

Nursing and Midwifery Council
Annual Report and Accounts 2017–2018
and Strategic Plan 2018–2019

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2017–2018 and Strategic Plan 2018–2019

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Foreword

The last 18 months have been a time of challenge and change for the NMC. Two recent external reports have brought home to us the need to put patients and the public at the centre of what we do: the PSA Lessons Learned Review and the Gosport Independent Panel Report.

These reports revealed shortcomings in our treatment of families who had tragically lost their loved ones. We know that our actions added to their distress and for that we are truly sorry. We are working at pace to change so that we better live our values by putting people first and by being as transparent as we can be in all we do.

Our new approach to fitness to practise will also help. We know our processes are adversarial and cumbersome and can be distressing for all involved. In future, our focus will be on reducing risks to patient safety by encouraging nurses and midwives to be open and learn from mistakes. We will better support patients and families when they bring concerns to us and treat them with compassion and respect.

We are already meeting 23 of the PSA's 24 Standards of Good Regulation, so we have a good foundation on which to build. Our Council and employees are determined to make the further improvements needed and to do so in a way that is sustainable over the long term.

Our ambitious new education standards, launched this year, will support future nurses to give patients the best care they can and shape nursing for the next generation. Equally ambitious standards for future midwives are also being developed.

We are delighted that nurses and midwives continue to embrace revalidation positively as a way of demonstrating their professionalism and that they continue to provide high quality care. We are looking forward to welcoming the brand new profession of nursing associates to our register in early 2019 and our preparations are well on track.

As the new Chair and Interim Chief Executive and Registrar, we want to say how much we appreciate the ongoing commitment and dedication of our colleagues on Council and throughout the organisation and the support of our stakeholders across the four countries. It is that which gives us confidence that we can become the regulator we want to be – one that puts patients and the public at the heart of all we do.

Philip Graf
Chair, NMC
16 October 2018

Sue Killen
Interim Chief Executive and Registrar, NMC
16 October 2018

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 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 professions we regulate.
 - 2.3 To promote and maintain proper professional standards and conduct for nurses, nursing associates and midwives.
- 3 Our regulatory responsibilities are to:
 - 3.1 Keep a register of all those who meet our requirements for registration.
 - 3.2 Set standards of education, training, conduct and performance so that nurses, nursing associates 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, nursing associates and midwives.

Our values

- 4 Our corporate values drive how we carry out our role.
 - 4.1 We value people: we believe they matter.
 - 4.2 We value fairness: we are consistent and act with integrity.
 - 4.3 We value transparency: we are open and honest.
- 5 Our aim is to put our values at the heart of everything we do: in all our decisions, policies and processes and in all our interactions with others.

Professional Standards Authority Lessons Learned Review

- 6 The Professional Standards Authority for Health and Social Care (PSA) oversees our work and reviews our performance each year.
- 7 In 2017, the Government, with our support, asked the PSA to undertake a review of the way we handled concerns about midwives' fitness to practise at Furness General Hospital. The concerns arose between 2004 and 2014. Tragically, during the period there were several avoidable deaths of babies and mothers.

- 8 We are grateful to the PSA for its work to identify learning and to all those who participated in the review. We are particularly grateful to the family members who contributed and we are determined to learn from what they have said.
- 9 The PSA report was published in May 2018. We fully accept that there were significant shortcomings in the way we handled these cases. Our management of the cases and our engagement with patients and families did not live up to our values as an organisation. Our mistakes have had a significant, traumatic impact on patients and families and we are extremely sorry for that.
- 10 We fully accept the lessons identified in the review. We know that we need to do more to listen to and engage empathetically with people who are involved with our processes and procedures. It is especially important that we support patients and families better and make sure that we properly understand and take full account of concerns they raise with us about nurses and midwives.
- 11 We also need to demonstrate that we are willing to be open when things go wrong and are learning from our mistakes. We must ensure that complaints are always seen as opportunities to learn and that we do not respond to them defensively.
- 12 We have taken some immediate steps to start changing things. We wrote to the families to apologise and to offer to meet with them if they would like to do so. We disclosed information which we had previously not provided including a legal opinion from senior counsel. Our Chair and Chief Executive have discussed the review and the lessons learned with all staff. The Executive team has discussed the culture and values of the organisation in light of the review and agreed priority areas and actions. We are taking every opportunity to reinforce our three corporate values (People, Fairness, Transparency) to colleagues across the organisation.
- 13 We are committed to putting patients and the public at the heart of what we do. We will make a significant change in the way we work in the following priority areas:
 - Treating everyone who comes into contact with us with respect and enabling them to engage properly with our processes.
 - Improving our approach to transparency and making sure that we are open with people when things go wrong.
 - Embedding a culture of openness and learning throughout the organisation.
- 14 We will report regularly on our progress and actions to achieve these priorities.

The Report of the Gosport Independent Panel

- 15 The report of the independent investigation into the deaths and treatment of patients at Gosport War Memorial Hospital was published in June 2018. It is clear from the Independent Panel's report that we and others badly let down patients and their families. We are very sorry for the role that we played in that. We are committed to learning lessons from past mistakes and have considered the report in detail to see what action we need to take and what lessons we can learn as an

organisation. There are parallels with the Lessons Learned Review, and the Independent Panel's report has reinforced the need for us to take urgent action to improve our engagement with patients and families who raise fitness to practise concerns.

- 16 Both the Lessons Learned Review and the Gosport Independent Panel Report raise important questions for us and all regulators about how we gather and value patient and public voices in regulation. We are committed to a wide-ranging programme of activity to take this forward.

Annual review of our performance for 2016–2017

- 17 The PSA's annual review of our performance for 2016–2017 was delayed until completion of the Lessons Learned Review. The PSA published its review in June 2018, which showed us meeting 23 of the 24 Standards of Good Regulation. While this assessment shows that we continue to make progress, the report identified that we need to improve the way we support those involved in our fitness to practise process, echoing the findings of the Lessons Learned Review. We take the findings of both these reports and the Gosport Independent Panel Report very seriously and a comprehensive programme of work is being developed to drive the change needed.

Our performance 2017–2018

- 18 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.
- 19 It sets out four strategic priorities to deliver our overarching objective of public protection:
 - 19.1 Effective regulation
 - 19.2 Use of intelligence
 - 19.3 Collaboration and communication
 - 19.4 An effective organisation
- 20 Our *Corporate plan 2017–2018* 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

- 21 We keep the register of nurses and midwives who are legally eligible to practise in the UK. At the end of March 2018, there were around 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.
- 22 In 2016, we introduced revalidation which ensures that nurses and midwives keep their knowledge and skills up to date. Our second revalidation annual report, published in August 2018 alongside the second year evaluation report, shows that over 200,000 nurses and midwives successfully revalidated during 2017–2018. The positive trends seen in the first year have continued, with nurses and midwives particularly valuing the way revalidation enables them to demonstrate their professionalism and the opportunities it gives for reflection and development.

Other registration activity

- 23 We continued to expand our online services for nurses and midwives, making it easier and quicker for those registering for the first time. Once we receive all the necessary information, newly UK-qualified nurses and midwives are able to register with us within one day. Other changes mean that nurses and midwives can use their online account to update their personal details or notify us that they wish to leave the register. These initiatives have also had a positive impact on our environmental footprint and overall cost effectiveness, through savings in printing and postage.
- 24 We also introduced additional flexibility for nurses and midwives trained outside the European Union/European Economic Area (EU/EEA) to demonstrate that they meet our standards. These included:
 - 24.1 More time to complete the Objective Structured Clinical Examination (OSCE); a key component of the test nurses and midwives must pass to practise in the UK.
 - 24.2 More ways to show that they meet the standards of English language necessary to practise.
- 25 We will be looking further at English language testing as part of a wider review of our registration processes for those trained outside the EEA. Our review will ensure that we maintain public protection and at the same time:

- 25.1 Make the process easier and quicker for applicants and employers whilst maintaining public protection.
 - 25.2 Ensure that our requirements for overseas applicants align with our new UK education standards for nurses and midwives.
 - 25.3 Provide a route for those trained overseas who wish to become a nursing associate.
- 26 Alongside these improvements, we have maintained strong registrations performance. We registered over 25,000 new nurses and midwives during the year. 97.9 percent of UK registration applications were completed within 10 days, exceeding our target of 95 percent within 10 days. 99.7 percent of UK registration applications were completed within 30 days. 98.5 percent of EU/overseas registration applications were completed within 60 days, exceeding our target of 90 percent within 60 days.
- 27 During the year we answered over 119,000 email enquiries, as well as over 269,000 calls to our contact centre, around 1,000 calls each working day.

Educating and training the nurses and midwives of the future

- 28 Our ambitious new education standards will shape the future of nursing for the next generation. The new standards were agreed following two years of extensive engagement and consultation with a range of stakeholders from across the UK. We are grateful to all those who shared their views with us. Nursing roles are becoming increasingly more complex and varied. The new standards will prepare nurses to provide skilled care for people who may have complex care needs, working more flexibly across different care settings. We are grateful to Dame Jill Macleod Clark who led this work.
- 29 Alongside the standards, we agreed a more modern and innovative approach to the way universities and their practice placement partners train nurses and midwives in the UK. The new education framework will afford universities and their practice partners greater flexibility to harness new ways of working so that they can equip the nurses and midwives of tomorrow with the skills they need.
- 30 As part of these changes we will be removing our standards for medicines management and working closely with the Royal Pharmaceutical Society to produce consistent guidance on medicines management for all health and social care professionals. We will also adopt the Royal Pharmaceutical Society's competency framework for prescribers as our standards of proficiency for nurse and midwife prescribers.

Nursing associates

- 31 In January 2017, we agreed to a request from the Government to be the regulator for nursing associates – a new professional role in England. Nursing associates will play an important part in the nursing team, able to contribute to delivery of care across a range of health and social care settings. An extensive programme of work, funded by the Department of Health and Social Care, is underway to

prepare to regulate the role. We are on track to open the register for nursing associates in January 2019.

- 32 We have developed the principal tools that will shape our regulatory approach to nursing associates, including standards of proficiency, the Code, and pre-registration programme standards. These were the subject of a public consultation in spring 2018. We have also consulted on the proposed registration fees for nursing associates which were approved by the Council.
- 33 2,000 students began nursing associate programmes in 2017 and the aim is for a further 5,000 to begin in 2018. Health Education England (HEE) is responsible for these programmes and we are working closely with HEE to ensure that we will be able to assess whether the first trainees are ready to join the register.

Quality assurance of education

- 34 At 31 March 2018, there were 81 NMC approved education institutions (AEIs) delivering over 900 programmes. We have seen an increase in enquiries from new organisations seeking to be an AEI, following the changes to student funding which removed the cap on nursing and midwifery places in England, and in anticipation of the new nursing associate role.
- 35 We have also seen an increase in the approval of alternative routes to pre-registration nursing education, predominantly the introduction of nursing degree apprenticeships and part-time programmes in England, as a result of AEIs continuing to respond to a changing health and care landscape, local workforce needs and the move towards widening access.
- 36 We continued to operate a risk-based approach to monitoring visits during the academic year 2016–2017: we visited 17 AEIs and inspected 31 programmes. As in previous years, practice learning emerged as the most significant area of concern, followed by admissions and progression. The 2016–2017 academic year also saw the greatest number of students, service users and carers, interviewed as part of these reviews to date, signifying our commitment to broadening involvement in these events. Monitoring visits for the 2017–2018 academic year have now all taken place and the outcomes will be reported in autumn 2018, once all AEI action plans have been completed.
- 37 We have engaged with our education partners to streamline and improve the annual self-reporting process to reduce the reporting burden on AEIs and strengthen the quality of information received. This included building on our arrangements to encourage exceptional reporting by AEIs. As reported in the *Quality assurance of nursing and midwifery education annual report 2016–2017*, this resulted in a 50 percent increase in the volume of exceptional reports submitted to us. When AEIs report an issue or concern to us, we require evidence of actions taken, where appropriate, to control or mitigate any identified risks to our standards. We are committed to continuing to strengthen exceptional reporting by routinely sharing information and working collaboratively across the NMC.

Midwifery

- 38 From April 2017, following the removal of the statutory Midwifery Committee, the Council took direct responsibility for midwifery regulation, in line with our approach to nursing regulation.
- 39 The Midwifery Panel, established in 2015, has continued to meet to provide high level advice on key issues as well as being a forum to develop strategic thinking on midwifery regulation. The Panel includes the Chief Nursing Officers from the four UK countries, the Royal College of Midwives and other leading figures with an interest in midwifery and maternity services, including expert user voices. The Panel received reports from each of the four countries about the new clinical supervision arrangements put in place to replace statutory supervision. It also received regular updates on the development of the future midwife standards.
- 40 Other key midwifery activity included:
- 40.1 Work on our draft future midwife standards led by Professor Mary Renfrew, including undertaking extensive engagement to inform development of the standards.
 - 40.2 Implementing a programme to strengthen Council members' understanding and knowledge of midwifery and maternity matters. This included seminar sessions with Professor Mary Renfrew and a leading obstetrician. Council members also visited Edinburgh Napier University to learn about the University's midwifery programmes and to visit placement partners, including the Edinburgh Royal Infirmary Birthing Centre.
 - 40.3 Strengthening access to midwifery advice internally to support our work in midwifery education and policy.
 - 40.4 The launch of refreshed midwifery-related material on our website, including information about the Midwifery Panel and our work on the future midwife standards.
 - 40.5 Hosting a midwifery listening event in London in October 2017.

Fitness to practise

- 41 Our fitness to practise work is detailed in a separate annual report. Key developments in 2017–2018 are summarised below.
- 42 Following legislative changes, we were able to increase the flexibility of our fitness to practise rules, helping us to strengthen public protection by taking a more proportionate approach and focusing on the most serious cases. Our Case Examiners now have new powers to dispose of cases through undertakings, warnings, and advice. We began applying the new powers when the legislation was introduced and they have already helped to improve the efficiency of our fitness to practise process.
- 43 Where public safety is at an immediate and serious risk, we can restrict or prevent a nurse or midwife from practising until we have fully investigated their case by

imposing an interim order. We continued to exceed our performance target of securing 80 percent of interim orders within 28 days of referral.

- 44 We have focused on improving timeliness of case progression across the fitness to practise process, through our new powers, early engagement and enhancing our case management. We met our target of concluding 80 percent of cases within fifteen months for the first time in February 2018. There is still some way to go before we perform consistently against this measure.

A new strategic direction for fitness to practise

- 45 We know there is more we can do to improve the way we deal with concerns. In April 2018 we launched a public consultation about our plans to set a new strategic direction for fitness to practise: *Ensuring patient safety, enabling professionalism*. Our strategy builds on improvements we have already made to the way we investigate concerns and will help us address the recommendations from the PSA's Lessons Learned Review. It puts public protection at the heart of the whole process. We also want our changes to enable professionalism by encouraging an open, learning culture and supporting nurses, nursing associates and midwives to address concerns about their practice.
- 46 We have taken account of views and feedback and began piloting aspects of our new strategic approach in September 2018.

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.

- 47 We have continued to develop effective regulatory relationships with employers through our Employer Link Service (ELS), building on the progress made last year.
- 48 This year we set up our Regulatory Intelligence Unit (RIU) alongside the ELS. We recruited a small team of intelligence analysts and established a cross-directorate intelligence coordination group to consider responses to the issues identified by the RIU.
- 49 Intelligence provided by the RIU helps our ELS Regulation Advisers prioritise contact with employers by understanding whether there are any fitness to practise, registration or education-related concerns and whether any regulatory action is needed. This new approach and the establishment of the RIU and ELS has:
- 49.1 enabled us to be more responsive to potential patient safety concerns;
 - 49.2 improved our engagement with employers and other regulators; and
 - 49.3 increased our understanding of the issues affecting health care providers.

- 50 We have begun publishing data about the register twice a year in order to share this information with employers, policy makers and other key stakeholders and the public. We will keep the data we publish under review and continue to enhance it as we go forward.
- 51 By continuing to focus on intelligence in 2018–2019, we hope over time to gain new insights which will help us to be more effective, transparent and proportionate. We aim to:
- 51.1 focus on improving our public data reporting, which will inform our stakeholders about our work and help to reduce the time taken responding to ad hoc queries from the media and others;
 - 51.2 widen and further strengthen effective relationships with employers to build their understanding of the NMC’s regulatory responsibilities; and
 - 51.3 continue working with system regulators, healthcare professional regulators and other relevant oversight bodies to share information so that settings that pose the most risk in relation to nursing and midwifery care can be identified and appropriate action taken.

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.

- 52 We have undertaken extensive engagement and consultation across the four countries throughout the year on our work.
- 52.1 As part of our public consultation, nearly 5,000 individuals and almost 300 organisations gave feedback on the skills and knowledge the future nurse will need, as well as our proposals on education, prescribing and medicines management. We held events across the four countries, attended by over 300 people. We also held webinars and Twitter chats allowing us to reach out further.
 - 52.2 We held UK-wide workshops to help inform the development of new pre-registration midwifery standards. These events have enabled us to hear the views of women and their families, midwives, educators and students. Other related engagement has included discussions with advocacy and interest groups and professional bodies.
 - 52.3 We also undertook extensive engagement on our approach to regulating the new nursing associate role, including through our External Stakeholder Group, hosting events, speaking at conferences and visiting trainee test sites. Stakeholders can keep up to date on our work on nursing associates through a dedicated area of our website, print-based materials and social media.

- 52.4 Our Chief Executive and senior staff spoke at a wide range of conferences and events across the UK throughout the year to promote understanding of our work.
- 53 In 2017 we supported the work of the Chief Nursing Officers (CNOs) from each of the four UK countries in setting out what professionalism means for nurses and midwives. Launched in May 2017, *Enabling professionalism in nursing and midwifery practice* sets out what professionalism looks like in everyday practice for nurses and midwives. For employers, it identifies key principles to help them provide practice placement environments that support and encourage professionalism among nurses and midwives. We wrote to all nurses and midwives jointly with the four CNOs, to share information on the guide and made additional resources available on our website.
- 54 We introduced a UK Advisory Forum to help us ensure our activities and policies are relevant to, and take into account, developments and different approaches in the four UK countries. The Forum provides a further means of engaging with the four Chief Nursing Officers, key professional and policy leads, stakeholders and partners. The Forum's first meeting took place in Scotland in November 2017 chaired by the Chief Executive and attended by the Chair and Council members.
- 55 The tragic incidents in 2017, including the Westminster Bridge, Manchester Arena and London Bridge attacks and the Grenfell fire, highlighted the professionalism, resilience and compassion of those on our register. Council members were privileged and honoured to meet the Nurse Director and staff at the Manchester University NHS Foundation Trust, many of whom had cared for victims of the Manchester Arena bombing and their families. Similarly, Council members were moved and inspired by meeting the Nurse Director and staff at Guy's and St Thomas' NHS Foundation Trust, many of whom had cared for victims and their families in the aftermath of the Westminster and London Bridge attacks. We took the opportunity to clarify our guidance for nurses and midwives who might be called upon to respond to incidents or emergencies away from their normal place of work where people may require care. We convened discussions with a number of organisations and issued guidance in August 2017.
- 56 Members of the Council were pleased to have the opportunity to meet with students and educators at Edinburgh Napier University and the University of South Wales. They also visited the mental health and dementia unit at Cardiff and Vale University Health Board and the district nursing unit at Cwm Taf University Health Board. Hearing directly from nurses and midwives at all levels, students, educators, employers and providers about their experiences and the challenges they face is always inspirational and brings to life the professionalism of those we regulate.

Strategic priority 4: An effective organisation

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

- 57 We are committed to improvement and change. Initial plans for a significant transformation programme were agreed in principle, subject to review. Shortly after the beginning of 2017–2018, it became clear that this would need to be scaled back. We decided to reprioritise activity to focus on two key areas for improvement: a new strategic direction for fitness to practise and modernising our IT infrastructure.
- 58 We strengthened our executive structure with the creation of two new directorates: an External Affairs directorate and a People and Organisational Development directorate. The Council approved a new People Strategy in October 2017 to address all aspects of the employee experience.
- 59 The People Strategy seeks to develop our approach in the following areas:
- 59.1 creating positive cultural change
 - 59.2 attracting, recruiting, retaining and developing talented staff committed to the vision and mission of the NMC
 - 59.3 developing high quality senior leadership and management
 - 59.4 staff development including career pathways
 - 59.5 employee engagement
 - 59.6 developing excellent HR services.
- 60 We launched our new organisational values (People, Fairness, Transparency) at a Leadership Event in June 2017 and cascaded information about their importance throughout the organisation. We will continue to promote our values and the behaviours expected of our staff so that they are embedded in every aspect of our work at every level, including how we treat those who we have contact with. We will also use our values to recruit, retain and develop staff.
- 61 We also launched our new Leadership Development Programme at the Leadership Event in June 2017. We have continued to work with our managers to improve self-awareness by providing 360-degree feedback and the ‘Strength Deployment Inventory’, a tool which develops awareness of others. The Leadership Development Programme will continue throughout 2018–2019. Its focus is on the development of managerial practice in performance management. The focus on performance management was complemented by the launch of our new appraisal process in April 2018. We will use the information from appraisals to analyse talent gaps and build on our training and continuing professional development requirements for the future.

- 62 Staff turnover was 21.9 percent for 2017–2018, a reduction of 2.7 percent compared to 2016–2017 and the lowest turnover for the organisation in the past five years. We continue to work on reducing turnover but predict that the introduction of new performance management practices could have an impact on and may potentially increase it in 2018–2019.
- 63 Our employee engagement score is based on five key indicators from our annual staff survey. In 2017 our employee engagement score was 64 percent (2016: 67 percent). We achieved a response rate of 79 percent (2016: 75 percent). We continue to develop and communicate our employee engagement action plan, taken from the feedback received from last year’s staff survey and workshops. The purpose of the action plan is to begin the conversation with our employees about their experience of working for the NMC and how this could be improved.

Equality and diversity

- 64 We want to be a fair regulator and employer by putting equality, diversity and inclusion (EDI) at the heart of everything we do. As set out in our Strategy 2015–2020, our intention is to embed EDI throughout our core activities. We are in year two of our EDI Framework: a governance and monitoring system to embed EDI activities into business and performance management in the organisation. Progress is monitored against our EDI action plan. Our equality and diversity annual report sets out progress against our strategic EDI aims and presents data about our people, nurses and midwives by protected characteristic. Our progress during 2017–2018 is set out below.
- 64.1 We increased awareness of EDI; through the development of an EDI internal communications plan that included the celebration of key dates such as Black History Month and LGBT History Month.
- 64.2 We continued to evaluate and monitor our activities to understand the impact on different groups that share protected characteristics, for example through our equality impact assessments of the regulation of the new nursing associate role, and the development of the fitness to practise strategy.
- 64.3 We continued the roll out of unconscious bias training for our decision-makers, for example fitness to practise panellists and case examiners.
- 64.4 We continued to improve the quality and quantity of the diversity data we hold for nurses and midwives.
- 64.5 We launched two new staff networks; LGBT+ and Cultural to support staff and the organisation in delivering its EDI strategic aims.
- 64.6 We embedded EDI into our new proposed strategic direction for fitness to practise. A key regulatory outcome is to achieve ‘a professional culture that values equality, diversity and inclusion and prioritises openness and learning in the interests of patient safety’.

- 65 We are committed to making further improvements in 2018–2019 including improving our evidence base and better understanding the needs of diverse groups.

Gender pay gap

- 66 From 2017, any organisation that has 250 or more employees must publish and report their gender pay gap. We published our first annual gender pay gap report in 2017. Our median pay gap for 2017 was 3.7 percent and the mean pay gap was 1.9 percent. This is significantly lower than the national results; median – 11.8 percent and mean – 14.3 percent.
- 67 We are pleased but not complacent. Our People Strategy sets out our ambition to become an employer of choice. One way that we will achieve this is by taking the EDI and reward agenda beyond compliance, to embed these objectives within our culture and normal ways of working.

Freedom of information and data protection

- 68 We aim to be transparent about our work but know we need to do better. We fully accept the PSA’s Lessons Learned recommendation that we should aim to publish as much as we legitimately can, so that we can improve public confidence in us. We are reviewing our approach to how we respond to requests for information to ensure we are as open and frank as possible in releasing information without infringing people’s rights.
- 69 In 2017–2018, we received 477 Freedom of Information requests (2016–2017: 545). We responded to 454 of these (2016–2017: 523). Of the remainder, three were responded to in the current business year and the rest were withdrawn. Of the 454 responses, 430 (95 percent) were sent within the statutory deadline.
- 70 There were 324 data subject access and third party disclosure requests in 2017–2018 (2016–2017: 311). We responded to 271 of these and the remainder were withdrawn. On average, these requests were responded to within 13 days.
- 71 Where a member of the public is not satisfied with the response to their Freedom of Information request, they can request an internal review of the response to their request. Such requests are dealt with by an officer who was not involved in the original decision. There were 14 internal reviews carried out in 2017–2018 of which 12 upheld the original decision not to disclose the information requested. In two cases, the review led to the requested information being disclosed.
- 72 There were four complaints made to the Information Commissioner’s Office (2016–2017: seven) over this time period. In three 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.

General Data Protection Regulation (GDPR)

- 73 Along with all other organisations, during the past year we prepared for the introduction of GDPR in May 2018. We undertook a comprehensive review of all our data assets and made a range of changes including updating all our policies concerning data and security and improving the way we record the processing of data or sharing data with third parties. An Internal Audit report on our readiness for GDPR before the implementation date concluded that we had made good progress towards compliance with the requirements of GDPR and were well placed in terms of the work and plans in place at that time. We continue to address areas requiring particular attention such as retention of historical information.

Corporate complaints and serious events

- 74 We want to be an organisation that learns from its mistakes. We aim to handle complaints raised with us about the service we have provided in a fair and timely way, treating those who raise complaints with respect and listening to their concerns. We accept that we have not always done this and know that we must do better. We are updating our corporate policies to ensure that we handle complaints openly, are as transparent as we can be, and can show how we are learning from mistakes.
- 75 In 2017–2018 we received 938 formal complaints from people outside of the organisation. We responded to 80 percent of these within 20 working days. For 107 of these complaints the complainant asked for a review of our handling of their complaint and we responded to these in an average of 15.5 working days.
- 76 In addition, our staff reported 68 serious events. These are a combination of incidents and near misses. More information about serious events is included in the annual governance statement (paragraphs 192 and 193).
- 77 We regularly review and analyse complaints and serious events for trends, themes and learning which are then incorporated into directorate plans. This year's themes included information security and data protection, customer service, communication and timeliness/delays. In particular, complaints and serious events about timeliness, delays and customer service have led to process changes in both the Fitness to Practise and Registration and Revalidation directorates.

Whistleblowing to the NMC – fulfilling our statutory duty as a prescribed person

- 78 We have a policy and process for whistleblowing by our own staff or others who work for us. More information on this is included in the annual governance statement (paragraphs 189 to 191).
- 79 Since April 2017, the NMC has also been a 'prescribed person' in law. This means that concerns may be raised with us by nurses, midwives, students or other members of staff who identify wrongdoing in their workplaces or practice placements. Our policy sets out criteria which we use to decide if information we receive should be dealt with as whistleblowing.

- 80 In 2017–2018 we assessed 371 pieces of information for whistleblowing; out of which 60 (16 percent) met the whistleblowing criteria set out in our policy.
- 81 Of the issues raised with us that met our criteria, the most common whistleblowing concerns we identified were about:
- 81.1 patient safety and care
 - 81.2 management
 - 81.3 behaviour and bullying, intimidation or harassment of colleagues
 - 81.4 prescribing and medicines management.
- 82 The most common reasons why issues raised with us did not meet our criteria are set out below.
- 82.1 The concerns did not fall in our regulatory remit – where appropriate we referred these to another body.
 - 82.2 The concerns did not meet the public interest test.
 - 82.3 There was insufficient information for us to take action and the person raising the concerns did not respond to requests for more information.
- 83 We published a joint report with other healthcare regulators in September 2018 on how we handled whistleblowing disclosures and what actions we have taken.

Strategic Plan 2018–2019

- 84 Our *Strategy 2015–2020: Dynamic regulation for a changing world* sets out four strategic priorities. They help guide our work in pursuit of our ambition to become an innovative, forward-looking regulator that is easily able to adapt to changes in healthcare.
- 85 Our corporate plan focuses on the fourth year of our five-year strategy. It sets out our priorities and commitments for 2018–2019.

An overview of our priorities for 2018–2019

Our priorities for 2018–2019 focus on taking forward major programmes of work, while continuing to deliver our core regulatory functions. Our priorities are:

- **Lessons Learned Review:** Taking forward a programme of work to address all the lessons identified in the review.

Focusing on two key lessons: improving how we communicate and engage with patients, families and the public; and being open and transparent in our work.
- **Education:** Modernising the standards of education and training for nurses and midwives.
- **Nursing associates:** Regulating nursing associates from January 2019.
- **Fitness to practise:** Setting a new strategic direction for fitness to practise to deal with cases more effectively and efficiently.
- **Overseas registration:** Improving the efficiency of our processes and updating routes onto the register to take account of our new education standards and the introduction of nursing associates.
- **An effective organisation:** Continually improving the way we work, with a focus on investing in our people and technology.
- **ICT:** Implementing a programme of modernising our IT systems and infrastructure.
- **Core regulatory performance:** Building on and maintaining our current strong performance and quality.

Engaging with our stakeholders to make sure we understand patient and public perspectives and equality, diversity, and inclusion in our work.

Our delivery commitments 2018–2019

Strategic priority 1: Effective regulation

Lessons Learned Review

By 31 March 2019 we will have:

- Fully established the Public Support Service, which will lead our work to embed a person-centred approach in the organisation.
- Commissioned and reported on research to better understand what people think our role should be and why.
- Reviewed our correspondence and letters to make sure they are clear, empathetic and offer the right level of support.
- Introduced a new approach to handling enquiries, information requests and corporate complaints with the presumption of transparency at its core.
- Reinforced the importance of our values and behaviours across the organisation.

Education

By 31 March 2019 we will have:

- **Nursing:** implemented the new standards of proficiency for the future nurse.
- **Midwifery:** drafted the new standards for the future midwife in readiness for public consultation.
- **Nursing and midwifery education quality assurance:** implemented our new approach to quality assurance of education institutions.

Nursing associates

By 31 March 2019 we will have:

- Opened the register for the first nursing associates.

Fitness to practise

By 31 March 2019 we will have:

- Set a new strategic direction for fitness to practise, taking account of the views of the public, patients, and other stakeholders.
- Piloted changes aimed at:
 - improving public protection by resolving cases at the earliest opportunity
 - improving the experience of people involved in cases

- improving efficiency and reducing the number of full hearings we hold.

Overseas registration

By 31 March 2019 we will have:

- Reviewed and started to introduce a new approach to register nurses and midwives from outside the UK.

Maintaining core regulatory performance

Throughout 2018–2019 we will:

- Maintain strong performance against our key targets for registration and fitness to practise.
- Continue to monitor our customer service and deliver changes as a result of customer feedback.

Strategic priorities 2–4: Use of intelligence, collaboration and communication, an effective organisation

An effective organisation

By 31 March 2019 we will have:

- Invested in replacing outdated IT systems and delivered ICT solutions to improve our use of intelligence, improve our efficiency and support our staff and the people we regulate.
- Developed our accommodation strategy to better use our buildings and deliver long-term cost savings.
- Strengthened our organisational capacity and capability through improvements to:
 - recruitment
 - induction
 - management development
 - employee engagement.
- Continued to fulfil our commitments to equality, diversity and inclusion as set out in our strategic framework.

Financial review

- 86 Total income for the year was £88.0 million (2016–2017: £86.2 million) which includes fee income of £84.3 million (2016–2017: £85.0 million), other income of £3.4 million (2016–2017: £0.6 million), of which £2.3 million is from the Department of Health and Social Care for work on nursing associates, and investment income of £0.3 million (2016–2017: £0.6 million).
- 87 During the year, total expenditure was £87.9 million (2016–2017: £86.6 million) which includes £2.3 million expended to prepare for regulation of nursing associates which is fully funded by the Department of Health and Social Care. Total expenditure is analysed in the financial statements from page 57.
- 88 Overall, there was a £12,000 net movement in funds (2016–2017: net movement in funds of £62,000).
- 89 During 2017–2018, we invested in a number of important programmes. The most significant was £3.7 million for our Education Programme (£3.4 million in 2016–2017), which was a key commitment in our 2017–2018 corporate plan.
- 90 Fitness to Practise remains a priority and expenditure in 2017–2018 was £66.2 million (2016–2017: £66.5 million), which represents 75 percent of total expenditure. We introduced legislative changes in August 2017 which allow us to manage cases more efficiently. The full impact of these changes is expected in 2018–2019 and should lead to lower expenditure and fewer hearings. As our largest area of operational activity, Fitness to Practise attracts the major part of attributable support spend, including costs incurred on the organisational transformation programme.
- 91 The cost of maintaining the register was £11.2 million in 2017–2018 compared to £11.4 million in 2016–2017. This was achieved through improving efficiency by moving some processes online, while still revalidating over 200,000 nurses and midwives.
- 92 During the year, we took a decision to reduce the scope of transformation. We will continue to seek to be a more dynamic regulator by pursuing strategic projects that will deliver value for money for the organisation. The outputs of the transformation programme have laid a good foundation to maximise future benefits. The 2017–2018 spend on transformation was £2.2 million; which is lower than the originally approved budget of £2.5 million.
- 93 An actuarial loss was made on the defined benefit pension scheme of £0.1 million (2016–2017: gain of £0.6 million).
- 94 As at 31 March 2018, 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 potential refund is disclosed as a contingent asset in the financial statements.

- 95 We have continued to strengthen our financial controls and improve financial management and reporting in line with recommendations from a number of internal and external audit reports. Internal audit reviews of payroll, key financial controls and budget controls have demonstrated sustained improvements.

Reserves policy

- 96 We operate a risk-based reserves policy which provides that our free reserves level should be based on an assessment of the potential financial impact of risks we face, 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.
- 97 The reserves level is reviewed at least annually by the Council. In reviewing the level, the Council considers an 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.
- 98 In March 2017 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 2018 and remained unchanged.
- 99 This level of reserves is considered sufficient to meet our operating priorities and working capital requirements in the event of a significant unplanned circumstance, while alternative funding is secured.
- 100 The unrestricted reserves, as at 31 March 2018, were £41.2 million (2016–2017: £41.2 million). Total available free reserves, calculated reflecting the actuarial estimate of pension liabilities, were £22.3 million (£19.4 million as at 31 March 2017) after deduction of the net book value of fixed assets of £18.9 million (£21.7 million as at 31 March 2017).

Investment policy

- 101 We can invest our surplus funds as considered appropriate to generate income. Currently our investment policy limits investments to low risk options.
- 102 Surplus funds are held in interest bearing deposit accounts spread across five UK high street banks. The revenue generated from the investments in 2017–2018 was £0.3 million (2016–2017: £0.6 million).
- 103 The investment policy will be subject to review in 2018–2019.

Philip Graf
Chair, NMC
16 October 2018

Sue Killen
Interim Chief Executive and Registrar, NMC
16 October 2018

Remuneration report

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

Council members' allowances and expenses

105 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 charity trustees.

106 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.

107 Under the Nursing and Midwifery Order 2001, the Council must determine the allowances to be paid to the Chair and members. Until 2016–2017 the annual allowance paid to Council members had been static at £12,000 since 2009.

108 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. The Panel recommended a two-stage approach. In its stage 1 review in 2016 the Independent Panel recommended that the level of allowance paid to Council members be brought into line with the median across healthcare regulatory bodies. This recommendation was agreed by the Council and implemented in 2016–2017, bringing the annual allowance to £13,250.

109 The Panel carried out its stage 2 review in 2017 taking into account a broader range of up-to-date comparative benchmarking data. This included data for healthcare regulators and a range of other organisations. The Panel recommended that the annual allowance be increased to £14,724 (2016–2017: £13,250). This recommendation was agreed by the Council in January 2018. In accordance with normal practice, the increase was backdated to 1 April 2017.

110 In its stage 1 review in 2016 the Independent Panel did not recommend an increase to the Chair's allowance because it was above the median paid to Chairs across healthcare regulatory bodies. In its stage 2 review in 2017 the Independent Panel noted that the Chair's allowance had fallen below the median level for healthcare regulatory bodies. Taking account of this and a range of data for other organisations, the Panel recommended an increase to the median rate across healthcare regulatory bodies. In considering the Panel's recommendation, the Council noted that due to increased volume of work, it had been necessary for the Chair to contribute considerably more than the required two days a week on NMC business. Taking account of the additional time commitment by the Chair, the Council approved an annual allowance of £63,050 (2016–2017: £48,000). In line with normal practice this was backdated to 1 April 2017.

111 In 2017 the Independent Panel undertook a separate review of the allowance for the role of Chair from 1 May 2018, based on a new role description agreed by the Council and an increased time commitment of three days a week. The Council

agreed the Independent Panel's recommendation and approved an annual allowance of £78,000.

- 112 Allowances paid to Council members in 2017–2018 amounted to £222,560 (2016–2017: £177,086). Full details of the amounts paid are set out in the table on page 28. No extra contractual payments¹ were made to any Council member in 2017–2018.
- 113 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 Council members.
- 114 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 2017–2018, £41,731 was accrued for this tax liability in relation to Council members (2016–2017: £33,000).
- 115 Expenses are made up of travel, accommodation, meals and subsistence and are incurred when members are carrying out their duties. 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 another 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.

¹ Extra contractual payments in this context might typically be 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.

Council members	Allowance paid to member 2017–2018 (£)	Allowance paid to member 2016–2017 (£)	Expenses 2017–2018 (£)	Expenses 2016–2017 (£)
Dame Janet Finch – Chair	63,050	48,000	14,352	12,769
Maureen Morgan OBE	14,724	13,250	3,103	2,680
Maura Devlin MBE	14,724	13,250	12,482	13,499
Quinton Quayle ²	-	9,938	-	2,680
Louise Scull ³	-	1,000	-	414
Amerdeep Somal ⁴	-	9,938	-	2,339
Stephen Thornton CBE	14,724	13,250	2,576	2,259
Lorna Tinsley	14,724	13,250	3,776	4,165
Dr Anne Wright CBE	14,724	13,250	79	434
Robert Parry	14,724	13,250	5,546	4,195
Professor Karen Cox	14,724	13,250	2,485	2,548
Ruth Walker ⁵	14,724	7,730	3,411	2,155
Derek Pretty ⁶	14,724	7,730	4,884	1,512
Marta Phillips OBE ⁷	13,497	-	1,172	-
Sir Hugh Bayley ⁸	13,497	-	1,472	-

116 Partner members, that is, members of committees who are not also members of the Council, received a daily attendance allowance of £286 from August 2017 (£260 between April 2017 and July 2017) and reasonable travel expenses.

Methods used to assess members' performance

117 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 2017–2018.

118 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

119 The senior management team (called the Executive) comprises the Chief Executive and Registrar and Executive Directors. During 2017–2018 all directors

² Resigned 31 December 2016.

³ Resigned 30 April 2016.

⁴ Resigned 31 December 2016.

⁵ Appointed 1 September 2016.

⁶ Appointed 1 September 2016.

⁷ Appointed 1 May 2017.

⁸ Appointed 1 May 2017.

reported directly to the Chief Executive. No Executive Directors are members of the Council or trustees of the NMC.

- 120 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.
- 121 The Council, on the advice of the Audit Committee, has determined that all members of the Executive team (including any interim post holders) are key personnel. Remuneration details are disclosed in full for all these individuals in **tables 1, 2.1 and 2.2.**
- 122 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.
- 123 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.

Executive performance assessment

- 124 In 2016, the Council decided on recommendation of the Remuneration Committee to suspend the previous Executive performance bonus scheme, subject to review after 12 months. In 2017, the Council, on the recommendation of the Remuneration Committee, decided to discontinue the bonus scheme in favour of commitment to an annual market-based review of Executive remuneration and retaining the formal process for evaluation of Executive performance.
- 125 Accordingly, the Remuneration Committee has continued to evaluate Executive performance. The Committee reviews reports from the Chair on the performance of the Chief Executive and Registrar. The Committee also reviews reports from the Chief Executive and Registrar on the performance of the directors.

Executive remuneration 2017–2018

- 126 During 2017–2018 the Remuneration Committee undertook its annual review of Executive remuneration in line with the principles of the Executive pay framework approved in 2016.
- 127 The review took account of an independent review by external pay specialists of all NMC Executive roles. The review evaluated Executive pay against comparators in the wider healthcare regulation market as well as benchmarking more widely with NHS and public and private sector comparators where available. The Remuneration Committee concluded that no substantive changes were needed to the Executive framework and that the Executive should receive the same cost of living annual increase award as staff at Grade G and above (2 percent). It also agreed that two directors should receive an additional non-consolidated allowance to reflect absorption of additional responsibilities.

- 128 The Chief Executive's remuneration package for 2017–2018 included a base salary of £196,707 (2016–2017: £192,850). In addition, the increase in value of the pension benefits was £40,411 giving rise to a single total figure of remuneration of £237,118 (in 2016–2017, the pay remuneration was £215,163 and the increase in the value of the pension benefits was £40,864 giving rise to a single total figure of remuneration of £256,027).
- 129 The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2017–2018.
- 130 The remuneration of the Executive 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 type of pension scheme. 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.
- 131 In total the Executive team (including permanent and interim) were paid £1.794 million in 2017–2018 (2016–2017: £1.254 million).

Remuneration and performance assessment of other staff

- 132 All employees have a six-month probation period on commencing employment and a notice period of one to three months depending on grade.
- 133 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. The Council approved an increase in pay for all staff of 2 percent from 1 April 2017 (2016–2017: between 1.5 to 3 percent depending on pay level) with provision for further increase for employees on lower pay grades to align them closer to the median rate for their pay grade.
- 134 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.
- 135 During 2017 we began work to review our current remuneration arrangements and take initial steps towards the development of a new reward strategy. A new reward strategy will provide us with an underpinning set of principles to help us differentiate ourselves as an employer in the healthcare regulatory sector so we remain attractive to potential and current employees. This is a long-term piece of work to 2020, which will enable us to balance affordability with maintaining the skills and experience required as well as maintaining and developing our employer brand.
- 136 Our performance and development review process operated normally throughout the year but was not related to pay considerations. A new appraisal scheme was launched to employees in April 2018. A key consideration of the development of our reward strategy will be to determine what mechanisms we will use to ensure that reward policy and rates remain current and competitive, and what approaches

we will use beyond basic pay to build the whole reward package that helps us to describe our employer brand.

Pension arrangements

- 137 We operate two pension schemes: a defined benefit pension scheme and a defined contribution pension scheme.
- 138 Employees who are members of the defined benefit scheme make a contribution of 6 percent of salary. The employer's contribution into the pension scheme during 2017–2018 was 39.3 percent (2016–2017: 29.2 percent), as set by the Scheme Actuary. Approximately 17 percent of employees were members of this scheme at 31 March 2018 (31 March 2017: 19 percent). The scheme was closed to employees joining the NMC after 1 November 2013.
- 139 We 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 2018, 96 percent (31 March 2017: 90 percent) of those enrolled in the scheme remained in it. During 2017–2018 the basic required contributions to the scheme were 1 percent for the employer and 1 percent for the employee. The NMC paid above the required contributions with 7 percent for the employer and 1 percent for the employee (2016–2017: 6 percent for the employer and 1 percent for the employee).

NMC pay differentials

- 140 The highest paid permanent staff member in 2017–2018 was 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 Chief Executive and Registrar was 6.26 times the median remuneration of the workforce (2016–2017: 6.47 times), which was £31,426 (2016–2017: £29,815). 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.
- 141 Further information about remuneration is contained in notes 9 and 10 to the accounts.

Philip Graf
Chair, NMC
16 October 2018

Sue Killen
Interim Chief Executive and Registrar, NMC
16 October 2018

Table 1: Executive team remuneration 2017–2018

			Total Salary Paid	Other payments ¹	Payment in lieu of notice	Redundancy	Employer's pension contributions	Employer's National Insurance	Total paid 2017–2018	Total paid 2016–2017
			£000	£000	£000	£000	£000	£000	£000	£000
Jackie Smith	Chief Executive and Registrar		195-200	-	-	-	60-65	25-30	285-290	285-290
Alison Sansome	Chief Operating Officer	left 7 April 2017	0-5	15-20	35-40	35-40	320-325	5-10	425-430	210-215
Tom Kirkbride	Interim Director of Registration	left 15 July 2016	-	-	-	-	-	-	-	60-65
Sarah Page	Director of Fitness to Practise	left 31 December 2017	105-110	15-20	-	-	40-45	15-20	180-185	190-195
Matthew McClelland	Director of Fitness to Practise	appointed 1 June 2017	105-110	-	-	-	40-45	10-15	165-170	-
Emma Broadbent	Director of Registration and Revalidation	appointed 4 July 2016	120-125	-	-	-	10-15	15-20	150-155	110-115
Geraldine Walters	Director of Education, Standards and Policy	appointed 1 September 2016	150-155	-	-	-	10-15	15-20	180-185	100-105
Judith Toland	Director of Transformation	appointed 16 May 2016, left 31 October 2017	75-80	0-5	20-25	-	5-10	10-15	125-130	140-145
Adam Broome	Director of Resources	appointed 23 May 2016, left 9 February 2018	110-115	0-5	25-30	-	10-15	15-20	165-170	120-125
Sarah Daniels	Director of People and Organisational Development	appointed 12 October 2017	55-60	-	-	-	5-10	5-10	70-75	-
Contractors:										
Gary Walker	Interim Director of Resources ²	appointed 9 February 2018	20-25	-	-	-	-	0-5	25-30	-
Rachel Murphy	Chief Technology Officer	left 31 August 2016	-	-	-	-	-	-	-	85-90
Annette Clinnick	Director of Human Resources	left 30 June 2016	-	-	-	-	-	-	-	0-5
Richard Finlayson	Director of Finance	left 3 June 2016	-	-	-	-	-	-	-	45-50

Notes:

1 Other payments relates to annual leave not taken that was paid out.

2 The banding for the Interim Director of Resources' remuneration excludes VAT.

Table 2.1: Executive team defined benefit pension information 2017–2018

		Real increase in pension at age 60	Real increase in pension lump sum at age 60	Real increase in residual pension at age 60 during reporting year	Total accrued at age 60 at 31 Mar 2018	Lump sum at age 60 related to accrued pension at 31 Mar 2018, assuming member took maximum tax-free cash	The amount at 31 Mar 2018 of accrued residual pension at age 60	Cash equivalent transfer value at 1 Apr 2017	Cash equivalent transfer value at 31 Mar 2018	Real increase in cash equivalent transfer value	Real increase in value of pension benefits
		Bands of £2,500	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	Bands of £5,000	To nearest £1,000	To nearest £1,000	To nearest £1,000	To nearest £1,000
Jackie Smith	Chief Executive and Registrar	0-2,500	12,500-15,000	0-2,500	15,000-20,000	95,000-100,000	10,000-15,000	594,000	697,000	79,000	40,000
Alison Sansome	Chief Operating Officer	5,000-7,500	(30,000-32,500)	5,000-7,500	15,000-20,000	20,000-25,000	15,000-20,000	378,000	655,000	197,000	115,000
Matthew McClelland	Director of Fitness to Practise	2,500-5,000	17,500-20,000	2,500-5,000	10,000-15,000	55,000-60,000	5,000-10,000	199,000	320,000	101,000	66,000
Sarah Page	Director of Fitness to Practise	0-2,500	12,000-15,000	0-2,500	30,000-35,000	165,000-170,000	25,000-30,000	1,060,000	1,176,000	82,000	43,000

Table 2.2: Executive team defined contribution pension information 2017–2018

Employer contributions paid by NMC To nearest £1,000	
Emma Broadbent	15,000
Geraldine Walters	11,000
Judith Toland	9,000
Sarah Daniels	6,000
Adam Broome	12,000

Notes:

1 Basic contributions to the defined contribution scheme were 1% employee and 7% employer for all members in 2017-2018. Employees may contribute additional amounts and for every 1% paid, the NMC matched up to a maximum additional 5% in 2017-2018.

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

- 142 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.
- 143 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).
- 144 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.
- 145 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.
- 146 The Privy Council has appointed the Chief Executive and Registrar as Accounting Officer for the Nursing and Midwifery Council. Her/his relevant responsibilities as Accounting Officer, including her/his responsibility for the propriety and regularity of the public finances for which s/he 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).

147 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

148 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
10 Queen Street Place
London
EC4R 1AG

Bankers

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

Internal Auditor

Moore Stephens
150 Aldersgate Street
London
EC1A 4AB

Statutory Auditor

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

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

Annual governance statement

149 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

150 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.

151 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. The NMC's Scheme of Delegation sets out matters that are formally reserved to the Council.

152 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.

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

154 Two new lay members, Sir Hugh Bayley and Marta Phillips OBE, took office on 1 May 2017. Robert Parry was reappointed by the Privy Council to serve a further term from 1 May 2018.

155 Philip Graf CBE was appointed to take office as Chair of the Council from 1 May 2018 when Dame Janet Finch's term of office came to an end.

156 Claire Johnston was appointed to take office from 1 September 2018 to replace a registrant member whose second term of office ended on 30 April 2018.

⁹ SI 2002/253

¹⁰ SI 2012/2745

157 Council membership and attendance during 2017–2018 are set out below.

Council membership and attendance 1 April 2017 to 31 March 2018

Member	Attended/number of meetings
Professor Dame Janet Finch	6/6
Professor Karen Cox	5/6
Maura Devlin MBE	6/6
Maureen Morgan OBE	5/6
Robert Parry	6/6
Stephen Thornton CBE	6/6
Lorna Tinsley	5/6
Dr Anne Wright CBE	5/6
Ruth Walker	6/6
Derek Pretty	6/6
Marta Phillips OBE (appointed 1 May 2017)	4/6
Sir Hugh Bayley (appointed 1 May 2017)	6/6

158 Council meetings comprise both a public and confidential session. In addition to formal meetings, Council members also attend monthly seminars, hold teleconferences, and participate in a wide range of other activities.

Effectiveness of governance

159 The Council is committed to high standards of governance. Our practice complies with the Cabinet Office Corporate Governance Code of Good Practice for central government departments to the extent that it is applicable. We also strive to meet the principles and recommended practice contained in the Charity Governance Code. The Council conducts its business in accordance with the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

160 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.

161 The Council undertakes an annual review of its own effectiveness. The 2017 review was informed by a benchmarking exercise which mapped Council policies and processes against external sources of good practice and guidance, including the revised Charity Governance Code (2017), the Cabinet Office Corporate Governance Code of Good Practice (2017) and the Committee on Standards in Public Life report *Striking the Balance: Upholding the Seven Principles of Public Life in Regulation* (2016). Council members also reviewed how they fulfil their role as trustees supported by an external charity governance expert.

162 The annual effectiveness review confirmed that our governance policies and processes comply with good practice principles and guidance. Areas identified for further strengthening included: how the Council receives assurance on

engagement with patients and the public; a strengthened approach to learning from complaints and other mechanisms to support continuous improvement; and articulating more clearly the processes for escalating significant matters to Council.

163 Council members also undertook other development activities during the year. Internally, these included refresher sessions delivered by the Fitness to Practise and Registration directorates and briefings on key programmes of work such as education and nursing associates. Externally they included visits to hear about the experiences of students, educators, registrants and employers.

164 The Council continued to benefit from the advice of Independent Financial and ICT Advisers who it appointed to provide additional assurance on the quality of financial and technological plans.

Council committees

165 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.

166 The statutory requirement to have a Midwifery Committee was removed by the Nursing and Midwifery (Amendment) Order 2017. From 1 April 2017 the Council as a whole took 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.

167 The remit, membership and attendance record for each Committee is set out below.

Audit Committee

168 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 2017 to 31 March 2018 is set out below.

Member	Attended/number of meetings
Marta Phillips OBE (Chair)	4/4
Maureen Morgan OBE	3/4
Robert Parry	4/4
Derek Pretty	4/4

Remuneration Committee

169 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 2017 to 31 March 2018 is set out below.

Member	Attended/number of meetings*
Stephen Thornton CBE (Chair)	8/8
Maura Devlin MBE	8/8
Karen Cox	8/8

* Includes four meetings by teleconference

Appointments Board

170 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 made up entirely of non-Council (partner) members. During 2017–2018, two new members were appointed to the Committee and were provided with induction. A new Chair of the Committee was appointed to take office from August 2018.

171 The membership of the Committee and attendance for the period 1 April 2017 to 31 March 2018 is set out below.

Member	Attended/number of meetings
Belinda Phipps (Chair)	2/3
Bridget Anderson (to 31 January 2018)	2/2
Mary Dowling (to 31 January 2018)	1/2
Fiona Whiting	2/3
Frederick Psyk	3/3
Angie Loveless (appointed 1 March 2018)	1/1
Clare Salters (appointed 1 March 2018)	1/1

Role of the Executive

172 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.

173 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.

- 174 The Chief Executive and Registrar who had been in post for the preceding six years left in July 2018. The Council has appointed a permanent Chief Executive and Registrar who takes up post in January 2019 and an Interim Chief Executive and Registrar to direct matters during the intervening period.
- 175 The Executive Board is 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 their 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

- 176 The PSA is responsible for overseeing the work of all nine healthcare professional regulators and reporting annually to Parliament on their performance. In 2017 the Department of Health and Social Care, with our support, asked the PSA to carry out a Lessons Learned Review of our handling of cases relating to midwives who worked at the University Hospitals of Morecambe Bay NHS Foundation Trust. We worked closely with the PSA to support this review, and welcomed its publication in May 2018. The report contains a number of important recommendations for us and other regulators. We fully accepted all the recommendations and as discussed earlier will be taking these forward during 2018–2019.
- 177 The PSA's annual review of our performance for 2016–2017 was delayed until the completion of the Lessons Learned Review. The PSA published its report in June 2018, which showed us meeting 23 of the 24 Standards of Good Regulation.

NMC Strategy 2015–2020

- 178 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.
- 179 During 2016–2017, a programme of transformation was initiated to look at every aspect of our work, including people; organisation; location; and value for money. In March 2017 the Council agreed, in principle, to take forward an initial phase of work, subject to a full business case and further gateway review. The Council recognised that given other major regulatory programmes underway including education and nursing associates, there would be a need to keep the scale and pace of change under close review and monitor the cumulative impact of such a significant agenda. Shortly after the beginning of 2017–2018, in the light of subsequent internal and external pressures resulting in additional unplanned work priorities, the Council decided to reprioritise activity to focus on two key areas for improvement: a new strategic direction for fitness to practise and modernising the IT infrastructure.

Quality of data

- 180 The Council monitors performance and risk at each meeting. It is proactive in determining, with the Executive, the data it wants in order to understand performance and other matters effectively. Performance reporting is kept under constant review with a view to making ongoing improvements.
- 181 Everything we do relies on accurate and timely information. The data we hold is our single most important asset. We have implemented a range of improvements in data management and information provision in 2017. Our IT strategy will develop this further by improving the automation of management information, the modernisation of technology to process that information, and greater sharing of intelligence with regulatory and other partners.
- 182 We also increased the level of data we publish in 2017–2018, publishing updates on our register, including data on nurses and midwives joining and leaving the register from the UK, the EU and the rest of the world.

Risk management and internal control

- 183 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.
- 184 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 considers the effectiveness of the risk management process at its meetings.
- 185 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.
- 186 We annually review the effectiveness of our risk management processes and procedures. Comprehensive risk reviews are undertaken by the Council, Executive Board and Audit Committee. The Council undertakes deep dives to understand the key factors contributing to risks and to test whether the management actions are appropriate. The Audit Committee reviews in depth directorate risk management processes, procedures and assurances to determine whether risk management processes are robust.

187 For 2018–2019 we will introduce a corporate assurance framework to provide Audit Committee and management with an overview of the controls in place across the organisation.

Audit Committee

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

188.1 Reviewing the reports and the letters of representation to the external auditors and National Audit Office (NAO) in relation to the accounts for the year to 31 March 2017 and management responses to external audit and recommending to the Council approval of the statutory annual report and accounts and fitness to practise annual report.

188.2 Reviewing the accounting policies for the year to 31 March 2018.

188.3 Reviewing risk management and assurance arrangements, including risk management of cyber-security.

188.4 Approving the internal audit work plan for 2017–2018, reviewing internal audit report outcomes and overseeing action to progress closure of outstanding internal audit recommendations.

188.5 Reviewing serious events and data breaches, to ensure organisational sharing and implementation of learning to prevent recurrence.

188.6 Scrutinising single tender actions to assure itself that proper procurement processes are being adhered to by the Executive. The Committee asked for a register to be developed to capture cumulative Single Tender Actions throughout the year. This increased transparency has enabled more rigorous scrutiny by the Committee to identify any trends and to assure itself that any single tender actions are defensible.

188.7 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.

188.8 Approving the process for retendering the Internal Audit contract. Two members of the Committee, including the Chair, supported the development of the tender specification and sat on the assessment panel which evaluated the proposals. The new Internal Auditors took responsibility from April 2018.

Public interest disclosures (whistleblowing)

189 We made a number of amendments to our Whistleblowing (Public interest disclosure) policy during 2017–2018 to improve the clarity and application of the policy. The policy covers whistleblowing by our own staff or others who work for

us. These amendments were made in response to suggestions put forward during staff training. We also published guidance to help staff who raise a concern under the policy or who may be called on to participate in an investigation. We published separate guidance for managers to help them understand what to do if a staff member approaches them with a concern.

- 190 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.
- 191 All instances of whistleblowing are reported to the Audit Committee. The whistleblowing policy was not invoked in the year to 31 March 2018 (2016–2017: once).

Serious event reviews

- 192 All staff are required to report any incidents or near misses where things have gone wrong. These are investigated under our serious event review process to identify learning and put in place measures to prevent recurrence. We analyse learning from these alongside learning from corporate complaints. The directors consider a summary of the key themes and the learning identified from this analysis on a quarterly basis, together with information on what has been done to address the issues. This is reviewed by the Audit Committee at every meeting together with details of the most serious incidents that took place in the previous quarter. The focus is on identifying learning and devising and implementing preventive measures to address the risk of repetition.
- 193 During 2017–2018 a total of 68 serious events were reported, mainly in relation to our registration and revalidation and fitness to practise functions. These are the two areas of the organisation with the highest volumes of transactions and interactions with registrants and other stakeholders. As a result of the serious events, our processes were reviewed and strengthened particularly in relation to information security and external and internal communication. Internal guidance documents were updated, and refresher and additional training was provided to staff.

Information governance and lapses in protective security

- 194 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.
- 195 The table below provides a breakdown of the number of information security incidents in 2017–2018, with 2016–2017 figures shown for comparative purposes.

Information security incidents	2017–2018	2016–2017
Critical	0	0
Major	6	4
Moderate	36	36
Minor	73	63
Insignificant	9	11
Total incidents	124	114

196 Of the 124 incidents, 63 were personal data breaches (2016–2017: 51). Of the six major incidents in 2017–2018, two were personal data breaches. One of these incidents was reported to the Information Commissioner’s Office (ICO). The other incident was not reported to the ICO because we considered that the risk arising to individuals as a result of the incident did not meet the threshold for notifying the ICO. The other four major incidents related to data integrity.

197 During 2017–2018 we continued to align management of information security to ISO 27001, the international standard for information security. We updated our policies and processes regarding data breach management to ensure compliance with GDPR requirements from May 2018.

Anti-fraud, bribery and corruption

198 No incidents of fraud, bribery or corruption were detected during 2017–2018 (2016–2017: one). However, we are not complacent about the risk of incidents occurring. Anti-fraud and bribery training continues to be mandatory for all new staff and refresher training is undertaken every other year.

199 During 2017–2018 additional awareness raising activity was undertaken through internal communications designed to embed and sustain awareness of our anti-fraud, bribery and corruption policy and the need to comply with it. A Gifts and Hospitality policy is in place for Council members, partner members and staff which supports good practice in this area.

Modern slavery

200 We recognise the importance of our role in implementing the guidance of the Modern Slavery Act 2015. We have carried out an initial risk assessment of our processes internally and internationally during 2017–2018 to ensure a zero tolerance approach to slavery and human trafficking. Our Modern slavery statement is published on our website and kept under review by the Executive Board.

Key issues and risks addressed during the year

201 During the year the Council and the Executive have acted to address risk and control weaknesses in key areas as set out below, in addition to reprioritisation of the transformation programme discussed earlier.

Staffing capability and capacity

202 During 2017–2018 we recognised that there may be a risk around our capacity and capability to deliver all of our corporate commitments. In response we re-prioritised our transformation programme and strengthened our Executive Board, with new directorates established for People and Organisational Development and External Affairs.

203 We continue to analyse our recruitment and retention gaps to understand pressure points and develop a targeted response. Work will continue in 2018–2019 to review our attraction and engagement plans to strengthen our offer to increase the stability of our workforce.

Information and Communication Technology (ICT)

204 Significant risks were identified across the ICT portfolio including those emanating from legacy applications, cyber-risk and information security. One cyber security incident relating to unauthorised access (hacking) of phone systems resulted in a small financial loss. The lessons and mitigations identified from this issue and other risks resulted in a range of changes including improved policies, compliance audits, new escalation and incident management processes, and investments in replacing infrastructure, upgrading applications, and strengthening our security.

205 During 2017–2018, we experienced a range of technical issues and service interruptions relating to WISER, the system that contains our register. A comprehensive programme of risk management was implemented including daily data verifications and new processes for managing IT-related service interruptions across associated IT services or platforms. Our strategic IT investment programme will significantly reduce the operational and performance risks in the future.

Procurement and contracting

206 We have continued to strengthen procurement controls in line with recommendations from a number of internal and external audit reviews. We have improved the level of information we hold on contracts and contract performance, in particular through the implementation of a new E-Procurement software package.

207 Progress in relation to procurement capacity and improving capability has been slower than expected but by the last quarter in 2017–2018 the department had a substantive team supported by external procurement expertise. There is still an ongoing need for the organisation to develop its commercial awareness maturity further.

Finance

- 208 Internal audit reviews of payroll, key financial controls and budget controls have demonstrated improvements in all these areas. Issues with cost control highlighted the need to improve forecasting of activity that drives expenditure and improve the accuracy of forecasting. Improvements in record keeping systems to track expenditure commitments have produced improvements in forecasting. Further work to improve forecasting of activity and the resultant spend is planned for 2018–2019.

Workforce and our Register

- 209 During the year we saw a small overall decline in the size of the Register which we continue to monitor closely. The decline relates both to an increase in the numbers of nurses and midwives leaving the register and a slowing down in the numbers joining the register. This has a financial impact, as our income is derived from registration fees. We have adjusted our financial plans accordingly and continue to monitor the registration position closely. We will continue to seek information from employers and the four governments to better understand evolving workforce plans, so that we can forecast accordingly.
- 210 We recognise the wider implications of this for the health and social care sector. We share our data with the four governments and key stakeholders to help inform their work and will continue to do so.

Working with others to address shared risks

- 211 As indicated above, we are contributing to the ongoing work to address workforce issues affecting the health and social care sector.
- 212 We also provide regular reports to healthcare system regulators across the UK to help them address public protection risks. When we identify specific public protection risks that do not fall in our remit, we share relevant information with other regulators and statutory bodies; in 2017–2018, we shared information on 233 occasions. The information shared primarily relates to poor care and patient safety issues relating to wider health systems; serious criminal activity or patient harm which may result in a decision to bar individuals from working with particular groups of people. We also shared information where there were regulatory concerns relating to other healthcare professionals such as doctors or paramedics. Together with other healthcare regulators, we have developed a joint protocol for escalating and sharing information about regulatory risks.

Internal Audit annual opinion 2017–2018

- 213 Nine internal audit assignments were conducted during the year in accordance with the programme agreed by the Audit Committee. All internal audit recommendations were accepted and implemented or are being addressed, with implementation overseen by the Audit Committee. Internal audit also reviewed the implementation of previous recommendations. In addition, advisory reviews were

carried out looking at processes to properly record accruals and at the handling of an information technology incident.

214 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.”

215 Key challenges highlighted for the future were: the inherent vulnerability of some of our IT infrastructure; delivery of the procurement improvement plan; improving our contract management; the need to improve human resources core controls; and ensuring our improving cost management is embedded.

216 As noted in the Internal Audit annual report, timely and full implementation of Internal Audit recommendations indicates that management is taking positive steps to improve. Work continues on improving the risk and control environment and frameworks affecting key areas of activity. However, many improvements are taking time to realise and work will continue in 2018–2019.

Key issues and risks going forward

217 A significant focus for the coming year will be addressing the PSA Lessons Learned recommendations around how we treat those who have contact with us; transparency in practice and an open and learning culture. We will be taking forward both specific actions and embedding the principles of the recommendations in the significant programmes of work included as priorities in our corporate plan. This includes for example, taking into account the learning as we develop our new proficiency standards for the midwives of the future and as we develop and implement our new strategic approach to fitness to practise.

218 The Council has undertaken a thorough review of our corporate priorities and organisational risks in the light of changes of senior leadership, including the departure of the Chief Executive and Registrar. Robust transitional arrangements have been put in place to ensure continuity and a realistic, pragmatic approach is being taken, including pausing or deferring non business critical projects and programmes as appropriate, to manage risk and secure delivery of our key priorities.

219 Future work areas and programmes which may present issues and risks which we will address in the year ahead include:

219.1 Implementing the standards, processes and systems to begin regulation of a new profession, nursing associates, by early 2019 as requested by the government.

219.2 Emerging implications for healthcare regulation and the NMC stemming from the planned UK exit from the EU. We will continue to monitor the situation and seek clarity from employers and the government.

- 219.3 Continuing to build capability, capacity and resilience through implementation of our People Strategy to support, challenge and develop our staff for the future.
- 219.4 Commencing a programme to modernise our IT infrastructure and systems, beginning with the replacement of the technology that supports the Register. The Council has approved a new IT Strategy and agreed an initial strategic investment proposal to take this work forward.
- 219.5 Redesigning the procurement function and implementing a range of process changes and technology solutions.
- 219.6 Ensuring we comply with the requirements of the General Data Protection Regulation (GDPR) which came into force on 25 May 2018. We have plans in place to address areas requiring particular attention such as retention of historical information.
- 220 We are committed to addressing the issues identified in the Internal Audit annual report. We intend to strengthen the internal control framework with a particular focus on finance; procurement and contract management; and data handling. We will continue to manage and monitor the performance of our existing IT systems while beginning to deliver solutions to replace them.
- 221 We will monitor closely our capability and capacity to deliver our major change programmes while continuing to deliver quality service standards to our registrants.

Overall assessment of effectiveness of governance and assurance

- 222 As Chair of the Council and Interim Accounting Officer, we have reviewed the effectiveness of governance and internal controls.
- 223 As part of a comprehensive assurance handover, we received a statement of assurance from the outgoing Accounting Officer confirming that the assessment given below is a true and accurate reflection of the NMC's position. The statement was supported by a range of evidence, including the opinion and report of the Head of Internal Audit, the assessments by directors of the quality of controls and assurance in place in the directorates for which they are responsible; and an annual review of the effectiveness of risk management. We have also relied upon the Opinion and Management Letter of our external auditors; and the Audit Completion Report and Management Letter of the NAO. The Audit Committee has provided assurance to the Council on the effectiveness of our arrangements.

224 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, human resources controls and IT. Ensuring that improvements are embedded and sustained will be a focus for the year ahead.

Philip Graf
Chair, NMC
16 October 2018

Sue Killen
Interim Chief Executive and Registrar, NMC
16 October 2018

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

Opinion

We have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flow, and notes to the financial statements, including a summary of significant accounting policies. 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 trustees, 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. 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 Auditor's 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018 and of the charity's 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.

Basis for opinion

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 the Acts and relevant regulations made or having effect thereunder. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of trustees (Council) for the financial statements

As explained more fully in the Statement of the responsibilities of the Council, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report and Strategic Plan. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 and the Charities Accounts (Scotland) Regulations require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charity, or returns adequate for our audit have not been received from branches not visited by us; or
- sufficient and proper accounting records have not been kept; or
- the charity 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 Auditors

16 October 2018

10 Queen Street Place
London
EC4R 1AG

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

Opinion on financial statements

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2018 under Article 52 of the Nursing and Midwifery Order 2001. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 2018 and of its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Nursing and Midwifery Order 2001 and the determination of the Privy Council issued thereunder.

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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Nursing and Midwifery Council in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Council and of the Chief Executive and Registrar

As explained more fully in the Statement of the responsibilities of the Council and of the Chief Executive and Registrar in respect of the accounts, 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Nursing and Midwifery Order 2001.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nursing and Midwifery Council's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nursing and Midwifery Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Council and the Chief Executive and Registrar are responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the Annual Report has been properly prepared in accordance with the determination made by the Privy Council under the Nursing and Midwifery Order 2001;
- in the light of the knowledge and understanding of the Nursing and Midwifery Council and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report which we provide a positive consistency opinion on 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.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Date: 22 October 2018

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 2018

		Unrestricted funds 2017-18	Restricted funds 2017-18	Total 2017-18	2016-17
	Note	£'000	£'000	£'000	£'000
Income from:					
Charitable activities:					
Fees	2	84,257	-	84,257	84,988
Investments	3	258	-	258	586
Other Income	3	3,454	-	3,454	581
Total		87,969	-	87,969	86,155
Expenditure on:					
Charitable activities	4,5	(87,890)	-	(87,890)	(86,646)
Total		(87,890)	-	(87,890)	(86,646)
Net income/(expenditure)		79	-	79	(491)
Other recognised gains/(losses)					
Actuarial (losses)/gains on defined benefit pension scheme	21	(67)	-	(67)	553
Net movement in funds		12	-	12	62
Reconciliation of funds:					
Total funds brought forward	24	41,175	-	41,175	41,113
Total funds carried forward		41,187	-	41,187	41,175

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 62 to 86 form part of these accounts.

Balance sheet as at 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Fixed assets			
Tangible	13	<u>18,932</u>	<u>21,745</u>
Total fixed assets		<u>18,932</u>	<u>21,745</u>
Current assets			
Debtors	15	4,083	3,919
Investments		65,511	59,653
Cash at bank and in hand		<u>16,665</u>	<u>22,597</u>
Total current assets		86,259	86,169
Liabilities			
Creditors: Amounts falling due within one year	16	(50,380)	(52,965)
Provisions: Amounts falling due within one year	17	<u>(483)</u>	<u>(76)</u>
Total current liabilities		<u>(50,863)</u>	<u>(53,041)</u>
Net current assets		35,396	33,128
Total assets less current liabilities		54,328	54,873
Creditors: Amounts falling due after more than one year	18	(485)	(611)
Provisions: Amounts falling due after more than one year	19	<u>(956)</u>	<u>(899)</u>
Net assets excluding pension liability		<u>52,887</u>	<u>53,363</u>
Defined benefit pension scheme liability	21	<u>(11,700)</u>	<u>(12,188)</u>
Total net assets	25	<u>41,187</u>	<u>41,175</u>
The funds of the NMC			
Restricted income funds		-	-
Unrestricted funds	24	<u>41,187</u>	<u>41,175</u>
Total funds		<u>41,187</u>	<u>41,175</u>

The notes on pages 62 to 86 form part of these accounts.

Philip Graf
Chair, NMC
16 October 2018

Sue Killen
Interim Chief Executive and Registrar, NMC
16 October 2018

Statement of cash flow for the year ended 31 March 2018

	Note	2017-18		2016-17	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net cash provided/(used in) by operating activities			155		(716)
Cash flow from investing activities					
Proceeds on maturity of investments		-		62,100	
Interest from investments	3	258		586	
Purchase of property, plant and equipment	13	(487)		(2,329)	
Net cash (used in)/provided by investing activities			(229)		60,357
Change in cash and cash equivalents in the reporting period			(74)		59,641
Cash and cash equivalents at the beginning of the year			82,250		22,609
Cash and cash equivalents at the end of the year			82,176		82,250

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

	2017-18	2016-17
	£'000	£'000
Net income/(expenditure) from the reporting period (as per the statement of financial activities)	79	(491)
Interest from investments	(258)	(586)
Depreciation charges	3,300	3,692
Loss on equipment disposal	-	92
Decrease/(increase) in debtors	(164)	(345)
Increase/(decrease) in creditors and provisions	(2,247)	(3,195)
Movements in pensions	(555)	117
Net cash inflow from operating activities	155	(716)

Analysis of cash and cash equivalents

	2017-18	2016-17
	£'000	£'000
Cash at bank and in hand	16,665	22,597
Investments (short-term deposits)	65,511	59,653
Total	<u>82,176</u>	<u>82,250</u>

The notes on pages 62 to 86 form part of these accounts.

As at 31 March 2018, 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 when NMC has evidence of entitlement, probability of receipt and the income can be reliably measured. Grant income is recognised in restricted funds when the grantor specifies that the income must be applied to a specific purpose.

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). Apprenticeship Levy costs are expensed to 'social security and other taxes' as the levy falls due.

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 grantors. 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
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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 £5,000 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.

¹¹ See Note 13.1

2. Fee income

	2017-18 £'000	2016-17 £'000
Registrant fees	82,807	83,079
Other fees	1,450	1,909
Total	<u>84,257</u>	<u>84,988</u>

3. Investment and Other income

	Unrestricted £'000	Restricted £'000	Total 2017-18 £'000	Total 2016-17 £'000
Interest earned from bank deposits	258	-	258	586
Other income	3,454	-	3,454	581
Total	<u>3,712</u>	<u>-</u>	<u>3,712</u>	<u>1,167</u>

Other income includes reimbursement from the Department of Health and Social Care for work undertaken by the NMC on nursing associates.

4. Charitable activities

	Unrestricted £'000	Restricted £'000	Total 2017-18 £'000	Total 2016-17 £'000
Standards promotion and policy development	4,384	-	4,384	2,921
Education	3,711	-	3,711	3,445
Maintaining the register	11,204	-	11,204	11,423
Fitness to practise	66,151	-	66,151	66,451
Communications and public engagement	2,440	-	2,440	2,406
Total	<u>87,890</u>	<u>-</u>	<u>87,890</u>	<u>86,646</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 2017-18 £'000	Total 2016-17 £'000
Charitable activities:					
Standards promotion and policy development	1,995	70	2,319	4,384	2,921
Education	1,810	109	1,792	3,711	3,445
Maintaining the register	7,528	682	2,994	11,204	11,423
Fitness to practise	30,437	2,316	33,398	66,151	66,451
Communications and public engagement	1,608	123	709	2,440	2,406
Total	<u>43,378</u>	<u>3,300</u>	<u>41,212</u>	<u>87,890</u>	<u>86,646</u>

Staff costs include wages and salaries of £40,489,000 (See Note10)

6. Analysis of expenditure on charitable activities

	Activities undertaken directly £'000	Support costs £'000	Total 2017-18 £'000	Total 2016-17 £'000
Charitable activities:				
Standards promotion and policy development	3,815	569	4,384	2,921
Education	2,817	894	3,711	3,445
Maintaining the register	5,639	5,565	11,204	11,423
Fitness to practise	47,244	18,907	66,151	66,451
Communications and public engagement	1,437	1,003	2,440	2,406
Total	<u>60,952</u>	<u>26,938</u>	<u>87,890</u>	<u>86,646</u>

7. Governance costs included within support costs

The breakdown of governance costs is:

	2017-18 £'000	Restated 2016-17 ¹³ £'000
Members' allowances, national insurance, travel and subsistence	366	275
Auditors' remuneration haysmacintyre	21	20
Auditors' remuneration NAO	6	6
Professional fees (including PSA annual fee)	1,762	1,745
Operating costs (including salaries)	1,892	2,000
Total	<u>4,047</u>	<u>4,046</u>

¹³ See Note 26.

8. Analysis of support costs

Support cost ¹⁴	Standards promotion and policy development	Education	Maintaining the register	Fitness to practise	Communications and public engagement	Total 2017-18	Total 2016-17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Facilities	52	82	508	1,726	92	2,460	2,298
Finance and Procurement	61	95	592	2,014	107	2,869	2,321
HR	59	92	573	1,946	103	2,773	2,448
ICT	209	328	2,044	6,943	368	9,892	12,645
Governance	85	134	836	2,841	151	4,047	4,046
Management and Administration	103	163	1,011	3,437	183	4,897	5,751
Total	569	894	5,564	18,907	1,004	26,938	29,508

¹⁴ Basis of allocation is headcount.

9. Total resources expended by cost category

	2017-18 £'000	2016-17 £'000	Details (see below)
Salaries and associated costs	40,489	38,156	9.1
Hearing costs	22,144	21,136	9.2
Professional fees	8,823	8,986	
Premises	4,646	4,644	
Depreciation	3,300	3,692	
IT development and support	2,417	3,665	9.3
Other staff expenses	1,325	1,115	
Quality assurance of education	1,014	1,077	
Other support costs	617	686	
Recruitment	466	652	
Registrations appeals	435	376	
Members' allowances, NI, travel and subsistence	366	275	
Postage	284	323	
Furniture, equipment and maintenance	201	79	
Printing and postage of NMC publications	192	139	
Staff canteen	188	278	
Insurance ¹⁵	172	183	
Printing and stationery	170	215	
Dilapidations	121	275	
Committee costs	103	36	
Conferences, seminars and publicity	50	63	
Auditors' remuneration - haysmacintyre	21	20	
Auditors' remuneration - NAO	6	6	
Loss on equipment disposal	-	92	
Finance Charges	340	477	
Total	87,890	86,646	

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 2017–2018 due to a combination of a higher number of employees, salary levels and promotions compared with 2016–2017.

The NMC approved an increase in pay for all eligible staff of 2 percent with effect from 1 April 2017 (1 April 2016: between 1.5 to 3 percent). A further increase was approved

¹⁵ Includes trustees' indemnity insurance.

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 decreased by £0.650 million. This has been driven by less 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 is largely due to the change in the cost recognition of external legal investigations in 2017–2018 compared to prior year. The full costs of investigations are now recognised when committed, which was not the case in 2016-2017.

9.3 IT development and support

IT systems maintenance and hardware costs have reduced by approximately £1.1 million as the drive to engage the initial phases of the Transformation and Education programmes took place in the prior year.

10. Information regarding employees

	2017-18	2016-17
	£'000	£'000
Salaries and associated costs		
Wages and salaries: ¹⁶		
Executive Team	977	929
Other Staff	26,067	23,677
Total	<u>27,044</u>	<u>24,606</u>
Social security costs (Employer's NI contributions):		
Executive Team	141	121
Other Staff	2,719	2,437
Total	<u>2,860</u>	<u>2,558</u>
Pension costs – present staff: ¹⁷		
Executive Team		
- Defined benefit	475	134
- Defined contribution	52	32
Other Staff		
- Defined benefit	2,253	2,641
- Defined contribution	1,511	1,103
Total	<u>4,291</u>	<u>3,910</u>
Pension costs – retired staff of previous organisations ¹⁸	22	172
Temporary and contractor staff:		
Executive Team	26	139
Other Staff	6,031	6,575
Total	<u>6,057</u>	<u>6,714</u>
Termination Payments: ¹⁹		
Executive Team	123	20
Other Staff	92	176
Total	<u>215</u>	<u>196</u>
Total	<u><u>40,489</u></u>	<u><u>38,156</u></u>

¹⁶ See Note 9.1.

¹⁷ See Note 21.

¹⁸ See Note 21.

¹⁹ This includes extra contractual payments of £27,000, redundancy payments of £43,000 and payments in lieu of notice of £145,000 (2016–2017: Redundancy payments of £58,000 and payment in lieu of notice of £138,000).

Information relating to the Executive team

For the breakdown of Executive team pay (including interim members for the period) refer to **table 1** in the remuneration report on page 32.

Remuneration bands (excl. interims) (£)	2017-18 Number of staff	2016-17 Number of staff
50,001 - 60,000	1	1
90,001 - 100,000	1	1
100,001 - 110,000	2	1
110,001 - 120,000	-	1
120,001 - 130,000	2	1
130,001 - 140,000	1	-
150,001 - 160,000	1	1
160,001 - 170,000	-	1
190,001 - 200,000	1	-
210,001 - 220,000	-	1

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

	2017-18 £	2016-17 £
S Page	501-1,000	1,501-2,000

The total accrued pension at age 60 at 31 March 2018 for those directors who participate in the NMC defined benefit pension scheme was as follows:

Total accrued pension at 60 at 31 March (£)	2017-18 Number of staff	2016-17 Number of staff
5,001 - 10,000	-	1
10,001 - 15,000	1	1
15,001 - 20,000	2	1
25,001 - 30,000	-	1
30,001 – 35,000	1	-

Directors are ordinary members of the NMC pension schemes.

During 2017–2018 employer contributions were made into the defined contribution pension scheme on behalf of four directors, totalling £53,000 (2016–2017: £31,531).

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 2017–2018 was 7 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 59 (2016–2017: 45) other members of staff whose remuneration (salary, bonus payments, PILON) fell in the following bands:

Remuneration Bands (£)	2017–18	2016–17
	Number of staff	Number of staff
60,001 – 70,000	33	24
70,001 – 80,000	11	12
80,001 – 90,000	10	5
90,001 – 100,000	4	3
120,001 – 130,000	1	-
130,001 – 140,000	-	1

The average number of employees in the year was 712 (senior management 7 and other staff 705) and in the previous year was 681 (senior management 8 and other staff 673).

11. Net income/(expenditure) for the year

This is stated after charging:

	2017–18	2016–17
	£'000	£'000
Operating leases:		
Equipment	-	1
Buildings	2,320	2,346
Auditor remuneration:		
haysmacintyre	21	20
NAO	6	6
Depreciation	3,300	3,692

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 ²⁰	23PP Building refurbishment	FtP Buildings refurbishment	IT Projects	Capital Work-in- progress ²¹	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
1 Apr 2017	555	9,669	15,448	5,694	6,504	1,812	896	40,578
Additions	-	487	-	-	-	-	-	487
Transfers	-	178	-	-	-	-	(178)	-
31 Mar 2018	<u>555</u>	<u>10,334</u>	<u>15,448</u>	<u>5,694</u>	<u>6,504</u>	<u>1,812</u>	<u>718</u>	<u>41,065</u>
Depreciation:								
1 Apr 2017	342	6,525	1,007	5,448	3,699	1,812	-	18,833
Charge for year	27	2,136	354	120	663	-	-	3,300
31 Mar 2018	<u>369</u>	<u>8,661</u>	<u>1,361</u>	<u>5,568</u>	<u>4,362</u>	<u>1,812</u>	<u>-</u>	<u>22,133</u>
Net book value 31 Mar 2017	213	3,144	14,441	246	2,805	-	896	21,745
Net book value 31 Mar 2018	<u>186</u>	<u>1,673</u>	<u>14,087</u>	<u>126</u>	<u>2,142</u>	<u>-</u>	<u>718</u>	<u>18,932</u>

Once capital work-in-progress projects are completed the assets are added to the Fixed Asset Register.

²⁰ See Note 13.1.

²¹ 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 and Social Care, the NMC has regular contact with the Department on policy and other matters.

During the period 1 April 2017 to 31 March 2018, the total amount paid in respect of those holding the office of Chair was £63,050 (2016–2017: £48,000).

During the year, allowances, travel and subsistence and training expenses of £365,828 (2016–2017: £274,738) 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 28 of the remuneration report.

An accrual of £41,731 (2016–2017: £35,609) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

15. Debtors

	2017–18	2016–17
	£'000	£'000
Debtors	542	376
Prepayments and accrued income	3,541	3,543
Total	4,083	3,919

16. Creditors

Amounts falling due within one year	2017–18	2016–17
	£'000	£'000
Creditors and accruals	6,370	7,052
Other taxes and social security	862	797
Deferred income – Registrant fees for 2017–2018	-	45,116
Deferred income – Registrant fees for 2018–2019	43,148	-
Total	<u>50,380</u>	<u>52,965</u>

17. Provisions

Amounts falling due within one year	2017–18	2016–17
	£'000	£'000
Software	416	-
Dilapidations	-	9
Pension provision – early retirement	67	67
Total	<u>483</u>	<u>76</u>

The software provision is the estimated cost of licence compliance still to be determined by an external supplier as and when the testing has been completed. There is uncertainty as to the timing and value of the cost and so it cannot be recognised as an accrual.

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.

18. Creditors

Amounts falling due after more than one year	2017–18	2016–17
	£'000	£'000
Deferred income – Registrant fees for 2018–2019	-	126
Deferred income – Registrant fees for 2019–2020	117	-
Lease premium	368	485
Total	<u>485</u>	<u>611</u>

19. Provisions

Amounts falling due after more than one year	2017–18	2016–17
	£'000	£'000
Dilapidations	733	609
Pension provision – early retirement	223	290
Total	<u>956</u>	<u>899</u>

20. Charitable status

On 27 March 2002 the NMC was registered in the Central Register of Charities (charity no. 1091434). In view of this a rate relief has been allowed by the City of Westminster. There are also tax benefits because of this status²². On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

21. Pension commitments

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

The NMC participates in a defined benefit multi-employer scheme with the Department of Health and Social Care (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 17 percent of the NMC's employees belong as at 31 March 2018, 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 2016, using the projected unit method of valuation. At the date of the valuation, the value of the scheme assets was £106.9 million (including annuities held for insured pensioners). The value of the assets represented 88 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 2026. The main assumptions used in the valuation were a real return on investments above salary increases of 0.65 percent per annum and above pension increases of -0.15 percent and -0.20 percent for non-pensioners and pensioners respectively per annum.

²² See Note 12.

If the scheme had been wound up on the valuation date (31 March 2016), the assets would have been approximately 72 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 £42.8 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 2018.

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

Amounts recognised in Balance Sheet

	2017-18 £'000	2016-17 £'000
Assets at fair value	72,414	68,279
Present value of defined benefit obligation	<u>(84,114)</u>	<u>(80,467)</u>
(Deficit)/Surplus	(11,700)	(12,188)
Net liability	<u>(11,700)</u>	<u>(12,188)</u>

Amounts recognised in Statement of Financial Activity (SoFA)

	2017-18 £'000	2016-17 £'000
Current service cost	(2,575)	(2,511)
Past service cost	-	(272)
Expected return on plan assets (now within "Net Interest")	1,769	2,079
Interest on pension obligation (now within "Net Interest")	(2,109)	(2,556)
Net amount recognised in SoFA	<u>(2,915)</u>	<u>(3,260)</u>

Reconciliation of present value defined benefit obligation

	2017-18 £'000	2016-17 £'000
Opening balance at 31 March 2017	80,467	71,980
Current service cost	2,575	2,511
Past service cost	-	272
Interest cost	2,109	2,556
Employee Contribution	341	415
Actuarial (Gain)\Losses	18	4,286
Benefits paid	(1,396)	(1,553)
Closing balance at 31 March 2018	<u>84,114</u>	<u>80,467</u>

Reconciliation of fair value plan assets

	2017-18 £'000	2016-17 £'000
Opening balance at 31 March 2017	68,279	59,355
Expected return on assets	1,769	2,079
Actuarial Gain\Losses	(49)	4,839
Employer contribution	3,470	3,144
Employee contribution	341	415
Settlements	-	-
Benefits paid	(1,396)	(1,553)
Closing balance at 31 March 2018	<u>72,414</u>	<u>68,279</u>

Reconciliation of change in funded status

	2017-18 £'000	2016-17 £'000
Opening balance at 31 March 2017	(12,188)	(12,625)
Pension expense	(2,915)	(3,260)
Employer contribution	3,470	3,144
Changes in exchange rates	-	-
Actuarial Gain\Losses	(67)	553
Closing balance at 31 March 2018	<u>(11,700)</u>	<u>(12,188)</u>
Actual return on plan assets	<u>1,720</u>	<u>6,918</u>

History of experience adjustments

	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000
Defined benefit obligation	(84,114)	(80,467)	(71,980)	(69,105)
Plan assets	72,414	68,279	59,355	52,638
Surplus\ (Deficit)	(11,700)	(12,188)	(12,625)	(16,467)
Experience adjustments on scheme liability	(2,795)	2,238	1,152	1,044
Experience adjustments on scheme assets	(49)	4,839	2,408	3,446

Expected contribution in following year

	At 31 March 2018 £'000
Employer	3,560
Employee	328
Total	3,888

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

	2018 per annum	2017 per annum	Life expectancy (at age 60) Years
Discount rate	2.55%	2.55%	Males born 1958 26.8
Retail price inflation	3.25%	3.40%	Females born 1958 28.8
Consumer price inflation	2.25%	2.40%	Males born 1978 28.7
Pension increases	3.15%	3.30%	Females born 1978 30.8
Expected return on assets	2.55%	2.55%	

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 7 percent of pensionable salary during 2017–2018 (2016–2017: 6 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.

	2017–18	2016–17
	£'000	£'000
NMC's (employer's) defined contribution scheme contributions made in year	1,555	1,134
	1,555	1,134
NMC's (employer's) contribution defined benefit scheme	39.3%	29.2%
Employees' contribution defined benefit scheme	6%	6%
NMC's (employer's) basic contribution defined contribution scheme	7%	6%
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 2017–2018 this expenditure amounted to £3,001 (2016–2017: £28,212).

22. Capital commitments

At 31 March 2018, 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 (2016–2017: Nil).

23. Operating lease commitments

At 31 March 2018 the NMC had the following future minimum operating lease payments:

	Land and buildings		Plant and equipment	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	£'000	£'000	£'000	£'000
• Within one year	2,367	2,602	-	2
• Between 1 and 5 years	4,449	6,169	-	-
• More than five years	198	844	-	-

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 service agreement for the use of Hanover Square, London, ended 31 October 2017.

24. Outline summary of fund movements

	Balance at 1 April 2017	Income	Expenditure	Transfers	Gains/ (losses) on defined benefit pension	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	41,175	87,969	(87,890)	-	(67)	41,187
Restricted funds	-	-	-	-	-	-
Total	<u>41,175</u>	<u>87,969</u>	<u>(87,890)</u>	<u>-</u>	<u>(67)</u>	<u>41,187</u>

25. Net assets by fund

	Unrestricted £'000	Restricted £'000	Total 2017-18 £'000
Fixed assets	18,932	-	18,932
Current assets	86,259	-	86,259
Current liabilities	(50,863)	-	(50,863)
Long-term liabilities	(1,441)	-	(1,441)
Defined benefit pension scheme liability	(11,700)	-	(11,700)
Balance at 31 March 2018	<u>41,187</u>	<u>-</u>	<u>41,187</u>

26. Prior Year Restatements

26.1 Allocation between Professional fees and Operating costs

Note 7: In 2017–2018, it was noted that in the prior period, £19,000 of Audit Committee costs had been allocated to the professional fees category. This has been restated in note 7 by reallocating these costs to the operating costs category increasing the total to £2 million for 2016–2017. This restatement was performed to provide more useful information and 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.

	2017–18	2016–17
	£'000	£'000
Financial assets measured at amortised cost	86,259	86,169
Financial liabilities measured at amortised cost	(7,232)	(7,849)

28. Comparative Statement of Financial Activities

In the year ended 31 March 2017 all income and expenditure was unrestricted with no brought forward restricted balance.

29. Extra-contractual payments

There were two extra contractual payments in the year ended 31 March 2018 totalling £26,769 (year ended 31 March 2017: Nil). Extra contractual payments in this context might typically be 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.

30. Contingent assets and contingent liabilities

Although negotiations are still ongoing with HMRC in relation to a potential refund of income tax and National Insurance payments made in prior years, we understand that, since the reporting date, HMRC has progressed the claim meaning that a settlement in our favour is now more likely. However, there is still a further stage of HMRC approval required which means the asset is probable but not virtually certain. It is estimated that £2.1 million plus accrued interest will be paid. The contingent asset has not been recognised as a debtor at 31 March 2018 because at that date, the amount was not reliably quantifiable and there was insufficient evidence to suggest that the outcome would be favourable.

There were no other contingent assets or liabilities after the balance sheet date.

31. Post-balance sheet events

The former Chief Executive and Registrar left the organisation at the end of July 2018. The Council appointed an Interim Chief Executive and Registrar and put in place robust transition arrangements. The Interim Chief Executive and Registrar has been appointed as the Interim Accounting Officer by the Privy Council. The Council has appointed a permanent Chief Executive and Registrar who will take up post in January 2019.

There were no other post-balance sheet events.

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

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 2001²³.

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.

²³ S.I. 2002/253

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

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

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

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

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

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

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

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