the potential financial impact of the risks faced by the NMC, plus an amount to cover our estimated share of the pension deficit. Free reserves are funds that are freely available to spend. Free reserves do not include restricted funds, tangible fixed assets and amounts designated for essential future spending.
- 80 The reserves level is reviewed at least annually by the Council. In reviewing the level, the Council considers the latest assessment and quantification of major risks, and agrees an appropriate range in which the risk-based element of reserves (also known as 'available free reserves') should be maintained.
- 81 In March 2016 the Council reviewed the latest position in relation to the current reserves policy and agreed that available free reserves should continue to be held in a target range of £10 million to £25 million. The position was reviewed again in March 2017 and remained unchanged.
- 82 This level of reserves is considered sufficient to meet the NMC's operating priorities and working capital requirements in the event of a significant unplanned circumstance, while alternative funding is secured.
- 83 The unrestricted reserves were £41.175 million at 31 March 2017 (2015–2016: £41.113). Total available free reserves, calculated reflecting the actuarial estimate of pension liabilities, were £19.430 million (£17.913 million at 31 March 2016) after deduction of the net book value of fixed assets of £21.745 million (2015–2016: £23.200 million).

Investment policy

- 84 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 risk options.

- 85 NMC funds are held in fixed interest deposit accounts spread across four UK high street banks, increasing to five in April 2017. The revenue generated from the investments in 2016–2017 was £586,000 (2015–2016: £643,000).

Dame Janet Finch
Chair
NMC
5 July 2017

Jackie Smith
Chief Executive and Registrar
NMC
5 July 2017

Remuneration report

86 The financial aspects of this report are audited by the external auditors, haysmacintyre and the National Audit Office.

Council members' allowances and expenses

87 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 2016–2017 was Dame Janet Finch.

88 Council members do not receive remuneration for their services but receive an annual allowance based on the requirement for members to spend an average of three days per month on NMC business.

89 Under the Nursing and Midwifery Order 2001, the Council must determine the allowances to be paid to Council members. Until 2016–2017 the annual allowance paid to Council members had been static at £12,000 since 2009 and had not been reviewed since 2012. In accordance with a process agreed by the Council, an Independent Panel was established in 2016 to undertake a review of Council member allowances and make recommendations. In reviewing evidence the Panel focused on the level of allowances paid to Council members of other healthcare regulatory bodies. The Panel concluded that the level of allowance for NMC Council members should be at least at the median level of remuneration for Council members across the healthcare regulatory bodies. This resulted in the recommendation that the annual allowance be increased to £13,250. This recommendation was agreed by the Council in November 2016. In accordance with normal practice, the increase was backdated to 1 April 2016.

90 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.

91 Allowances paid to Council members in 2016–2017 amounted to £177,086 (2015–2016: £175,340). Full details of the amounts paid are set out in the table on page 24. No special payments¹ were made to any Council member in 2016–2017.

92 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.

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

- 93 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 2016–2017, £33,000 was accrued for this tax liability in relation to Council members (2015–2016: £28,009). 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.
- 94 Expenses are made up of travel, accommodation, meals and subsistence and are incurred when members are carrying out their duties.
- 95 All expenses incurred by members are included in the following table. The expenses received by members vary widely due to the costs of travel and accommodation for attending meetings from home locations across the UK, including travel from Wales, Scotland and Northern Ireland which necessitates overnight stays. In what has been an exceptionally busy year, there have been increased demands on some members, particularly the Vice Chairs, one of whom has to travel from Northern Ireland. This is reflected in higher levels of expenses having been incurred in some instances.

Council members	Allowance paid to member 2016–2017 (£)	Allowance paid to member 2015–2016 (£)	Expenses 2016–2017 (£)	Expenses 2015–2016 (£)
Dame Janet Finch - Chair ²	48,000	48,000	12,769	15,363
Maureen Morgan OBE	13,250	12,000	2,680	1,218
Maura Devlin MBE	13,250	12,000	13,499	6,711
Quinton Quayle ³	9,938	12,000	2,680	1,577
Louise Scull ⁴	1,000	12,000	414	2,686
Carol Shillabeer ⁵	-	9,000	-	1,138
Amerdeep Somal ⁶	9,938	12,000	2,339	3,886
Stephen Thornton CBE	13,250	12,000	2,259	2,265
Lorna Tinsley	13,250	12,340	4,165	3,174
Dr Anne Wright CBE	13,250	12,000	434	-
Robert Parry	13,250	11,000	4,195	4,185
Professor Karen Cox	13,250	11,000	2,548	1,608
Ruth Walker ⁷	7,730	-	2,155	-
Derek Pretty ⁸	7,730	-	1,512	-

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

² Includes expenses incurred from October 2014 but not paid until 2015–2016.

³ Resigned 31 December 2016.

⁴ Resigned 30 April 2016.

⁵ Resigned 31 December 2015

⁶ Resigned 31 December 2016.

⁷ Appointed 1 September 2016.

⁸ Appointed 1 September 2016.

Methods used to assess members' performance

- 97 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 2016–2017.
- 98 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

- 99 The senior management team (called the Executive) comprised the Chief Executive and Registrar, the Chief Operating Officer (interim from 15 September 2015 and permanent from 1 February 2016 to 31 March 2017) and directors. Directors reported directly to the Chief Executive or in some cases until 31 March 2017 to the Chief Operating Officer. No Executive members are members of the Council or trustees of the NMC.
- 100 The Chief Executive and Registrar is the only employee appointed directly by and accountable to the Council. The Council has delegated authority to the Chief Executive and Registrar to the extent described in the annual governance statement.
- 101 For the purposes of disclosure, the Council, on the advice of the Audit Committee, has determined that key personnel are all members of the Executive team (including any interim post holders). Remuneration details are disclosed in full for all these individuals in **Tables 1, 2.1 and 2.2**.
- 102 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.
- 103 The Remuneration Committee considers and recommends to the Council an appropriate reward strategy for the Chief Executive and Registrar and the directors. The Committee approves the reward package of the Chief Executive and Registrar and the directors annually in line with the reward strategy set by the Council.

Review of Executive pay

- 104 In 2016 the Remuneration Committee undertook a review of executive remuneration, as executive base pay had not been reviewed or subject to external benchmarking since 2011. The review provided the Committee with specialist, up to date, meaningful data to inform decisions on executive pay that would be appropriate, fit for purpose (that is, enabling the attraction, development and retention of the right talent, leadership and technical skills), affordable and sustainable, taking account of planned changes to the executive team structure and the fact that executive salaries had not been reviewed for five years.
- 105 The review incorporated an up to date evaluation by external pay specialists of all NMC executive roles, positioned within an analysis of, and comparisons against, the target market for executive pay in the UK. The analysis included market and pay trends (base pay and total remuneration including short and longer term incentives and pension contribution levels), gender pay gap data and three sources of salary data. This included data from an independent Total Remuneration Survey, Civil Service data and data disclosed by other health care regulators and Non Departmental Public Bodies. The review suggested that executive salaries in the NMC were generally out of alignment with median pay for comparable roles in the wider market, in some cases considerably so.
- 106 In considering the data, the Committee determined that it was important the NMC should not become an outlier. The Committee considered the extent to which the size and scale of the NMC roles varied with comparator roles and differences in the size and remit of the comparator organisations (including the fact that the NMC has a UK-wide remit). Other considerations included primary drivers of pay, market reference points (to determine appropriate evaluation points for each role), the role of bonuses in market positioning, how relativities should be measured and how they should be reflected in total remuneration.
- 107 As a result of the review, the Committee introduced a new framework for executive pay, aligning executive base salaries in the NMC to the market using an independent Positioning Evaluation tool. The framework was informed by the evaluation and also by the search being undertaken at that time for vacant executive posts; this provided up to date information on the availability of suitable candidates in the target markets for NMC executive posts, remuneration packages and salary expectations. The introduction of the new framework resulted in an increase to the base salary of existing executive posts, including that of the Chief Executive and Registrar, to bring them into alignment.

Executive performance assessment

- 108 The Remuneration Committee approves the process for, and reviews reports from the Chair regarding, the setting of objectives for, and performance appraisal of, the Chief Executive and Registrar. It also reviews reports from the Chief Executive and Registrar regarding the setting of objectives for, and performance appraisal of, the directors.
- 109 A performance-related pay scheme was in operation for the year 2015–2016 and two members of the then executive team were awarded performance bonuses under the scheme which were paid during 2016–2017, as reflected in table 1.

110 The Remuneration Committee decided to suspend the executive performance bonus scheme for 2016–2017 for 12 months, pending the development of a wider organisational People Strategy which would inform future recognition and reward arrangements, including at Executive level. The Committee noted that in the absence of bonus arrangements for 2016–2017, it would continue to exercise the same rigour in scrutinising Executive performance and that this should be linked to talent management and succession planning. A review of the suspension of the executive bonus scheme will take place in 2017–2018.

Executive remuneration 2016–2017

111 In the light of the Executive pay review findings and new framework, the Remuneration Committee concluded that a significant realignment of the Chief Executive’s pay was needed and revised the base salary to £192,850 for 2016–2017. In addition, the Chief Executive received payments due for 2015–2016 but paid in 2016–2017 including a performance bonus for 2015–2016 of £11,921 and reimbursement of £10,392 for 17 days annual leave not taken in 2015–2016 due to the volume of high priority business demanded of the Chief Executive. As a result, the Chief Executive and Registrar’s overall pay remuneration in 2016–2017 amounted to £215,163. The increase in value of her pension benefits was £40,864 giving rise to a single total figure of remuneration of £256,027 (in 2015–2016, her pay remuneration was £173,800 and the increase in the value of her pension benefits was £46,484 giving rise to a single total figure of remuneration of £220,284).

112 The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2016–2017.

113 The remuneration of the senior management team is set out in **table 1** and the pension entitlement is set out in **tables 2.1 and 2.2**. Pension entitlements are set out according to the type of pension scheme each Director is a member of. The defined benefit scheme members are set out in table 2.1 in line with standard defined benefit pension reporting. The defined contribution scheme members are set out in table 2.2 and show employer contributions paid on behalf of each Director.

114 In total the Executive team (including permanent and interim) were paid £1.254 million in 2016–2017 (2015–2016: £1.679 million). Of this, the permanent members of the Executive were paid £1.115 million, excluding employer’s national insurance contributions, in 2016–2017 (2015–2016: £1.070 million). In 2016–2017 this was comprised of £895,497 in salaries, £14,457 in other payments, £2,800 in other benefits, £20,497 in payments in lieu of notice, £15,758 in bonus payments and £165,818 in pension contributions. The cost of interim members of the Executive team in 2016–2017 was £139,408 (2015–2016: £608,893).

Remuneration and performance assessment of other staff

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

- 116 The remuneration of all employees is reviewed annually taking into account a range of information including overall affordability, benchmarking data, and recruitment and retention data. In 2016–2017, the Council, on the recommendation of the Remuneration Committee, approved an increase in pay for all eligible staff of between 1.5 to 3 percent (depending on pay level) with effect from 1 April 2016 (2015–2016: 1 percent) and a further increase for employees on lower pay grades to align them closer to the median rate for their pay grade.
- 117 As agreed by the Council in 2015–2016, on the advice of the Remuneration Committee, the Executive has the flexibility to pay differential rates for specialist skills in targeted areas where essential to attract and retain staff to deliver key organisational functions.
- 118 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

- 119 The NMC operates two pension schemes: a defined benefit pension scheme and a defined contribution pension scheme.
- 120 Employees who are members of the defined benefit scheme make a contribution of six percent of salary. The employer's contribution into the pension scheme during 2016–2017 was 29.2 percent (2015–2016: 29.2 percent), as set by the Scheme Actuary. Approximately 19 percent of employees were members of this scheme at 31 March 2017. The scheme was closed to employees joining the NMC after 1 November 2013.
- 121 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 2017, 90 percent of those enrolled in the scheme remained in it. During 2016–2017 the basic required contributions to the scheme were six percent for the employer and one percent for the employee (2015–2016: five percent for the employer and one percent for the employee).

NMC pay differentials

- 122 The highest paid permanent staff member in the NMC is the Chief Executive and Registrar and we have used her salary as the comparator when calculating the differential to the median remuneration of the workforce. The remuneration of the highest paid permanent staff member, the Chief Executive and Registrar, was 6.47 times (2015–2016: 5.97 times) the median remuneration of the workforce, which was £29,815 (2015–2016: £29,142). Remuneration in this calculation is based on annualised salary. It does not include non-consolidated performance-related pay, benefits-in-kind, paid annual leave, severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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

Dame Janet Finch
Chair
NMC
5 July 2017

Jackie Smith
Chief Executive and Registrar
NMC
5 July 2017

Table 1: Senior management team remuneration 2016–2017

		Total Salary Paid £000	Other payments ¹ £000	Employee benefits ² £000	Payment in lieu of notice £000	Bonus ³ £000	Employer's pension contributions £000	Employer's National Insurance £000	Total paid to date 2016–2017 £000	Re-stated Total paid 2015–2016 ⁴ £000
Jackie Smith	Chief Executive and Registrar	190-195	10-15	-	-	10-15	40-45	25-30	285-290	235-240
Alison Sansome	Chief Operating Officer	145-150	-	-	-	0-5	40-45	15-20	210-215	180-185
Tom Kirkbride	Interim Director of Registration	25-30	0-5	-	20-25	-	5-10	0-5	60-65	60-65
Sarah Page	Director of Fitness to Practise	135-140	-	-	-	-	40-45	15-20	190-195	190-195
Emma Broadbent	Director of Registration and Revalidation	85-90	0-5	-	-	-	5-10	10-15	110-115	-
Geraldine Walters	Director of Education, Standards and Policy	85-90	-	-	-	-	0-5	10-15	100-105	-
Judith Toland	Director of Transformation	110-115	-	-	-	-	10-15	10-15	140-145	-
Adam Broome	Director of Resources	100-105	-	0-5	-	-	5-10	10-15	120-125	-
Interims:										
Rachel Murphy	Chief Technology Officer	85-90	-	-	-	-	-	-	85-90	250-255
Annette Clinnick	Director of Human Resources	0-5	-	-	-	-	-	-	0-5	145-150
Richard Finlayson	Director of Finance	45-50	-	-	-	-	-	-	45-50	40-45
Interim Finance Director		-	-	-	-	-	-	-	-	160-165

Notes:

- 1 Other payments relates to annual leave not taken that was paid out.
- 2 Relates to contribution to accommodation expense.
- 3 Relates to 2015–2016 bonus paid in 2016–2017.
- 4 Re-stated to include Employer's National Insurance

Table 2.1: Senior management team defined benefit pension information 2016–2017

	Real increase in pension lump sum at age 60	Real increase in residual pension at age 60 during reporting year	Total accrued at age 60 at 31 Mar 2017	Lump sum at age 60 related to accrued pension at 31 Mar 2017, assuming member took maximum tax-free cash	The amount at 31 Mar 2017 of accrued residual pension at age 60	Cash equivalent transfer value at 1 Apr 2016	Cash equivalent transfer value at 31 Mar 2017	Real increase in cash equivalent transfer value To nearest £1,000	Real increase in value of pension benefits To nearest £1,000
	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	Bands of £5,000	To nearest £1,000	To nearest £1,000	To nearest £1,000	To nearest £1,000
Jackie Smith	0-2,500	12,500-15,000	15,000-20,000	80,000-85,000	10,000-15,000	408,000	594,000	80,000	41,000
Allison Sansome	2,500-5,000	20,000-22,500	10,000-15,000	50,000-55,000	5,000-10,000	189,000	378,000	128,000	64,000
Tom Kirkbride	0-2,500	0-2,500	5,000-10,000	25,000-30,000	0-5,000	124,000	183,000	11,000	6,000
Sarah Page	2,500-5,000	20,000-22,500	25,000-30,000	145,000-150,000	20,000-25,000	751,000	1,060,000	136,000	72,000

Table 2.2: Senior management team defined contribution pension information 2016–2017

	Employer contributions paid by NMC To nearest £1,000
Emma Broadbent	8,000
Geraldine Walters	5,000
Judith Toland	13,000
Adam Broome	6,000

Notes:

- Contributions to the defined contribution scheme are 1% employee and 6% employer for all members. Employees may contribute up to an additional 6% and for every 1% paid, the NMC matches up to a maximum additional 6%.

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

- 124 The accounts are prepared in accordance with the determination received from the Privy Council which requires the accounts to be prepared in accordance with the Charities Statement of Recommended Practice Accounting and Reporting (SoRP) revised 2015 and that the accounts also comply with the applicable law and Accounting Standards issued (Appendix 1).
- 125 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.
- 126 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 its net movement in funds for that period. In preparing these accounts they are required to:
- observe the applicable accounts determination 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.
- 127 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.
- 128 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).

129 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. The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Principal place of business

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

23 Portland Place
London
W1B 1PZ

Advisers

Independent External Auditor

haysmacintyre
Chartered Accountants
26 Red Lion Square
London
WC1R 4AG

Statutory Auditor

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

Bankers

HSBC Bank Plc
Space One, Floor 2
1 Beadon Road
London
W6 0EA

Solicitors

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

Capsticks Solicitors LLP
1 St Georges Road
London
SW19 4DR

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

Internal Auditor

Moore Stephens
150 Aldersgate Street
London
EC1A 4AB

Annual governance statement

131 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.⁹ 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

132 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.

133 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.

134 The Council is constituted in accordance with the Nursing and Midwifery Council (Constitution) (Amendment) Order 2012.¹⁰ It is made up of 12 members and comprises an equal number of registrant and lay members. Lay members are those who have never been a registered nurse or midwife. As a UK-wide regulator, the Council's membership includes at least one member who lives or works wholly or mainly in each of England, Wales, Scotland and Northern Ireland.

135 Council members are appointed by the Privy Council, following open and competitive recruitment processes. The Privy Council 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.

136 During 2016, one new registrant member and one new lay member were appointed by the Privy Council to take office on 1 September 2016. The Privy Council also appointed two further lay members, Sir Hugh Bayley and Marta Phillips OBE, to take office from 1 May 2017 and reappointed two existing registrant members to serve further terms from 1 May 2017.

⁹ SI 2002/253

¹⁰ SI 2012/2745

137 Council membership and attendance during 2016–2017 are set out below.

Council membership and attendance 1 April 2016 to 31 March 2017

Member	Attended/number of meetings
Professor Dame Janet Finch	6/6
Professor Karen Cox	4/6
Maura Devlin MBE	5/6
Maureen Morgan OBE	6/6
Robert Parry	6/6
Stephen Thornton CBE	5/6
Lorna Tinsley	6/6
Dr Anne Wright CBE	4/6
Ruth Walker (appointed 1 September 2016)	4/4
Derek Pretty (appointed 1 September 2016)	3/4
Quinton Quayle (resigned 31 December 2016)	4/4
Amerdeep Somal (resigned 31 December 2016)	3/4
Louise Scull (resigned 30 April 2016)	0/0

Effectiveness of governance

- 138 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.
- 139 Council members receive a full induction on appointment and undertake individual appraisals annually, which inform future individual and collective development, as well as consideration of reappointments.
- 140 The Council undertakes an annual review of its own effectiveness. The 2016 annual review was informed by the best practice recommendations for regulatory bodies made by the Committee on Standards in Public Life (CSPL) in the report *Striking the Balance: Upholding the Seven Principles of Public Life in Regulation*. The 2016 annual review identified as areas of strength: clarity of role and responsibilities; strategic focus; sense of collective responsibility; and holding the Executive to account. Areas to take forward included: the provision of strategic insight into future developments/trends; the development of a more systematic approach to accessing information and policy developments in the devolved administrations; and greater engagement with staff during a period of significant change. Progress will be monitored regularly by the Council.
- 141 The Council also took account of the CSPL recommendations in reviewing and adopting the revised Code of Conduct for Council members and updated policies on Managing Interests and Gifts and Hospitality.

- 142 In May 2016, the Council appointed Marta Phillips OBE, an independent (non Council) member with suitable financial knowledge and experience to chair the Audit Committee for a fixed term of one year from 1 June 2016. Following the appointment of Miss Phillips as a Council member with effect from 1 May 2017, she will continue as Chair of the Audit Committee for the forthcoming year in her new capacity.
- 143 The Council also benefited from the advice of Independent Financial and ICT Advisers who it appointed to provide additional assurance on the quality of the financial and technological plans that support and underpin the transformation programme.

Council Committees

- 144 The Council continues to have an Audit Committee; Remuneration Committee; and an Appointments Board to support it in its role. Appointment of Council members to the Audit and Remuneration Committees is governed by the Council's standing orders and scheme of delegation, together with a set of principles adopted by the Council in 2015. Council Committee membership is reviewed annually. Appointments Board members are not members of the Council and are appointed following open recruitment processes.
- 145 Until 31 March 2017, the Council was required by statute to have a Midwifery Committee. This requirement was removed by the Nursing and Midwifery (Amendment) Order 2017. From 1 April 2017 the Council as a whole will take responsibility for matters affecting midwifery regulation, with arrangements in place to ensure that it has appropriate access to advice and expertise on matters affecting midwifery.
- 146 The remit, membership and attendance record for each Committee is set out below.

Audit Committee

- 147 The remit of the Audit Committee is to support the Council and management by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The membership of the Committee and attendance for the period 1 April 2016 to 31 March 2017 is set out below.

Member	Attended/number of meetings
Marta Phillips OBE (Chair) (appointed 1 June 2016)	3/3
Maureen Morgan OBE	3/4
Robert Parry	4/4
Derek Pretty (appointed 1 January 2017)	1/1
Louise Scull (Chair) (resigned 30 April 2016)	1/1
Amerdeep Somal (resigned 31 December 2016)	1/3

Remuneration Committee

- 148 The remit of the Remuneration Committee is to ensure that there are appropriate systems in place for remuneration and succession planning at the NMC. The membership of the Committee and attendance for the period 1 April 2016 to 31 March 2017 is set out below.

Member	Attended/number of meetings*
Stephen Thornton CBE (Chair)	4/4
Maura Devlin MBE	4/4
Karen Cox	3/4

* Includes one extraordinary meeting

Midwifery Committee

- 149 The requirement for the Council to have a statutory Midwifery Committee was removed by legislative change on 31 March 2017. Until then the statutory remit of the Midwifery Committee was to advise the Council on matters relating to midwifery. The Committee was chaired by a Council member and comprised an equal number of midwives and lay members. The membership of the Committee and attendance for the period 1 April 2016 to 31 March 2017 is set out below.

Member	Attended/number of meetings
Dr Anne Wright CBE (Chair)	4/4
Lorna Tinsley	4/4
Dr Patricia Gillen	4/4
Pradeep Agrawal	3/4
Farrah Pradhan	3/4
Susanne Roff	3/4
Dr Tina Harris	4/4
Angela Cunningham (appointed 10 October 2016)	2/2

Appointments Board

- 150 The remit of the Appointments Board is to assist the Council in connection with the exercise of any function relating to the appointment of Panel Members and Legal Assessors. The Appointments Board is entirely made up of non-Council (partner) members. During 2016–2017, a new member was appointed to the Committee and was provided with induction.

151 The membership of the Committee and attendance for the period 1 April 2016 to 31 March 2017 is set out below.

Member	Attended/number of meetings
Belinda Phipps (Chair)	4/4
Bridget Anderson	4/4
Mary Dowling	4/4
Fiona Whiting	4/4
Frederick Psyk (appointed 1 September 2016)	2/2
Stephen McCafferty (resigned 4 July 2016)	1/1

Role of the Executive

152 The Chief Executive and Registrar is appointed by, and accountable to, the Council. The remit of the Chief Executive and Registrar is to direct the affairs and manage the resources of the NMC within the strategic framework established by the Council.

153 As the Accounting Officer, the Chief Executive and Registrar has personal responsibility for matters relating to financial propriety and regularity; keeping proper account of financial affairs; avoidance of waste and extravagance; and of the effective use of resources.

154 Prior to October 2016, the Chief Executive and Registrar was supported by a Strategy and Policy Board and a Performance and Resources Board as key internal executive level boards.

155 Following a restructure of the Executive, the two boards were replaced by an Executive Board as the key internal governance decision-making body. The Board's membership comprises the Chief Executive and Registrar and all directors. Its remit is to assist the Chief Executive and Registrar in the performance of her duties through: developing and implementing strategies, policies, business plans, and budgets; monitoring operational and financial performance; evaluating and managing risk; and prioritising and allocating resources.

Professional Standards Authority (PSA) oversight

156 The PSA is responsible for overseeing the work of all nine healthcare professional regulators and reporting to parliament. In December 2016 we received our best ever review from the PSA for 2015–2016, meeting all but one of the 24 Standards of Good Regulation. This represented a significant improvement in our performance by comparison to previous years. We will continue to work towards the standard which was not met relating to the timeliness of fitness to practise processes. The changes to our legislation due to come into effect in 2017 will help with this.

NMC Strategy 2015–2020

- 157 The Council has a five year strategy in place, *Dynamic Regulation for a changing world 2015–2020*, which sets out our ambition to be an intelligent, forward-looking and dynamic regulator. Implementation of the Strategy continues to be taken forward through annual corporate plans, underpinned by directorate business plans.
- 158 In early 2016, the Council initiated work on a transformation programme to support the delivery of the ambitions set out in the Strategy. As part of this we have been looking at every aspect of our work, including people; organisation; location; and value for money. In March 2017 the Council agreed in principle to move ahead with the first phase of the transformation programme, taking into account the outcomes of an external Gateway Review and advice from the Independent Financial and ICT Advisers. Further Gateway Reviews will take place before any major decisions are made. Alongside this, a long-term financial strategy is being developed to ensure that any decisions reached are informed by a full understanding of the financial implications and supported by appropriate reserves and investment policies.

Quality of data

- 159 The Council continues to monitor performance and risk at each meeting. It remains proactive in determining, with the Executive, the information it requires to scrutinise performance and other matters effectively. Performance reporting is kept under constant review with a view to making improvements where possible throughout the year.
- 160 From April 2016 we introduced revalidation, the biggest change to how we regulate nurses and midwives in our history. In the interests of transparency we have published quarterly data reports on revalidation.

Risk management and internal control

- 161 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.
- 162 The Council has overall responsibility for risk management and undertakes an annual corporate risk review. The Council discussed the principal risks facing the NMC at each of its meetings during the year, with a high level review taking place in public and a more detailed scrutiny in private session. The Audit Committee has discussed the process for risk control and has considered the effectiveness of the risk management process at its meetings.
- 163 The Chief Executive and Registrar is responsible for ensuring that an effective system of risk management and internal control is in place. The Chief Executive and Registrar, in conjunction with the directors, is responsible for ensuring these

systems are being implemented. She is responsible, through the directors, for identifying and evaluating risks, putting in place appropriate mitigations and monitoring and reporting progress. The Executive has reviewed the corporate risk register on a regular basis.

- 164 We undertake an annual internal review of the effectiveness of risk management and plan further improvements to this in 2017–2018, as well as revision of our corporate assurance map.

Audit Committee

- 165 Throughout the year, the Audit Committee has advised the Council on the strength of assurance available. Matters addressed by the Committee included:

165.1 Reviewing the reports and the letters of representation to the external auditors and National Audit Office (NAO) in relation to the accounts for the year to 31 March 2016 and management responses to external audit and recommending to the Council approval of the statutory annual report and accounts and fitness to practise annual report.

165.2 Reviewing the accounting policies for the year to 31 March 2017.

165.3 Reviewing risk management arrangements.

165.4 Approving the internal audit work plan for 2016–2017 and overseeing action to progress closure of outstanding internal audit recommendations.

165.5 Reviewing serious events and data breaches, along with encouraging organisational sharing and implementation of learning to prevent recurrence.

165.6 Scrutinising single tender actions to assure itself that proper processes are being adhered to by the Executive.

165.7 Monitoring the implementation and use of the internal Whistleblowing and Anti-fraud, bribery and corruption policies. This is to assure itself that any issues raised are comprehensively investigated and any action and learning is taken forward.

Public interest disclosures (whistleblowing)

- 166 We introduced a refreshed and updated public interest disclosure ('whistleblowing') policy in April 2016 for staff and all who work for, with, or on behalf of the NMC. All instances of whistleblowing are reported to the Audit Committee. We have continued to raise staff awareness of the policy and to ensure that, in accordance with the Public Concern At Work code of practice, training is in place for staff responsible for receiving disclosures under the policy.

- 167 The whistleblowing policy was invoked once in the year to March 2017 (2015–2016: once). An external independent investigation was commissioned into the concern raised by a former employee relating to workforce issues and workplace culture in the Fitness to Practise directorate. Although the former employee did not

reference whistleblowing when raising their concerns, in view of the issues raised the investigation was initiated under the whistleblowing policy. No direct public protection risks were identified but a number of recommendations were made. Implementation of the recommendations is being taken forward, monitored by the Chief Executive.

Information governance and lapses in protective security

- 168 NMC policies require all information security incidents, including any loss of personal data, to be reported. Incidents are monitored by the Information Governance and Security Board which is accountable to the Executive Board for ensuring that learning is identified and taken forward to prevent recurrence.
- 169 The table below provides a breakdown of the number of information security incidents in 2016–2017, with 2015–2016 figures shown for comparative purposes.

Information security incidents	2016–2017	2015–2016
Critical incidents	4	5
Moderate incidents	36	30
Minor incidents	63	63
Insignificant incidents	11	22
Total incidents	114	120

- 170 Of the four critical incidents in 2016–2017, three related to inaccuracies within the register and were classed as critical due to potential public protection risks. The fourth critical incident was IT-related and was classed as critical due to some short-term business interruption which arose from the incident. Of the 114 incidents, 51 were data breaches. None of these were classed as critical or major (2015–2016: one). None of the four critical incidents were data breaches and therefore they did not meet the criteria for reporting to the Information Commissioner’s Office.
- 171 During 2016–2017 we continued to implement improvements in the area of information security. These included conducting an information governance internal audit and an assessment of our information security processes and practices in the Fitness to Practise and Registration and Revalidation directorates.

Key issues and risks addressed during the year

- 172 During 2016–2017, permanent staff were recruited to the Executive and wider senior management team, bringing stability and enabling more solid progress to be made in key areas identified as requiring attention last year. These areas included ICT, finance, procurement and contract management. Having a permanent, stable senior leadership team will have a positive impact over time on reducing the risks facing the NMC.

Information and Communication Technology (ICT)

- 173 Steps have been taken to build ICT resilience including moving to a new data centre provider. There are still some risks inherent in the build of our current systems which we are mitigating through improved working with suppliers.

174 We have also undertaken an assessment of our current ICT provision to provide a basis for further development of a technology roadmap for the future. Further improvement will be addressed as part of our transformation programme. We conduct regular security tests on our IT infrastructure and have a programme of work in place to mitigate any IT security risks which are identified during testing. We also ensure that any security patches provided by manufacturers are applied in a controlled fashion. Cyber security is monitored and addressed and is a key part of our IT strategy for the future.

Finance and procurement

175 We have taken forward a programme to strengthen procurement and financial controls and improve financial maturity in line with recommendations from a number of internal and external audit reviews. Steps have been taken during 2016–2017 to strengthen both functions, with improvements in financial controls being validated by a follow up internal audit review.

176 The improvements to finance have included: establishing a distinct, better resourced and qualified finance business partner team to support business functions and the NMC as a whole; developing and implementing revised financial regulations and delegations; addressing financial checks and process issues identified from internal audit reviews; and improving budgeting processes. We have also reviewed other areas such as corporate credit cards, payments and investments to identify and make improvements in processes and controls. Internal audit reviews of payroll, key financial controls and budget controls have demonstrated improvements in all these areas.

177 Some financial risks crystallised during the year, most notably an overspend of £1.1 million against budgeted net operating costs. This was as a result of a number of factors including higher than budgeted costs in Fitness to Practise and delays in the delivery of some efficiency savings. The improvements referred to above will help mitigate the risk of similar issues recurring in 2017–2018. We do, however, recognise that the challenging degree of organisational change during the year will increase the risk in this area and a disciplined approach will need to be maintained.

178 Progress in relation to procurement is not as advanced. We have nevertheless worked to introduce improvements such as business partnering, procurement planning and enhanced procure to pay systems. New permanent staff appointments have been made which are bringing stability, following a period of interim staff. There will be a continued focus on building the permanent team in 2017–2018.

179 The need for further improvement in both areas remains, including supporting the development of a culture of financial and commercial awareness and compliance across the organisation. This will be taken forward in 2017–2018.

Anti-fraud, bribery and corruption

180 Following an internal audit report in 2015–2016, action has been taken to improve the control environment including a revised Anti-fraud, bribery and corruption policy. A review of the control and use of credit cards identified one instance of

fraud involving misuse of a corporate credit card by a staff member. The money was recovered. Disciplinary action was taken against a member of staff resulting in dismissal. A significant strengthening of controls to reduce the risk of recurrence has been implemented. These included ending cash withdrawals on cards, reducing card numbers by 80 percent and procuring a new card provider capable of providing improved management information. An internal audit of the steps taken was commissioned and reported to the Audit Committee. The incident was reported to the police, to the Charity Commission and to the Office of the Scottish Charity Regulator (OSCR).

- 181 As part of our ongoing drive to reduce risk we continue to monitor use of NMC mobile devices and have also changed the way that NMC employees claim reimbursement for travel within London. As part of our Procurement Improvement Plan, we have improved our training programme to enhance the skills of employees involved in tendering and monitoring contracts. We have also introduced a conflict of interest process for employees sitting on selection panels. In 2017–2018 we will be reviewing controls across the organisation to ensure that risks are identified and mitigated, including those in relation to our major contracts.

Midwifery supervision and regulation

- 182 Changes to our legislation to strengthen public protection by removing the statutory supervision arrangements for midwives came into force on 31 March 2017. We have worked closely with the Chief Nursing Officers and midwifery leaders to support and ensure a safe transition to clinical supervision in each of the four countries of the UK. We have communicated widely to explain the change and provide assurance about the future arrangements.
- 183 The Midwifery Committee oversaw this work and provided assurance to the Council that the moral commitment it made to support a smooth transition to the new arrangements has been fulfilled. By the final quarter of 2016–2017 the Council was satisfied that the risks posed by this change process had been mitigated as far as possible and could be closed.

Working with others to address shared risks

- 184 We continue to engage with other professional and system regulators on a range of issues.
- 185 Our Employer Link Service (ELS) seeks to work with employers to address risks to patient safety by supporting them to manage concerns about the fitness to practise of nurses and midwives. In 2016–2017 we introduced the ELS to all NHS Trusts, Health and Social Care Trusts and Health Boards across the four countries of the UK, as well as over 20 of the largest independent sector healthcare providers. Work has begun to analyse data from fitness to practise referrals and employer settings with a view to enabling risk-based interventions at an earlier stage.
- 186 A key underpinning principle for our transformation programme is the need for strategic collaboration with others, which will enable us to better protect the public. We are aiming to improve our ways of working with partners such as other regulators and healthcare providers, which will in turn enable us to be more effective at identifying and managing risks to the public.

Internal Audit annual opinion 2016–2017

- 187 Seven planned internal audit assignments were conducted during the year in accordance with the programme agreed by the Audit Committee, one of which was advisory in nature. In addition, an extra audit looking at credit card processes was conducted, and a follow-up review on the procurement improvement plan was undertaken to assess progress since the 2015–2016 audit of this area. All internal audit recommendations were accepted and are being addressed, with implementation overseen by the Audit Committee.
- 188 The Head of Internal Audit's annual opinion is that:
- “There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.”*
- 189 The Head of Internal Audit's annual report indicated marked improvement in the governance, risk and control environment for corporate support services. It highlighted that more stability in the leadership team was having a positive impact on the areas of finance, procurement and technology services. The follow-up review on the procurement improvement plan concluded that whilst actions still needed to be taken to address issues, positive progress has been made so far.
- 190 Key challenges highlighted for the future were: monitoring the performance of our IT infrastructure and impacts on the services we provide; improving guidance and communications to staff around finance processes, to improve awareness and understanding of their responsibilities; and continuing to deliver the procurement improvement plan.

Key issues and risks going forward

- 191 The Council has an ambitious work agenda ahead with a number of major programmes and initiatives in full flow during 2017–2018. We are fully seized of the significant risks and challenges which the scale and breadth of this agenda presents, as well as being alert to the possibility of unplanned external pressures.
- 192 The Council recognises the critical importance of continuing to deliver our core statutory functions to protect the public. We must therefore ensure that the scale and pace of change do not exceed our ability to deliver and that the cumulative impact of this significant agenda is managed effectively. We are seeking to build organisational capacity, capability and resilience to mitigate against these risks. Effective prioritisation, rigorous programme discipline, strong risk management and control, and clear communication and engagement are essential features of our approach. The Council will keep under review the need to reprioritise or rephase activity as necessary, taking into account internal or external pressures and demands.
- 193 Future work areas and programmes which may present issues and risks include:
- 193.1 Developing the standards, processes and systems to begin the regulation of a new profession, nursing associates, by early 2019 as requested by the Government.

- 193.2 Taking forward work on the transformation programme to support delivery of the ambitions set out in our Strategy. Development of an effective People Strategy for the organisation to support, challenge and develop our workforce for the future will be key to this.
- 193.3 Delivering our education strategic plan to ensure that education and training delivers the nurses and midwives of the future.
- 193.4 Implementing legislative changes to further improve our fitness to practise functions.
- 193.5 Taking forward any learning which may emerge from the independent review which we, and the Department of Health, have asked the PSA to carry out into our handling of cases arising from events at Morecambe Bay.
- 193.6 Possible implications of a continuing reduction in the numbers of registrants, including financial implications.
- 193.7 Emerging implications for healthcare regulation and the NMC stemming from the planned UK exit from the EU.
- 193.8 Responding to any legal challenge to our decision to refuse registration of some independent midwives, who had not provided evidence of adequate indemnity cover.
- 194 Our transformation programme in particular potentially involves major change as we reshape our processes, systems and workforce structures. In the longer term, this is designed to help us continue to improve public protection, including through the more effective and efficient use of our resources, as well as delivering better customer service. We are building in Gateway Reviews to provide assurance at each stage and appropriate opportunities to consider whether to pause or slow the programme if needed. The Council's Independent Financial and ICT Advisers will also provide an additional layer of further assurance.
- 195 We are also committed to addressing the issues identified in the Internal Audit annual report. We intend to maintain a focus on strengthening the internal control framework in relation to finance, procurement and contract management. We will continue to manage and monitor closely the performance of our existing IT systems; longer term these issues will be largely addressed through our transformation programme.

Overall assessment of effectiveness of governance and assurance

- 196 As Chair of the Council and Accounting Officer, we have reviewed the effectiveness of governance and internal controls. In doing so, we have relied upon the opinion and reports of the Head of Internal Audit, as well as a range of sources of assurance. These include: the assessments by directors of the quality of controls and assurance in place in the functional directorates for which they are responsible; an annual review of the effectiveness of risk management; various internal and external reviews; and the opinion and management letter of external auditors. The Audit Committee has provided assurance to the Council on the effectiveness of our arrangements.

197 Overall, we consider that there are generally satisfactory arrangements for governance, risk management and control in place. We recognise the need to continue to address and strengthen the risk and control environment in the key areas identified by Internal Audit, that is, finance, procurement and contract management. This will be a focus for the year ahead.

Dame Janet Finch
Chair
NMC
5 July 2017

Jackie Smith
Chief Executive and Registrar
NMC
5 July 2017

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 2017, which comprise of the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Council (Trustees) and auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017 and of its net movement in funds, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Charities Act 2011, and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

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

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

haysmacintyre
Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

6 July 2017

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 2017 under Article 52 of the Nursing and Midwifery Order 2001. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flow 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 income and expenditure 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 income and expenditure 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 2017 and of its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001, and the determination of the Privy Council issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the determination made by the Privy Council under Article 52 of the Nursing and Midwifery Order 2001; and
- the information given in 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.

Sir Amyas C E Morse

Date: 10 July 2017

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 2017

	Note	Unrestricted funds 2016-17 £'000	Restricted funds 2016-17 £'000	Total 2016-17 £'000	2015-16 £'000
Income from:					
Charitable activities:					
Fees	2	84,988	-	84,988	79,417
Grants (Dept of Health)		-	-	-	205
Investments	3	586	-	586	643
Other Income	3	581	-	581	-
Total		86,155	-	86,155	80,265
Expenditure on:					
Charitable activities	4,5	(86,646)	-	(86,646)	(76,344)
Total		(86,646)	-	(86,646)	(76,344)
Net (expenditure)/income		(491)	-	(491)	3,921
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension scheme	21	553	-	553	4,202
Net movement in funds		62	-	62	8,123
Reconciliation of funds:					
Total funds brought forward	24	41,113	-	41,113	32,990
Total funds carried forward		41,175	-	41,175	41,113

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 57 to 81 form part of these accounts.

Full comparative figures for the year ended 31 March 2016 are shown in note 28.

Balance sheet as at 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Fixed assets			
Tangible	13	<u>21,745</u>	<u>23,200</u>
Total fixed assets		<u>21,745</u>	<u>23,200</u>
Current assets			
Debtors	15	3,919	3,574
Investments		59,653	62,100
Cash at bank and in hand		<u>22,597</u>	<u>22,609</u>
Total current assets		86,169	88,283
Liabilities			
Creditors: Amounts falling due within one year	16	(52,965)	(56,570)
Provisions: Amounts falling due within one year	17	<u>(76)</u>	<u>(67)</u>
Net current assets		33,128	31,646
Total assets less current liabilities		54,873	54,846
Creditors: Amounts falling due after more than one year	18	(611)	(583)
Provisions: Amounts falling due after more than one year	19	(899)	(525)
Net assets excluding pension liability		<u>53,363</u>	<u>53,738</u>
Defined benefit pension scheme liability	21	<u>(12,188)</u>	<u>(12,625)</u>
Total net assets	25	<u>41,175</u>	<u>41,113</u>
The funds of the NMC			
Restricted income funds		-	-
Unrestricted funds	24	<u>41,175</u>	<u>41,113</u>
Total funds		<u>41,175</u>	<u>41,113</u>

The notes on pages 57 to 81 form part of these accounts.

Dame Janet Finch
Chair, NMC
5 July 2017

Jackie Smith
Chief Executive and Registrar, NMC
5 July 2017

Statement of cash flow for the year ended 31 March 2017

		2016-17		2015-16	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net cash (used in)/provided by operating activities			716		10,134
Cash flow from investing activities					
Proceeds on maturity of investments		62,100		-	
Interest from investments	3	586		643	
Purchase of property, plant and equipment	13	(2,329)		(2,730)	
Net cash provided by (used in) investing activities			60,357		(2,087)
Change in cash and cash equivalents in the reporting period			59,641		8,047
Cash and cash equivalents at the beginning of the year			22,609		14,562
Cash and cash equivalents at the end of the year			82,250		22,609

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

	2016-17 £'000	2015-16 £'000
Net income/(expenditure) from the reporting period (as per the statement of financial activities)	(491)	3,921
Interest from investments	(586)	(643)
Depreciation charges	3,692	3,390
Loss on equipment disposal	92	137
Decrease/(increase) in debtors	(345)	(1,437)
Increase/(decrease) in creditors and provisions	(3,195)	4,406
Movements in pensions	117	360
Net cash inflow from operating activities	<u>716</u>	<u>10,134</u>

Analysis of cash and cash equivalents

		Reclassification
	2016-17	2015-16
	£'000	£'000
Cash at bank and in hand	22,597	22,609
Investments (short-term deposits)	59,653	-
Total	<u>82,250</u>	<u>22,609</u>

The notes on pages 57 to 81 form part of these accounts.

As at 31 March 2016, Investments (short-term deposits) were recorded at £62.1 million. At the time investments were in 12 month treasury deposits and thus did not meet the definition of cash equivalents, as defined in the accounting policies section in Note 1. This prior period error has been corrected in 2016–2017 by restating the prior year balance to nil.

As at 31 March 2017, all investments are short term in nature with maturities of three months or less and hence are classified as cash equivalents.

Notes to the Accounts

1. Accounting policies

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

The accounts are prepared in accordance with the Accounts Determination (see Appendix 1) from the Privy Council which requires the accounts to be prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) - (Charities SORP FRS102) and that the accounts have regard to the requirements of the Government Financial Reporting Manual (FReM) to the extent that those requirements clarify, or build on, the requirements of the Charities SORP.

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

Going Concern

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

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

a) Accounting convention

The accounts are prepared under the historical cost convention, as modified to include the revaluation of certain fixed assets. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated on the relevant accounting policy notes.

b) Critical accounting judgements and estimates and key sources of estimation uncertainty

In the application of these accounting policies, the Council Members are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects current and future periods. The Council Members consider the following items to be areas subject to estimation and judgement:

Depreciation

The useful economic lives of tangible fixed assets are based on management's judgement and experience. When management identify that useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted retrospectively. Although tangible fixed assets are significant, variances between actual and estimated useful economic lives will not have a material impact on the operating results. Historically, no changes have been required.

Pensions

The principal assumptions used to calculate the liabilities in the defined benefit pension scheme are those as set out in note 21.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Charity's financial statements.

c) Income

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

Investment income

Investment income is accounted for when receivable. Investment income in relation to grants received is disclosed as restricted investment income.

Income from charitable activities

Registrant fees relate to annual renewal or retention of registration. Registrant fees are received on an annual and quarterly basis but credited to income on a monthly basis. They have therefore been allocated to the appropriate financial year based on the accruals concept, resulting in deferred income. Other registration and verification fees such as one-off application fees have been credited to income on the day of receipt.

Grant Income

Grant income is recognised as restricted income and recognised when entitlement can be measured reliably.

d) Expenditure

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

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

Charitable activities

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

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned based on head count to each activity as support costs. Support costs have been allocated between Governance and Other Support Costs.

e) Development costs

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

f) Fund accounting

The Council maintains various types of funds as follows:

i) Restricted funds:

These are funds which are to be used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in note 24 to the financial statements.

ii) Unrestricted funds:

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

g) Leased assets

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

h) Employee benefits

Short term benefits

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

Employee termination benefits

Termination benefits are accounted for on an accrual basis.

Pension costs

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

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

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

i) 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 - 5 years
Furniture	10 years
IT Projects	3 - 5 years
Refurbishment - 23 Portland Place	10 years
Long-Leasehold Premises - 23 Portland Place ¹¹	50 years

¹¹ See Note 13.1

Assets relating to the following leasehold premises have been depreciated over the life of the lease:

61 Aldwych	10 years
Clarendon House - Ground Floor	10 years
Clarendon House - First Floor	2 years
1 Kemble Street	8.5 years
2 Stratford Place	9.7 years

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

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

j) Debtors

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

k) Cash at bank and in hand

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

l) Creditors and provisions

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

m) Financial instruments

NMC only has financial assets and liabilities that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost. Financial assets held at amortised cost consist of cash balances, short-term deposits, trade and other debtors. Financial liabilities held at amortised cost comprise trade creditors, other creditors and accruals.

2. Fee income

	2016-17 £'000	2015-16 £'000
Registrant fees	83,079	77,415
Other fees	1,909	2,002
Total	<u>84,988</u>	<u>79,417</u>

3. Investment and other income

	Unrestricted £'000	Restricted £'000	Total 2016-17 £'000	Total 2015-16 £'000
Interest earned from bank deposits	586	-	586	643
Other income	581	-	581	-
Total	<u>1,167</u>	<u>-</u>	<u>1,167</u>	<u>643</u>

Other income relates to reimbursement from the Department of Health and Health Education England for work undertaken by the NMC on Nursing Associates. As at 31 March 2017, £70,000 had been received with the balance expected to be paid in 2017–2018.

4. Charitable activities

	Unrestricted £'000	Restricted £'000	Total 2016-17 £'000	Total 2015-16 £'000
Standards promotion and policy development	2,921	-	2,921	4,124
Education	3,445	-	3,445	2,048
Maintaining the register	11,423	-	11,423	9,728
Fitness to practise	66,451	-	66,451	58,089
Communications and public engagement	2,406	-	2,406	2,355
Total	<u>86,646</u>	<u>-</u>	<u>86,646</u>	<u>76,344</u>

These costs include direct costs,¹² staff costs and related overheads.

¹² See Note 5.

5. Total resources expended

	Staff costs £'000	Depreciation £'000	Other costs £'000	Total 2016-17 £'000	Total 2015-16 £'000
Charitable activities:					
Standards promotion and policy development	1,667	63	1,191	2,921	4,124
Education	918	136	2,391	3,445	2,048
Maintaining the register	7,301	668	3,454	11,423	9,728
Fitness to practise	28,007	2,687	35,757	66,451	58,089
Communications and public engagement	1,377	138	891	2,406	2,355
Total	<u>39,270</u>	<u>3,692</u>	<u>43,684</u>	<u>86,646</u>	<u>76,344</u>

6. Analysis of expenditure on charitable activities

	Activities undertaken directly £'000	Support costs £'000	Total 2016-17 £'000	Total 2015-16 £'000
Charitable activities:				
Standards promotion and policy development	2,419	502	2,921	4,124
Education	2,356	1,089	3,445	2,048
Maintaining the register	6,083	5,340	11,423	9,728
Fitness to practise	44,976	21,475	66,451	58,089
Communications and public engagement	1,304	1,102	2,406	2,355
Total	<u>57,138</u>	<u>29,508</u>	<u>86,646</u>	<u>76,344</u>

7. Support costs include governance costs

The breakdown of governance costs is:

	2016-17 £'000	2015-16 £'000
Members' allowances, national insurance, travel and subsistence	275	267
Auditors' remuneration haysmacintyre	20	24
Auditors' remuneration NAO	6	5
Professional fees (including PSA annual fee)	1,764	1,738
Operating costs (including salaries)	1,981	2,055
Total	<u>4,046</u>	<u>4,088</u>

8. Analysis of support costs

Support cost ¹³	Standards promotion and policy development £'000	Education £'000	Maintaining the register £'000	Fitness to practise £'000	Communications and public engagement £'000	Total 2016-17 £'000	Re-stated Total 2015-16 ¹⁴ £'000
Facilities	39	85	416	1,672	86	2,298	1,691
Finance	39	86	420	1,689	87	2,321	1,541
HR	42	90	443	1,782	91	2,448	2,809
ICT	215	467	2,288	9,203	472	12,645	9,218
Governance	69	149	732	2,944	151	4,046	3,327
Management and Administration	98	212	1,041	4,185	215	5,751	6,383
Total	502	1,089	5,340	21,475	1,102	29,508	24,969

¹³ Basis of allocation is headcount.

¹⁴ See Note 26.

9. Total resources expended by cost category

	2016-17	Reclassification 2015-16 ¹⁵	Details (see below)
	£'000	£'000	
Salaries and associated costs	38,156	33,785	9.1
Hearing costs	21,136	19,915	9.2
Professional fees	8,986	5,956	9.3
Premises	4,644	3,549	9.4
Depreciation	3,692	3,390	
IT development and support	3,665	3,232	
Other staff expenses	1,115	1,072	
Quality assurance of education	1,077	995	
Recruitment	652	570	
Finance Charges	477	555	
Registrations appeals	376	266	
Staff canteen	278	288	
Postage	323	734	
Dilapidations	275	(445)	9.5
Members' allowances, NI, travel and subsistence	275	267	
Printing and stationery	215	411	
Insurance ¹⁶	183	141	
Printing and postage of NMC publications	139	221	
Loss on equipment disposal	92	137	
Furniture, equipment and maintenance	79	218	
Conferences, seminars and publicity	63	51	
Committee costs	36	23	
Auditors' remuneration - haysmacintyre	20	24	
Auditors' remuneration - NAO	6	5	
Other support costs	686	984	
Total	86,646	76,344	

Additional details for table in note 9

9.1 Salaries and associated costs

These costs are set out in more detail in Note 10 to the accounts.

Staff salary costs increased in 2016–2017 due to a combination of higher headcount and salary levels compared with 2015–2016. In 2016–2017 headcount increased due to increased activity on our core regulatory functions.

¹⁵ See Note 26.

¹⁶ Includes trustees' indemnity insurance.

The NMC approved an increase in pay for all eligible staff of between 1.5 to 3 percent (depending on pay level) with effect from 1 April 2016 (2015–2016: 1 percent). A further increase was approved targeting employees on lower pay levels to align staff closer to the median for their pay level if they were below this following the pay increase.

Temporary and contractor costs increased by £1 million. This has been driven by the need for specialist resources to support specific regulatory projects, including quarterly registration payments and transformation planning.

9.2 Hearing costs

The increase in hearing costs reflects the increased hearing activity required to achieve significantly more case outcomes in 2016–2017. More hearing days were required to achieve these outcomes and thus total costs of hearing cases also increased. There were 6,662 hearing days in 2016–2017 (2015–2016: 5,473). Whilst the number of hearing days increased by 22 percent between years, hearing costs only increased by 11 percent.

9.3 Professional fees

External consultants and IT professionals were engaged to drive the initial phases of the transformation and Education programmes, thus increasing IT consultancy by £1 million and general consultancy costs by £2 million.

9.4 Premises

Premises costs have increased year on year primarily due to additional rent required to accommodate a higher headcount. A new lease was entered into at 17 Hanover Square adding £200,000 to rent costs. There was also a £250,000 increase in rental expense for 61 Aldwych premises which related to changes in rent free periods. Rental service charges contractually increase each year contributing an additional £300,000 of which £50,000 relates to 17 Hanover Square. Note there was also a £200,000 increase in building repairs.

9.5 Dilapidations

The negative dilapidations charge in 2015–2016 is due to last year's release of provisions relating to the premises at One Kemble Street and The Old Bailey. Following further negotiations £60,000 was re-accrued for One Kemble Street. All other leases have been reviewed and dilapidations accrued in line with FRS102 requirements.

10. Information regarding employees

	2016-17 £'000	2015-16 £'000
Salaries and associated costs		
Wages and salaries: ¹⁷		
Senior Management Team	929	762
Other Staff	23,677	21,033
Total	<u>24,606</u>	<u>21,795</u>
Social security costs (Employers NI contributions):		
Senior Management Team	121	94
Other Staff	2,437	1,959
Total	<u>2,558</u>	<u>2,053</u>
Pension costs - present staff: ¹⁸		
Senior Management Team		
- Defined benefit	134	151
- Defined contribution	32	12
Other Staff		
- Defined benefit	2,641	3,027
- Defined contribution	1,103	644
Total	<u>3,910</u>	<u>3,834</u>
Pension costs - retired staff of previous organisations ¹⁹	172	29
Temporary and contractor staff:		
Senior Management Team	139	609
Administration	6,575	5,149
Total	<u>6,714</u>	<u>5,758</u>
Termination Payments ²⁰ :		
Senior Management Team	20	157
Other Staff	176	159
Total	<u>196</u>	<u>316</u>
Total	<u><u>38,156</u></u>	<u><u>33,785</u></u>

¹⁷ See Note 9.1.

¹⁸ See Note 21.

¹⁹ See Note 21.

²⁰ This includes payments in lieu of notice of £138,000 (2015–2016: £146,000).

Information relating to the senior management team

In total the Executive team (including permanent and interim) were paid £1.375 million in 2016–2017 (2015–2016: £1.778 million). Of this, the permanent members of the Executive were paid £1.235 million in 2016–2017 (2015–2016: £1.169 million). In 2016–2017 this was comprised of £895,497 in salaries, £14,457 in other payments, £2,800 in other benefits, £20,497 in payments in lieu of notice, £15,758 in bonus payments, £120,565 in national insurance and £165,818 in pension contributions. The cost of interim members of the Executive team in 2016–2017 was £139,408 (2015–2016: £608,893).

Remuneration bands (excl. interims) (£)	2016-17 Number of staff	2015-16 Number of staff
50,001 - 60,000	1	-
60,001 - 70,000	-	1
90,001 - 100,000	1	1
100,001 - 110,000	1	-
110,001 - 120,000	1	-
120,001 - 130,000	1	-
140,001 - 150,000	-	1
150,001 - 160,000	1	1
160,001 - 170,000	1	-
170,001 - 180,000	-	1
190,001 - 200,000	-	1
220,001 - 230,000	-	1
240,001 - 250,000	1	-

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

	2016-17 £	2015-16 £
S Page	1,501-2,000	1,001-1,500
K Kolyva	-	3,501-4,000
A Sansome	-	5,001-5,500
J Billings	-	6,001-6,500
T Kirkbride	-	7,501-8,000

The total accrued pension at age 60 at 31 March 2017 for those directors who participate in the NMC defined benefit pension scheme was as follows:

Total accrued pension at 60 at 31 March (£)	2016-17 Number of staff	2015-16 Number of staff
5,001 - 10,000	1	3
10,001 - 15,000	1	1
15,001 - 20,000	1	-
25,001 - 30,000	1	1

Directors are ordinary members of the NMC pension schemes.

During 2016–2017 employer contributions were made into the defined contribution pension scheme on behalf of four directors, totalling £31,531 (2015–2016: £11,889).

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

On death in service, a lump sum of twice pensionable pay is payable together with the return of all the member’s contributions with compounded tax free interest of 3 percent per annum. On death in service where there is a surviving spouse, a pension equal to 1/60 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 2016–2017 was 6 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 45 (2015–2016: 50) other members of staff whose remuneration (salary, bonus payments, PILON and employers national insurance contributions) fell in the following bands:

Remuneration Bands (£)	2016-17	2015-16
	Number of staff	Number of staff
60,001 - 70,000	24	14
70,001 - 80,000	12	18
80,001 - 90,000	5	11
90,001 - 100,000	3	5
100,001 - 110,000	-	1
130,001 - 140,000	1	-
170,001 - 180,000	-	1

The average number of employees in the year was 681 (senior management 8 and other staff 673) and in the previous year was 613 (senior management 7 and other staff 606).

11. Net income/(expenditure) for the year

This is stated after charging:

	2016-17	2015-16
	£'000	£'000
Operating leases:		
Equipment	1	4
Buildings	2,346	1,840
Auditor remuneration:		
haysmacintyre	20	24
NAO	6	5
Depreciation	<u>3,692</u>	<u>3,390</u>

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 ²¹	23PP Building refurbishment	FtP Buildings refurbishment	IT Projects	Capital Work-in-progress ²²	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
1 Apr 2016	543	10,286	15,448	5,644	6,490	3,388	309	42,108
Additions	12	1,666	-	50	14	-	587	1,742
Disposals	-	(2,283)	-	-	-	(1,576)	-	(3,859)
Revaluation	-	-	-	-	-	-	-	-
31 Mar 2017	555	9,669	15,448	5,694	6,504	1,812	896	40,578
Depreciation:								
1 Apr 2016	314	6,465	704	4,996	3,041	3,388	-	18,908
Charge for year	28	2,251	303	452	658	-	-	3,692
Disposals	-	(2,191)	-	-	-	(1,576)	-	(3,767)
31 Mar 2017	342	6,525	1,007	5,448	3,699	1,812	-	18,833
Net book value 31 Mar 2016	229	3,821	14,744	648	3,449	-	309	23,200
Net book value 31 Mar 2017	213	3,144	14,441	246	2,805	-	896	21,745

²¹ See Note 13.1.

²² See Note 13.2.

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

13.1 Long leasehold premises

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 million. It should also be noted that there is a restrictive covenant on the lease.

13.2 Capital Work in progress

Capital work in progress has been split out into a separate column in the current year along with the prior year comparatives.

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 2016 to 31 March 2017, the total amount paid in respect of those holding the office of Chair was £48,000 (2015–2016: £48,000).

During the year, allowances, travel and subsistence and training expenses of £274,738 (2015–2016: £267,000) were paid to, or incurred in relation to, members of the Council.

Council members are paid directly via NMC payroll.

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

An accrual of £33,000 (2015–2016: £28,009) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

15. Debtors

	2016-17	2015-16
	£'000	£'000
Debtors	376	222
Prepayments and accrued income	3,543	3,352
Total	3,919	3,574

16. Creditors

Amounts falling due within one year	2016-17 £'000	2015-16 £'000
Creditors and accruals	7,052	8,529
Other taxes and social security	797	-
Deferred income - Registrant fees for 2016–2017	-	48,041
Deferred income - Registrant fees for 2017–2018	45,116	-
Total	<u>52,965</u>	<u>56,570</u>

Note that other taxes and social security were nil in the prior year as payment was made by 31st March 2016.

17. Provisions

Amounts falling due within one year	2016-17 £'000	2015-16 £'000
Dilapidations	9	-
Pension provision - early retirement ²³	67	67
Total	<u>76</u>	<u>67</u>

18. Creditors

Amounts falling due after more than one year	2016-17 £'000	2015-16 £'000
Deferred income - Registrant fees for 2017–2018	-	156
Deferred income - Registrant fees for 2018–2019	126	-
Lease premium	485	427
Total	<u>611</u>	<u>583</u>

19. Provisions

Amounts falling due after more than one year	2016-17 £'000	2015-16 £'000
Dilapidations	609	309
Pension provision - early retirement	290	216
Total	<u>899</u>	<u>525</u>

²³ 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 amount payable, excluding interest, of £513,000 was recognised in the SOFA in 2012–2013. Payments to the Scheme are made on a monthly basis and commenced in December 2012.

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 status²⁴. On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

21. Pension commitments

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

The NMC participates in a defined benefit multi-employer scheme with the Department of Health (The Nursing and Midwifery Council and Associated Employers pension scheme, scheme registration number 101652586) administered by Premier Pensions Management Limited. The National Assembly for Wales and NHS Education for Scotland, previous participants, withdrew from the scheme during 2013 and 2015 respectively. The scheme, to which approximately 19 percent of the NMC's employees belong as at 31 March 2017, is a funded, defined benefit scheme.

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

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

If the scheme had been wound up on the valuation date (31 March 2013), the assets would have been approximately 69 percent of the amount necessary to purchase insurance contracts to meet the accrued benefits for active members and past leavers 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 2026. The NMC will make good the deficit over the period to 31 March 2026 by making Recovery Plan payments of £983,000 per annum with increases of 3.65 percent each April (the first such increase made in April 2015).

The FRS102 valuation has been based on a full assessment of the liabilities of the scheme as at 31 March 2017.

²⁴ See Note 12.

Actuarial gains and losses have been recognised in the period in which they occur.

Amounts recognised in Balance Sheet

	2016-17 £'000	2015-16 £'000
Assets at fair value	68,279	59,355
Present value of defined benefit obligation	<u>(80,467)</u>	<u>(71,980)</u>
(Deficit)/Surplus	(12,188)	(12,625)
Related deferred tax relief	-	-
Net liability	<u>(12,188)</u>	<u>(12,625)</u>

Amounts recognised in Statement of Financial Activity (SoFA)

	2016-17 £'000	2015-16 £'000
Current service cost	(2,511)	(3,242)
Past service cost	(272)	-
Expected return on plan assets (now within "Net Interest")	2,079	1,774
Curtailment	-	-
Settlement	-	(3)
Interest on pension obligation (now within "Net Interest")	(2,556)	(2,319)
Net amount recognised in SoFA	<u>(3,260)</u>	<u>(3,790)</u>

Reconciliation of present value defined benefit obligation

	2016-17 £'000	2015-16 £'000
Opening balance at 31 March 2016	71,980	69,105
Current service cost	2,511	3,242
Past service cost	272	-
Curtailment	-	-
Settlements	-	(15)
Interest cost	2,556	2,319
Employee Contribution	415	480
Actuarial (Gain)\Losses	4,286	(1,794)
Changes to exchange rates	-	-
Benefits paid	(1,553)	(1,357)
Closing balance at 31 March 2017	<u>80,467</u>	<u>71,980</u>

Reconciliation of fair value plan assets

	2016-17 £'000	2015-16 £'000
Opening balance at 31 March 2016	59,355	52,638
Expected return on assets	2,079	1,774
Actuarial Gain \ (Losses)	4,839	2,408
Changes in exchange rate	-	-
Employer contribution	3,144	3,429
Employee contribution	415	480
Settlements	-	(17)
Benefits paid	(1,553)	(1,357)
Closing balance at 31 March 2017	<u>68,279</u>	<u>59,355</u>

Reconciliation of change in funded status

	2016-17 £'000	2015-16 £'000
Opening balance at 31 March 2016	(12,625)	(16,467)
Pension expense	(3,260)	(3,790)
Employer contribution	3,144	3,429
Changes in exchange rates	-	-
Actuarial Gain \ (Losses)	553	4,202
Closing balance at 31 March 2017	<u>(12,188)</u>	<u>(12,625)</u>

Actual return on plan assets

<u>6,918</u>	<u>4,182</u>
---------------------	---------------------

History of experience adjustments

	2016-17 £'000	2015-16 £'000	2014-15 £'000
Defined benefit obligation	(80,467)	(71,980)	(69,105)
Plan assets	68,279	59,355	52,638
Surplus \ (Deficit)	<u>(12,188)</u>	<u>(12,625)</u>	<u>(16,467)</u>
Experience adjustments on scheme liability	2,238	1,152	1,044
Experience adjustments on scheme assets	4,839	2,408	3,446

Expected contribution in following year

	At 31 March 2017 £'000
Employer	3,452
Employee	363
Total	<u>3,815</u>

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

	2017 per annum	2016 per annum	Life expectancy (at age 60)	Years
Discount rate	2.55%	3.45%	Males born 1957	26.9
Retail price inflation	3.40%	3.40%	Females born 1957	28.9
Consumer price inflation	2.40%	2.60%	Males born 1977	28.8
Pension increases	3.30%	3.40%	Females born 1977	30.8
Expected return on assets	2.55%	3.45%		

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 6 percent of pensionable salary during 2016–2017 (2015–2016: 5 percent) and the employee's basic contribution rate was 1 percent. Employees may make additional contributions which are matched by the employer up to a maximum employer contribution of 12 percent. This scheme has been adopted as the auto-enrolment scheme for the NMC from 1 April 2014.

	2016-17 £'000	2015-16 £'000
NMC's (employer's) defined contribution scheme contributions made in year	1,134	656
	<u>1,134</u>	<u>656</u>
NMC's (employer's) contribution defined benefit scheme	29.2%	29.2%
Employees' contribution defined benefit scheme	6%	6%
NMC's (employer's) basic contribution defined contribution scheme	6%	5%
Employees' basic contribution defined contribution scheme	1%	1%

The NMC meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2016–2017 this expenditure amounted to £28,212 (2015–2016: £29,000).

22. Capital commitments

At 31 March 2017, there was no capital expenditure that was approved but not contracted for, nor any capital expenditure that had been contracted for but that had not been provided for in the financial statements (2015–2016: Nil).

23. Operating lease commitments

At 31 March 2017 the NMC had the following future minimum operating lease payments:

	Land and buildings		Plant and equipment	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	£'000	£'000	£'000	£'000
• Within one year	2,602	2,317	2	-
• Between 1 and 5 years	6,169	7,101	-	-
• More than five years	844	2,146	-	-

The NMC leases premises at 61 Aldwych, London, for the period until 10 September 2019, Clarendon House (ground and first floor), 114-116 George Street, Edinburgh, for the period until 24 April 2021, 1 Kemble Street, London, for the period until 21 December 2019 and 2 Stratford Place for the period until 21 July 2024. The NMC has a service agreement for the use of Hanover Square, London, for the period until 31 October 2017.

24. Outline summary of fund movements

	Balance at 1 April 2016	Income	Expenditure	Transfers	Gains/ losses on defined benefit pension	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	41,113	86,155	(86,646)	-	553	41,175
Restricted funds	-	-	-	-	-	-
Total	<u>41,113</u>	<u>86,155</u>	<u>(86,646)</u>	<u>-</u>	<u>553</u>	<u>41,175</u>

25. Net Assets by fund

	Unrestricted £'000	Restricted £'000	Total 2016-17 £'000
Fixed assets	21,745	-	21,745
Current assets	86,169	-	86,169
Current liabilities	(53,041)	-	(53,041)
Long-term liabilities	(1,510)	-	(1,510)
Defined benefit pension scheme liability	(12,188)		(12,188)
Balance at 31 March 2017	41,175	-	41,175

26. Prior Year Restatements

26.1 Allocation between Direct and Support costs

Note 8: In 2016–2017, we have revisited the methodology of allocating costs between direct and support. This was performed on the basis of providing users with more useful, accurate and transparent information regarding the organisation’s support activities. To ensure consistency year on year, 2015–2016 comparatives in Note 8 have also been restated to reflect the revised methodology.

26.2 Cost categories

Note 9: We have amended the grouping in the following categories:

2015–2016 Expense Categories	2016–2017 Expense Category
Fitness to Practise Catering for Fitness to Practise hearings and meetings	Hearing Costs
Sundry, furniture, equipment and maintenance Hire of equipment	Furniture, equipment and maintenance

In 2016–2017, Fitness to Practise costs have been described differently to better reflect the nature of Note 9 as describing costs by type, rather than by directorate. Hire of equipment has been consolidated into our other equipment line, to group similar costs and because of the low value of hire. To ensure consistency year on year, 2015–2016 comparatives in Note 9 have been restated to reflect the revised grouping.

26.3 Staff canteen costs

Note 9: In 2016–2017, it was noted that in the prior period, £0.09 million of non-Fitness to Practise costs had been incorrectly allocated to the Catering for fitness to practise hearings and meetings category. This has been restated in note 9 by reallocating these costs to the Staff Canteen cost category increasing the total to £0.29 million for 2015–2016. This restatement was performed to provide better comparability year on year.

27. Financial Instruments

Financial instruments play a more limited role in creating and managing risk than would apply to a commercial organisation.

	2016-17	2015-16
	£'000	£'000
Financial assets measured at amortised cost	86,169	88,283
Financial liabilities measured at amortised cost	(7,849)	(8,529)
Net financial instruments	78,320	79,754

28. Comparative Statement of Financial Activities

	Unrestricted funds 2015-16 £'000	Restricted Funds 2015-16 £'000	Total funds 2015-16 £'000
Income			
Charitable activities:			
Fees	79,417	-	79,417
Grants (Dept of Health)	-	205	205
Investments	617	26	643
Total	80,034	231	80,265
Expenditure on:			
Charitable activities	70,591	5,753	76,344
Total	70,591	5,753	76,344
Net income/(expenditure)	9,443	(5,522)	3,921
Other recognised gains/(losses)			
Actuarial gains/(losses) on defined benefit pension schemes	4,202	-	4,202
Net movement in funds	13,645	(5,522)	8,123
Reconciliation of funds			
Total funds brought forward	27,468	5,522	32,990
Total funds carried forward	41,113	-	41,113

29. Special payments

There were no special payments²⁵ in the year ended 31 March 2017 (year ended 31 March 2016: nil).

30. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities at the balance sheet date.

The annual report and accounts have been authorised for issue on the date the accounts were certified by the Comptroller and Auditor General.

²⁵ Special payments in this instance refers to special severance payments paid to employees and others that are above normal statutory or contractual requirements when leaving employment whether they resign, are dismissed or reach an agreed termination of contract. Special severance payments require approval by HM Treasury.

Appendix 1



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

Their Lordships make the following determination in exercise of powers conferred by article 52(1) of the Nursing and Midwifery Order 2001²⁶.

This determination has effect from 23rd February 2010.

Interpretation

1. In this Determination-

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

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

“the Council” means the Nursing and Midwifery Council;

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

Determination

2. The accounts must-

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

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

²⁶ 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