

Nursing and Midwifery Council: Annual Report and Accounts 2010-2011

Nursing and Midwifery Council

Annual Report and Accounts 2010-2011

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Chair's foreword

Since becoming Chair in January 2009, I have been keen for the NMC to develop as an organisation that is approachable, and that values the contribution of its partners. I have seen at first hand how the perception of the NMC among key professional and public stakeholders is changing. Increasingly, we draw praise for the collaborative way in which we approach our work.

This was exemplified by our Council meeting in September 2010. The meeting in Belfast was notable for the launch of our *Standards for pre-registration nursing education*. The standards will impact significantly on the profession and enhance the quality of patient care in the future. They were the result of a great deal of consultation and development with our partners across the UK, and our launch programme was developed closely with our colleagues in Northern Ireland.

However, partnership is not just about our work with external stakeholders. It also describes the way that the staff and members of the Council work. I would like to record my personal thanks to my colleagues, and particularly my fellow Council members, for their support and commitment to our work throughout the year.

The year ahead presents new challenges, not least the changing landscape of regulation which takes place against the backdrop of a difficult economic climate. However, I remain absolutely committed to ensuring that the NMC will continue to work constructively with its stakeholder partners to deliver cost effective and efficient regulation.

Professor Tony Hazell
Chair
Nursing and Midwifery Council

Introduction by the Chief Executive and Registrar

This has been an exciting and rewarding first full year as Chief Executive and Registrar. Over the last 12 months, I have been privileged to see many nurses and midwives at their work and I have spoken to them at length about their need to be responsive to the needs of their patients and proactive in all aspects of their practise.

The challenge of proactivity is one that I have also set for the NMC as an organisation.

Regulators cannot afford to be complacent in their approach. Our key stakeholders, including the professions we regulate, the government and, most importantly, the public rightly expect us to meet our challenges head on.

Last year has seen many examples of us taking the initiative:

- We have established more effective links with senior professional figures so they understand what we do and know how to raise public protection issues for our attention at an early stage.
- We have introduced a special unit to investigate and respond to safety concerns.
- We have developed meaningful information exchange arrangements with key organisations, including other regulators and agencies involved in public protection.

I have set a challenging agenda for the NMC and the next 12 months will see us undertake more new work and make further improvements. I would like to record my thanks to all of my colleagues for their commitment and hard work this year.

Professor Dickon Weir-Hughes
Chief Executive and Registrar
Nursing and Midwifery Council

Review of 2010-2011

Overview

The Nursing and Midwifery Council is established under the Nursing and Midwifery Order 2001. Our work is governed by this and associated legislation.

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

We are the statutory regulator for all of the United Kingdom's nurses and midwives.

Our charitable objective is to safeguard the health and wellbeing of the public. We set standards of education, training, conduct and performance for nurses and midwives, and hold the register of those who have qualified and meet those standards. We provide guidance and advice to help nurses and midwives keep their skills and knowledge up to date and uphold their professional standards. We have clear and transparent processes to investigate and deal with those whose fitness to practise is called into question. The pursuit of these aims delivers public benefit, in line with our charitable objectives.

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

Delivery against our business plan for 2010-2011

Our business plan organises our work to help us meet three strategic goals which reflect our statutory responsibilities. The first is our work in safeguarding the health and wellbeing of people using or needing the services of nurses and midwives. This central priority is supported by our activity in engaging with stakeholders, and both areas are reliant on high-quality staff and the necessary supporting systems.

It is against these three areas that we now report on progress made.

Safeguarding

Objectives

- Public protection will be at the centre of all of our activities. Our work will be designed around and measured against the benefits we can bring to the public:
- to set and measure high standards of education for nurses and midwives
- to safeguard the public's health and wellbeing by keeping an accessible accurate register of all nurses and midwives who are fit to practise in the UK
- to inspire confidence in people using maternity services by assuring the quality of supervision given to midwives
- to set clear expectations for nurses and midwives in practice so that the public can be confident of the care that they receive from a nurse or a midwife
- to bring about public confidence by taking swift and fair action to deal with individuals whose integrity or ability to provide safe care is questioned.

Achievements and performance

Education

Our new *Standards for pre-registration nursing education* were launched on target in September 2010, and all NMC approved educational institutions (AEIs) in the UK seeking to approve new pre-registration nursing programmes must meet the 2010 Standards. Following a schedule jointly agreed between AEIs and local programme commissioners, the first 33 AEIs have chosen to seek approval between February and June 2011, with the remaining 38 AEIs being assessed in the following two years. From September 2013, all new pre-registration programmes should have met the new standards, ensuring for the first time that all new nurses in the UK have been educated to degree-level.

As part of this work we have also developed advice and supporting information which aim to support AEIs and their practice learning providers to plan and implement the new standards.

Aside from these new processes, we continue to annually review the performance of programme providers in approved higher education institutions and their practice partners against five key risk areas: resources, admissions and progression, practise learning, fitness for practise and quality assurance. We currently approve 1,061 programmes at 84 educational institutions.

We are currently reviewing the quality assurance framework in order to inform future development of the quality assurance process.

Registration

The NMC register is the comprehensive database of all 665,132 nurses and midwives (as at March 2011), registered to practise in England, Wales, Scotland, Northern Ireland and the Islands.

We continue to seek ways of improving the register's accessibility, presentation and content to make it a helpful and dynamic safeguarding tool for all users.

In 2010 we worked with the National Health Service (NHS) on a joint project to provide daily updates of the NMC register directly into the Electronic Staff Record (ESR) system, which includes all health professionals in England and Wales. This will improve safeguarding by making it easier for authorised NHS users to view the registration and fitness to practise status of all the nurses and midwives they are responsible for.

Supervision of midwives

In January we published our report *Supervision, support and safety: Analysis of the 2009-2010 LSA annual reports to the NMC*. This report monitors and evaluates how effective local supervising authorities (LSAs) are in providing effective supervision across the UK and the Islands.

We undertook successful pilots in July 2010 and January 2011 of a new quality monitoring tool. This will provide a structured means of regular reporting from the LSAs demonstrating the effectiveness of statutory supervision and highlighting areas of concern. The first report will be available in April 2011.

We undertook formal reviews of six LSAs in this reporting period, measuring their performance in meeting the statutory requirements for the supervision of midwives. All the LSAs reviewed to date have demonstrated compliance with our standards. There were no extraordinary reviews.

Policy and standards

In September, we launched a new directorate for Nursing and Midwifery Policy and Standards. There are three new assistant directors now in post, responsible for policy, nursing and midwifery standards respectively, and we are investing in our staff and recruiting new colleagues to help us build an appropriate evidence base for all our work.

We have completed phase one of our review of the *Midwives rules and standards*. In respect of health visiting, we have provided additional guidance to our standards to allow flexible approaches to delivering education programmes. This has been designed to help in recruiting more health visitors into the profession.

We continue to develop our approach to ensuring that healthcare support workers working under the supervision of nurses and midwives deliver safe and effective care. We are initiating a project to review our guidance on delegation, to make it clearer and to reflect current practice. We have also completed an international literature review and study of advanced practice.

Fitness to practise

2010-2011 represented a year of significant change and progress for our Fitness to Practise directorate, with a new director and assistant directors appointed, and a substantial reorganisation of the directorate's structure and working practices.

In 2010 we focused on reviewing the quality and consistency of panel decision making, including implementing the learning from the Council for Healthcare Regulatory Excellence (CHRE) and other regulators. The aim of this work has been to improve the accuracy, consistency and integrity of decision making. To support this, we have introduced a new screening team, developed standard operating procedures, detailed inductions and training for all staff and continued learning from cases.

We have started developing other standard operating procedures to document processes across the directorate. These will be used to check compliance, as a tool for ensuring consistency of understanding amongst staff, and as a means of auditing work carried out. We have strengthened our standard letters to reflect our statutory powers and plan to streamline them further and make them more customer focused.

We have introduced a cause and effect process to help us identify and understand critical incidents and their impact on the business. This ensures we can make required improvements to processes, policy or systems to prevent incidents reoccurring. Moving forward, our quality assurance programme aims to ensure public protection by ensuring that appropriate checks and balances are in place to manage risks associated with our work.

As a result of our programme of work to improve communication and engagement with external stakeholders, and to address feedback from CHRE, we have appointed to a newly created post of head of external liaison. This role was introduced to build and maintain effective relationships with senior external stakeholder representatives, in particular with employers.

Fitness to practise: Caseload

A total of 4,211 cases were referred to us during the year. Investigating Committee panels considered 4,058 cases this year (2009-2010: 2,006). There were 1,847 cases (2009-2010: 1045) closed because the panels found no case to answer. The Investigating Committee referred 647 cases (2009-2010: 351) to the Conduct and Competence Committee and 38 (2009-2010: 68) to the Health Committee for hearings. The remaining cases are subject to ongoing investigation.

The Health Committee considered 221 cases (2009-2010: 235). Panels of the Conduct and Competence Committee heard 1,073 cases (2009-2010: 690) and the number of cases completed was 574 (2009-2010: 503).

There were 13 applications for restoration to the register during the last year (2009-2010: 6). Eight were successful.

Fitness to practise: Panellist training

All fitness to practise panellists have undertaken a range of learning events during the period of this report. To date, 179 panellists have attended update and networking

refresher learning events, and 67 chairs have attended update learning events. We also provided training for 82 Health Committee panellists and chairs. Thirty panel members have also attended a learning event about restoration hearings. Competency development workshops provided an opportunity for those panel members who had not sat often on a panel during 2010-2011 to ensure their decision making skills are kept up to date.

We provided specific training for 26 panellists and chairs on decision making in internet-related child abuse cases.

Between March and August 2010, 44 panel chairs underwent a 360 degree appraisal and since then 70 percent of our panellists have been through a 360 degree appraisal process.

A fuller report on our fitness to practise activity in the last year is available on our website and will be submitted to the Privy Council at the same time as this report.

Stakeholders

Objectives

- We will have open and effective relationships that will enable us to work in the public interest:
- to develop and maintain open and effective partnerships that help us positively influence the behaviour of nurses and midwives and promote public safety
- to promote equality and value diversity in all aspects of our work
- to develop and maintain constructive and responsive communications so that people are well informed about the standards of care expected from nurses and midwives.

Achievements and performance

Partnerships

Our Council holds at least one meeting each year in one of the four UK countries. In 2010 the Council visited Belfast where, in addition to the formal meeting of the Council, we visited a number of education and practice settings in the local community, hosted a reception for politicians at Stormont and launched our new standards for pre-registration nurse education training at Queen's University. We also held two events at Westminster where members of the House of Lords received briefings about our work and where we responded to their questions and concerns about nursing and midwifery issues.

A new position of assistant director for Scotland and Northern Ireland affairs was created during 2010 in recognition of the increasing variation in health and social care policy throughout the UK as a result of devolution. The purpose of the role is to build strong collaborative relationships with employers, senior level civil servants, educators, professional bodies and relevant health and social care organisations to ensure that our approach in Scotland and Northern Ireland is consistent with our approach in England, Wales and the Islands, ensuring that we fulfil our role as the UK wide regulator.

Partnership working has helped us to develop practical tools and support for nurses and midwives. For example, our guidance on raising and escalating concerns was developed in association with Public Concern at Work, Action on Elder Abuse, the Medical Defence Union, the National Childbirth Trust (NCT), the Royal College of Nursing (RCN), the Royal College of Midwives (RCM) and Unison.

Our review of pre-registration nursing education resulted in close partnership working with professional and public bodies. Working with the Alzheimer's Society, we identified a number of concerns relating to the care of people with dementia and cognitive impairment and we will explore this further with the society and the professions in the coming year. To support the implementation of the standards, we hosted more than 20 roadshows between October 2010 and January 2011. Over 1,300 nurses, educators, managers and commissioners attended the roadshows, and we are working with the UK government health departments and others to support implementation and a longer term evaluation.

During the last year we have made significant progress in developing sustainable European networks for both nursing and midwifery regulation. The network of midwifery regulators that was set up in May 2009 was expanded to 23 with new members. In May 2010 the European Commission (EC) invited the NMC to chair the review of the directive on recognition of professional qualifications insofar as it affects nursing. We collected and analysed national experience reports from 25 EU member states and Norway also provided information. This work has been published on the Commission's website.

Equality and diversity

At the end of 2010, we completed a year-long register-wide diversity data collection exercise. Between August 2009 and October 2010, diversity questionnaires were sent out to nurses and midwives who were making their annual registration payment and those who were registering for the first time. 432,165 completed responses have been received at 31 March 2011. This data will be analysed to help us ensure all nurses and midwives receive fair, open and honest treatment from us.

We have continued to embed equality and diversity awareness across the organisation. All staff are required to participate in and complete regular equality and diversity training. Following the Equality Act coming into force on 1 October 2010, we amended and improved our equality impact assessment process to ensure that all the new protected groups are included.

We ensure all our new standards, such as *Standards for pre-registration nursing education*, address our obligations under the Equality Act 2010. We also updated *Good health and good character: Guidance for approved education institutions* to ensure compliance with the new legislation.

We continued to participate in the Joint Healthcare Regulator Forum on Equality and Diversity, a group which shares good practice and promotes collaborative working in the area of equality and diversity. The forum has engaged with the Department of Health (England), and the Equality and Human Rights Commission over the last year.

In January 2011, we became members of the Diversity Champions programme, and our Chief Executive and Registrar spoke at Stonewall's first leadership event for people working in the NHS in England. We have also set up an LGBT network, to support and improve the working experiences of our lesbian, gay, bisexual and trans staff.

Communications

We have invested considerable effort over the past year in diversifying our communications channels, ensuring they are targeted and cost-effective, while ensuring we reach different groups with the information they need. Every nurse and midwife on our register receives an annual copy of NMC Update, which lists all the standards, guidance and other information that has been published over the previous twelve months, together with details of how this information can be accessed. We also make considerable use of email newsletters and social media. We currently send a fortnightly email newsletter to over 65,000 nurses and midwives, and over 17,000 people visit our Facebook page.

In April 2010, we introduced a series of 'meet the NMC' events for directors of nursing, directors of human resources and heads of midwifery from across the UK and the Islands. More than 400 people attended in 2010-2011. In addition, more than 1,000 nurse managers and senior nurses from across the UK signed up to attend roadshows for employers and managers.

In May 2010, we launched our new website. As well as meeting recognised standards for accessibility, the information on the website has been restructured, with defined areas for the general public, nurses and midwives, employers and managers, educators, students and the media. The new website features information for the public, available in 13 languages.

In September 2010, we published our new *Standards for pre-registration nursing education* online, allowing us in the future to make minor amendments in a transparent and accessible way.

In October 2010, we launched our 'safeguarding adults' campaign, which aimed to promote and support best practice in safeguarding adults from harm, abuse and neglect. At the core of the campaign was a website resource featuring four short films, links to useful resources, a training toolkit and access to order promotional posters and postcards. Through a combination of promotional activities during an initial eight-week period, the four films were viewed over 18,000 times. In March 2011, the films won a gold medal in the prestigious International Visual Communications Association awards. In November 2010, we sent everyone on our register a copy of *Raising and escalating concerns: Guidance for nurses and midwives*. We also made posters, highlighting the key points of the guidance, available to order through our website. As with the safeguarding adults campaign, we created an online hub with links to relevant information and training resources.

Staff

Objectives

- Our workforce will have the skills, knowledge and supporting systems needed to help us provide excellent services to the public and the people that we regulate:
- to build a culture of excellence by attracting, retaining and developing staff to deliver high quality services
- to have efficient and effective services that support the fulfilment of our statutory functions
- to develop and maintain effective governance processes that enable us to take clear and robust decisions and demonstrate our accountability
- to demonstrate that we provide value for money and that our processes are relevant, proportionate and based on evidence.

Achievements and performance

Staff

During 2010-2011, we implemented the outcomes of a fit for purpose review of our organisational structure. We reorganised our directorates to better align their responsibilities and introduced a number of roles to strengthen the management of the directorates, to improve succession planning and to broaden involvement of senior managers below director level in corporate decision-making. To support this we introduced a Corporate Leadership Board (CLB) as the executive decision-making body, which consists of all directors and assistant directors. Staff across the organisation receive a summary of the decisions made by the CLB to ensure transparency in decision making.

As in the previous year we put in place a training and development plan based on the needs identified through the annual performance development review process. This included further cohorts of our junior and middle management development programmes; the provision of personalised coaching for a number of staff; and the provision of a range of training covering skills needed to support delivery of business plans. Feedback from participants on their satisfaction with the development opportunities provided shows that we exceeded our key performance indicator of 80 percent.

We reviewed and refreshed the way we carry out corporate induction. We worked with all directorates to make it more streamlined and focused and improved the content of the pack given to new starters.

We transformed the way we provide statutory and mandatory training to employees, temporary workers and contractors. We put in place a coordinated programme including health and safety, equality and diversity, information security and risk. We used e-learning as a delivery method for much of our statutory and mandatory training combined with face to face and specialist expertise where required.

We implemented changes to our performance development review process, including introducing a competency framework. We also introduced a management capability framework as a result of feedback from our Investors in People review.

We undertook a staff survey in July 2010 and had a response rate of 78 percent. Staff were most positive about: having a clear understanding of the NMC's purpose and values; how people cooperate within teams; and opportunities for training and development. There are a number of areas for action and directors are working with representatives from the staff consultation group to develop and deliver a plan to address them. Among these were the impact of change and management of performance and pay.

During the year there was a change in membership of the staff consultation group as the period in office of members came to an end. We took the opportunity to refresh the terms of reference of the group. The group meets regularly and is taking forward a number of initiatives in conjunction with directors, including joint working on staff survey action plans; planning for the next team NMC day in October 2011; and taking the initiative on establishing communication links between the group and the wider workforce. We expect to see the benefits of this joint working during 2011-2012.

Services

During 2010-2011, we outsourced the hosting and support of our core ICT infrastructure, providing us with a more flexible, cost effective and resilient service. We launched a new staff intranet, an internet portal for our Council members, and further enhanced our fitness to practise case management system and our registrations system. We also made significant progress on updating the finance, HR and payroll systems, migrated to a single telephony platform and rationalised our telephone numbers.

We also launched the facility to pay annual registration fees online. This service has been well received by the nurses and midwives now using this payment method, and the system won us a Rapid Response Projects Real IT award.

Governance

Following a review of the Council's effectiveness which began in the previous financial year, the Council decided to streamline its governance structure, removing a number of committees in order that the Council could drive policy more effectively. On 1 January 2011 the Council introduced its new streamlined governance structure, with the Council meeting more frequently, supported by an Audit Committee and a Remuneration Committee. As part of this work the Midwifery Committee's terms of reference were more closely aligned to its statutory role. The Appointments Board continues in its role of appointing, appraising and training fitness to practise panellists. Further information on the role of the Council can be found in the section on structure, governance and management (see page 23).

Efficiency and effectiveness

As part of the continual drive for efficiency, cost savings and improvements to services, we have undertaken a review of the preferred methods of fee payments based on the cost of administration and convenience to nurses and midwives.

Progress has been made on improving our information security and data governance. An information security policy has been approved as part of the first phase of improving structures and procedures for information security and data governance practices.

Our procurement savings during the year have amounted to £830,000. This includes the successful tendering of the large legal investigations services contract.

We have continued to operate a robust system of internal control and stewardship of NMC assets, as evidenced by unqualified audit opinions again this year.

Financial review

The net incoming resources for the year amounted to £7,751,000 (2009-2010: £14,970,000).

The reserves of £50.1 million include the value of the lease of the Council's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2010 on an existing use basis at £13.75 million.

During the year income totalled £52,467,000 (2009-2010: £51,708,000) and was comprised of fee income of £51,397,000 (2009-2010: £51,095,000), investment income of £876,000 (2009-2010: £486,000), trading income of £5,000 (2009-2010: £77,000), and a grant from the Department of Health of £189,000 to assess the NMC's fitness to practise data in order to develop a risk-based framework for revalidation.

During the year expenditure totalled £44,716,000 (2009-2010: £36,738,000). This is further analysed within note 12 to the accounts.

The achievement of the NMC's financial recovery plan and requisite reserve levels in 2009-2010 means that our annual income can now be directed wholly towards our regulatory activity, to meet our primary aim of protecting the public. Therefore our expenditure has increased in 2010-2011, and the surplus has decreased, relative to prior years.

Reserves policy

The free reserves of the NMC were £32,547,000 at 31 March 2011 (£23,391,000 at 31 March 2010).

The Council's reserves policy requires that free reserves should equate to at least three months' worth of budgeted operating expenditure, plus an amount to cover the NMC's estimated share of the pension deficit based on the latest pension scheme valuation. It is intended that this reserves level will be phased in by 2014-2015. This level of reserves is considered to be appropriate, following the achievement of the NMC's financial recovery plan in 2009-2010, and given the relative financial stability of the NMC. It is considered sufficient to meet the NMC's operating priorities and working capital requirements in the event of a significant unplanned circumstance.

The Council has designated a strategic development fund to finance expenditure which enables the strategic objectives of the NMC's business plan to be achieved.

The level of free reserves is reviewed by trustees on a monthly basis. The reserves policy is reviewed by trustees as part of the annual planning process.

Investment policy

The NMC has the power to invest its surplus funds as it considers appropriate to generate income for the Council. Currently the NMC has a formal investment policy, which limits investment to low and no risk options. NMC funds are held in fixed interest deposit accounts spread across five UK high street banks. The revenue generated from the investment was £876,000 during the year.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 15 to the accounts. The cost of fixed assets additions during the year was £980,000.

The NMC's principal asset is its leasehold interest in 23 Portland Place. The lease is subject to a restrictive covenant and the rent is fixed at £250 per annum.

There were two major capital projects during the year. These were the continuation of the NMC's ICT infrastructure upgrade and transition to an outsourced supplier, at a cost of £641,000 and the commencement of an upgrade of the NMC's 'back office' systems including the automation of HR and payroll services, at a cost of £146,000.

The outsourcing of the ICT infrastructure will provide improved service delivery, innovation, value for money and security, and also provides the NMC with ready access to a larger pool of IT skills.

A project commenced in March 2011 to refit leased office premises at 114-116 George Street, Edinburgh.

Professor Tony Hazell
Chair, NMC
24 June 2011

Professor Dickon Weir-Hughes
Chief Executive and Registrar, NMC
24 June 2011

Remuneration report

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

The remuneration of the Chief Executive and Registrar and the other members of the senior management team (SMT) is reviewed annually. The SMT is made up of directors who report directly to the Chief Executive and Registrar. Any increases to pay are based on the rating awarded to the individual through the annual performance and development review (PDR) process, which is carried out in April. The Remuneration Committee advises the Chair on the remuneration of the Chief Executive and Registrar; it then advises the Chief Executive and Registrar on the remuneration of the members of the SMT. The composition of the Remuneration Committee is currently being decided, but will consist of three Council members and one independent member. Benchmarking of the roles of SMT members is carried out periodically by third parties and this information is made available to the Committee.

The remuneration of all other employees is also reviewed annually. As with the pay reviews for the SMT we make a direct link between each person's PDR rating and what they are awarded in the pay review. The SMT takes decisions each year on the percentage rises to be applied to the different PDR ratings for all other employees. They take account of overall affordability, cost of living rates, benchmarking data and recruitment and retention data. To ensure consistency managers make recommendations for PDR ratings for their team members in the first instance; this could be subject to change when reviewed by a manager's manager and subsequently by the SMT. Performance reviews are completed, signed off, and sent to HR by early May in order for any pay awards to meet the deadline for the July payroll. Any pay awards are made with effect from 1 April. The NMC has a pay guidance document which contains full details of how the pay arrangements operate.

All employees have a six month probation period on commencement of employment. All employees are entitled to join the NMC pension scheme from the start of their employment. The employee makes a contribution of six percent of salary. The employer's contribution is 24.1 percent. Approximately 50 percent of employees are scheme members.

The employment contract of the Chief Executive and Registrar requires notice of six months to be given by either party in order to terminate the contract. For senior managers the period is three months. For all other staff the period is either one or two months depending on grade.

The current Chief Executive and Registrar is Professor Dickon Weir-Hughes, who was appointed on 2 November 2009. His remuneration in 2010-2011 was £141,695 (2009-2010 from 2 November 2009: £57,944. The previous Chief Executive and Registrar was paid £92,842 in 2009-2010 for the period to 1 November 2009).

Professor Weir-Hughes is an ordinary member of the NMC pension scheme (see note 13). Details of his pension position are as follows:

The real increase during 2010-2011 in his pension at age 60 was between £0 and £2,500 pa (2009-2010: between £0 and £2,500).

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

The accrued pension at age 60 at 31 March 2011 was between £30,000 and £35,000 pa (31 March 2010 between £25,000 and £30,000 pa). If he took the maximum tax-free cash payment at age 60, the value of this lump sum at 31 March 2011 was between £145,000 and £150,000 and this would leave a residual pension of between £20,000 and £25,000 pa.

The cash equivalent transfer value of benefits at the beginning of the year was £475,000.

The real increase in the cash equivalent transfer value during 2010-2011, adjusted for inflation, to the nearest £1,000 was £10,000 (2009-2010: £0).

The cash equivalent transfer value of benefits at 31 March 2011 was £483,000 (31 March 2010 £475,000). The difference between the transfer value at the beginning of the year plus the real increase over the year, compared with the transfer value at 31 March 2011 is due to changes in the financial assumptions used to calculate transfer values at the two different dates.

The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2010-2011 or 2009-2010.

The Chief Executive and Registrar is the only employee directly appointed by and accountable to Council.

Further information about remuneration is contained in note 13 to the accounts. No other senior employee salaries are disclosed in full, as decision-making is vested in the Council members.

Council members do not receive remuneration for their services but receive an annual attendance allowance based on the requirement for members to spend two to three days per month on NMC business. The Chair receives an annual allowance based on the requirement to spend two to three days per week on NMC business.

Council members are paid £12,000 per annum. The Chair is paid £48,000 per annum. An attendance allowance of £260 per day is paid for attendance at training and induction activity prior to taking up appointment.

Allowances paid to Council members in 2010-2011 amounted to £204,780 (2009-2010: £204,260). Full details of the amounts paid are set out in the table on page 21.

No special payments were made to any Council member in 2010-2011.

Council member expenses and fees

Payments of attendance allowance to Council and committee members are made through a separate payroll with deductions for income tax and national insurance.

Expenses directly incurred in the performance of duties are reimbursed in accordance with the NMC's Travel and subsistence policy for members.

Where meetings are held in London, expenses are considered to be a taxable benefit in kind. The NMC pays the income tax and national insurance arising via a PAYE settlement agreement with HMRC. In 2010-2011 £24,394 was provided for this tax liability in relation to Council members (2009-2010: £17,249). The tax payable on deemed benefits in kind cannot be disclosed for each individual Council member, as it is calculated on an overall basis based on the total expenses and the proportion of Council members and other NMC office holders (that is, partner members of committees and fitness to practise panel members) in different income tax bands.

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

Council members	Allowance paid to member 2010-2011	Allowance paid to member 2009-2010	Expenses deemed benefit in kind 2010-2011	Expenses deemed benefit in kind 2009-2010
	(£)	(£)	(£)	(£)
Mrs A Aitken	12,000	12,000	5,042	4,097
Ms C Baron ¹	9,000	12,000	1,527	2,357
Dr K Bharj	12,000	12,000	2,590	1,569
Prof J Ellis	12,000	12,000	-	249
Mrs J Fletcher	12,000	12,000	2,653	5,271
Prof T Hazell – Chair	48,000	48,000	15,740	14,015
Mrs L Jacobs	12,000	12,000	1,585	1,185
Mrs G Nelson	12,000	12,000	2,789	4,835
Mr G Owen	12,000	12,000	2,707	2,709
Mr D Pyle	12,000	12,000	1,813	1,834
Mrs C Rees-Williams	12,000	12,000	1,410	1,993
Prof M Renfrew	12,000	12,000	3,694	7,358
Ms R Sawtell	12,000	12,260	502	640
Mrs B Teuten ²	3,780	N/A	133	N/A
Prof J Tunstill	12,000	12,000	-	57

Partner members, that is, members who are not council members but who are members of committees receive a daily attendance allowance of £260 and reasonable travel expenses.

Julia Drown, a partner member, was appointed Chair of the Audit Committee in December 2010. In 2010-2011 she was paid £520 in attendance allowance in this capacity, and incurred expenses considered to be a benefit in kind of £93. Prior to this appointment, she had been a member of the Business Planning and Governance Committee (disbanded in December 2010) and received allowances and expenses in this capacity. Throughout 2010-2011, she continued as a member of the Pension Fund Trustees and allowances and expenses received in this capacity are also detailed (see table on page 22).

¹ Member of Council until 31 December 2010

² Member of Council from 1 January 2011 with induction training in December 2010

The Chair of the Audit, Risk and Assurance Committee (the predecessor committee to the Audit Committee) was Council member David Pyle. His total payments are disclosed in the table on page 21.

Attendance allowance and expenses for Julia Drown 2010-2011

Role	Attendance allowance (£)	Expenses (£)
Audit Committee	520	93
Business Planning and Governance Committee meetings	520	120
Pension meetings	1560	529
Meeting with NMC Chair and Assistant Director, Governance	0	14
Total	2600	756

All above expenditure is taxable as it relates to London

Methods used to assess performance

The appraisal system for Council members was agreed by the Council in 2010. The system provides a mechanism for annual self-appraisal; and a feedback session which provides an opportunity for members of Council to discuss their experiences of the NMC with the Chair. The system is competency-based, in common with many systems used for review of board members. Members complete a self appraisal form and meet with the Chair for discussion and feedback and identification of any training needs.

The Chair of Council is undergoing a 360 degree appraisal process which will include feedback from Council members, members of the senior management team and external stakeholders the Chair has regular contact with.

Professor Tony Hazell
Chair, NMC
24 June 2011

Professor Dickon Weir-Hughes
Chief Executive and Registrar, NMC
24 June 2011

Structure, governance and management

The trustees present their report and financial statements for the year ended 31 March 2011. In preparing this report, the trustees have complied with the Charities Act 1993 and applicable accounting standards. The statements are in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised March 2005).

Membership of the Council

The Council is the governing body of the NMC. There are 14 members of the Council: seven registrant members and seven lay members. All are appointed by the Privy Council. The following Council members were appointed on 1 January 2009 unless otherwise stated:

Professor Tony Hazell (Chair)	
Alison Aitken	
Christina Baron	(retired 31 December 2010)
Dr Kuldip Bharj OBE	(reappointed 1 January 2011)
Professor Judith Ellis MBE	
Joyce Fletcher	
Lorna Jacobs	(reappointed 1 January 2011)
Gayle Nelson	(reappointed 1 January 2011)
Grahame Owen	
David Pyle	(reappointed 1 January 2011)
Carole Rees-Williams	(reappointed 1 January 2011)
Professor Mary Renfrew	
Ruth Sawtell	(appointed 1 March 2009)
Beatrice Teuten	(appointed 1 January 2011)
Professor Jane Tunstill	

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

The Council has reviewed and agreed its scheme of delegation in light of these changes which determines the responsibilities of the Council, the committees and the Chief Executive and Registrar. The Council and committees work within standing orders which have also been reviewed and revised.

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

Committees

The committee structure consists of four committees. One of these, the Midwifery Committee is a policy committee. The other committees make decisions about the governance of the organisation. These are the Appointments Board, the Audit Committee and the Remuneration Committee.

The committees consist of Council members and partner members who were recruited against specific competences specific to the remit of the committee.

Midwifery Committee

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

Audit Committee

The Audit Committee is responsible for ensuring that Council has effective controls in place and that there are appropriate systems in place for managing risk. The committee is chaired by Julia Drown and consists of three Council members and three partner members.

Remuneration Committee

The remit of the Remuneration Committee is to advise the Chair of Council on the appointment and remuneration of the Chief Executive and Registrar and to advise the Chief Executive and Registrar on the appointment and remuneration of the members of the senior management team, ensuring equity and probity and that good practice in corporate governance is followed.

Management

Since November 2009, the Chief Executive and Registrar has been Dickon Weir-Hughes. He is accountable to the Council for the management of the NMC.

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

23 Portland Place
London
W1B 1PZ

61 Aldwych
London
WC2B 4AE

114-116 George Street
Edinburgh
EH2 4LH

The Council's advisers

Joint Auditors

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

Joint Auditors

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

Bankers

HSBC
117 Great Portland Street
London
W1A 4UY

Solicitors

Field Fisher Waterhouse
35 Vine Street
London
EC3N 2AA

Internal Auditors

PKF
Accountants and Business Advisors
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Risk review

We regularly review our objectives to identify risks and barriers which might prevent us achieving our objectives. We have implemented systems and procedures to mitigate and manage risks. Further information relating to risk management is included in the statement on internal control on pages 30 to 33.

Public benefit

The aims of the NMC meet the requirements of the Charities Act 2006 in terms of charitable purpose: the advancement of education with respect to the setting of standards for nursing and midwifery education, and the advancement of health with respect to setting standards for nursing and midwifery practice and our fitness to practise activities. We consider that we meet the two key principles of public benefit, as defined by the Charity Commission, which are firstly that benefits must be identifiable and secondly that benefit must be to the public. Our work ensures that every individual receiving nursing and midwifery care can be assured of the standard of that care, and that those who are not fit to practise are called to account, and therefore the health and wellbeing of the public is safeguarded.

The Council confirms that it has complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Commission in determining the activities undertaken by the charity. The Council takes public benefit into consideration when making decisions. The Council were formally reminded of these responsibilities at a meeting which took place on 26 May 2011.

Scotland

The NMC has been registered with the Office of the Scottish Charity Regulator since June 2007. As with each of the four countries of the UK, the NMC carries out a number of activities in Scotland and enjoys a close working relationship with Scotland's Chief Nurse and other senior officials. The NMC is opening an office and hearing space in Edinburgh, and an assistant director for Scotland and Ireland affairs has been recruited. There were 66,639 nurses and midwives on our register in Scotland as at March 2011, compared with 70,267 in March 2010.

Northern Ireland

The NMC will register as a charity in Northern Ireland when the Charity Commission of Northern Ireland begins registering charities already registered with the Charity Commission in England and Wales. The NMC carried out a number of activities in Northern Ireland and enjoys close working relationships with Northern Ireland's Chief Nurse and other senior officials. The assistant director for Scotland and Northern Ireland affairs leads this work. There were 22,436 nurses and midwives on our register in Northern Ireland as at March 2011 compared with 21,811 in March 2010.

Wales

The NMC works closely with the Welsh Assembly Government, the Chief Nurse and other senior officials as well as carrying out a wide range of activities in Wales. There were 32,973 nurses and midwives registered by the NMC in Wales in March 2011 compared with 27,492 in March 2010.

Relevant audit information

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

Professor Tony Hazell
Chair, NMC
24 June 2011

Professor Dickon Weir-Hughes
Chief Executive and Registrar, NMC
24 June 2011

Future plans

All NMC activities are designed to help us meet our statutory objective.

We deliver the following regulatory services:

- We register all nurses and midwives and ensure that they are properly qualified and competent to work in the UK.
- We set standards of education and quality assure the delivery of nursing and midwifery education leading to registration.
- We ensure that nurses and midwives keep their skills and knowledge up to date and uphold the standards of their professional code ('The Code').
- We ensure that midwives are safe to practise by setting rules for their practice and supervision.
- We investigate allegations made against nurses and midwives who may not have followed the code.

Strategic challenges

The coming year presents new challenges. We will work to meet those challenges whilst improving our effectiveness so that we can continue to meet our statutory objective.

We know that the environment in which nurses and midwives practise is changing:

- The health and lifestyles of people using nursing and midwifery services is changing. This is partly attributable to an ageing UK population. As well as changing public health needs, the public have growing expectations of the role they will play in their own health care and how healthcare professionals will support them.
- The public sector as a whole is experiencing unprecedented financial restrictions. Efficiency savings and improvements to productivity are already core issues. The public will need assurance that their safety and wellbeing is not being compromised.
- New service delivery models have resulted in nurses and midwives working in different settings and in different ways, within a variety of employment structures. If these trends continue, traditional models of nurses and midwives working in acute or hospital settings treating conditions will decline.
- Nursing and midwifery roles are evolving as some move into more advanced roles. There will be more diversity of roles in the overall nursing and midwifery workforce as employers look for flexibility.
- Replacing an ageing and experienced nursing and midwifery workforce will soon be a significant challenge for employers.

To meet these challenges the NMC will need to be effective, forward thinking and flexible. To achieve this we will:

- set high standards of education and practice for nurses and midwives. We will monitor and assure the quality of education programmes leading to registration and provide clear expectations for nurses and midwives in practice
- work proactively with regulators and other agencies to safeguard the public's health and wellbeing by sharing information where appropriate and acting swiftly when poor practice is highlighted
- continue to improve our fitness to practise function and work hard to reduce backlogs and improve staffing and performance
- ensure that our work is informed by the needs of our customers including the public, nurses and midwives, educators and employers
- continue to develop our services to effectively support the fulfilment of our statutory functions
- enhance our presence and engagement across the four countries of the UK.

Strategic goals

We remain committed to realising our three strategic goals by 2014. These are core to our work and form the foundation of our future plans:

- **Safeguarding:** Public protection will be at the centre of all of our activities. Our work will be designed around and measured against the benefits we can bring to the public.
- **Stakeholders:** We will have open and effective relationships that will enable us to work in the public interest.
- **Staff:** Our staff will have the skills, knowledge and supporting systems needed to help us provide excellent services to the public and the people that we regulate.

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

The accounts are prepared in accordance with the Accounts Guidance received from the Privy Council which requires the accounts to be prepared in accordance with the Statement of Recommended Practice Accounting and Reporting (SoRP) by Charities and that the accounts also comply with the applicable Accounting Standards issued or adopted by the Accounting Standards Board.

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.

The law applicable to charities registered in England and Wales and Scotland requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of the charity's affairs and of the incoming resources and application of resources of the charity for that period. In preparing these accounts they are required to:

- observe the applicable accounts directions issued by the Privy Council
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SoRP
- make judgments and estimates on a reasonable basis
- prepare the accounts on a going concern basis unless it is inappropriate to presume the Council will continue in operation
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.

The Council and its Chief Executive and Registrar are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council and enable them to ensure that the accounts comply with the Charities Act 1993, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Nursing and Midwifery Order 2001. They are also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Privy Council has appointed the Chief Executive and Registrar of the Nursing and Midwifery Council as Accounting Officer for the Nursing and Midwifery Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which 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.

Professor Tony Hazell
Chair, Nursing and Midwifery Council

24 June 2011

Statement on internal control for the year ending 31 March 2011

Scope of responsibility

As Accounting Officer and Chair of the Council, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Nursing and Midwifery Council's (NMC) policies, aims and objectives, whilst safeguarding the public funds and assets for which we are personally responsible.

The post of Chief Executive and Registrar of the NMC carries with it the responsibility of Accounting Officer. The Chief Executive and Registrar is responsible for the execution of the Council's obligations under the Nursing and Midwifery Order 2001 and is accountable to the Privy Council and the NMC.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level which is consistent with the NMC's risk appetite and enables the NMC to achieve its policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise risks to the achievement of the NMC's policies, aims and objectives. The risk management system is designed to evaluate the likelihood of those risks being realised and the impact thereof and to put risk treatment in place to manage them efficiently, effectively and economically. A system of internal control has been in place in the NMC for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

Handling risk

The risk management process has changed this year, in line with the NMC's fit for purpose review and governance re-structure. The higher risks are now periodically scrutinised by the new Corporate Leadership Board (CLB) (which replaces the previous Executive Management Board (EMB)), and the Audit Committee (Audit, Risk and Assurance Committee until December 2010). The risk framework in place across the organisation includes guidelines for the identification, quantification and management of risk. Each director is responsible for managing the risks in their particular area. Individual registers are maintained for projects and programmes, with directors acting as sponsors for the projects in their areas and taking responsibility for escalating any significant project risks to the corporate risk register. Low risks are recorded and there is an escalation process in place where the highest risks are escalated to the corporate risk register. The Audit Committee monitors an annual plan to maintain risk management. Council regularly monitors the strategic and highest operational risks to the organisation; the corporate risk register is reviewed at every other meeting and the full risk register is posted on the Council members' extranet fortnightly.

The system includes:

- a corporate risk register and project registers
- regular meetings between the Governance team and individual managers, to discuss risk
- regular discussion of risk at directorate team meetings (confirmed by the Governance team)
- risk awareness training for support staff
- guidance and advice through the Governance department.
- incident management policies; the Governance department monitor incidents for trends and possible risks. Currently a new incident policy is being developed.
- Lessons learnt reports are available for each major project/incident.

The risk and control framework

Council agreed the NMC's risk appetite in July 2010. The NMC attitude to risk is cautious in most areas but averse in respect of issues surrounding public protection, financial impact, health and safety, security of sensitive data and safeguarding public confidence.

A strategic context report, highlighting the longer term strategic risks compromising goals outlined in the management plan, was periodically discussed at Council during the year.

A risk maturity audit was carried out this year by the internal auditors. They found the NMC's risk management to be 'risk defined', i.e. an appropriate risk framework is in place, with risks and mitigations being recorded, however, full reliance cannot be placed on risk management to flag risk issues or to ensure that risk issues are mitigated to the extent desired. The recommendations in the risk maturity audit were incorporated into the new risk framework.

The system of internal control is based on a framework of regular management information, segregation of duties, and a system of delegation and accountability. The Audit Committee oversees a strategic programme of internal audit which reviews the internal controls of key activities within the organisation. The committee receives regular audit reports and progress against plans.

The risk and control framework includes:

- a Council which meets to consider the plans and the strategic direction of the NMC
- a governance process which includes a scheme of delegation, together with standing orders of Council and codes of conduct for members
- a strategic business plan devised by the CLB and agreed and monitored by the Council
- directorate and project budgeting processes with an annual budget which is monitored and reviewed by the CLB and agreed by Council
- a system of measuring performance through key performance indicators
- financial regulations with clearly defined procedures for the authorisation and control of items of revenue and capital expenditure
- a recently introduced information security policy with workshops and training for all staff.

Review of effectiveness

As the Accounting Officer and the Chair of the Council, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of the Governance department, our internal auditors PKF (UK) LLP and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework. Our review is also informed by the findings in the Council for Healthcare Regulatory Excellence (CHRE) annual performance review. We consider and act upon comments made by the external auditors in their management letters and reports. The internal auditors work to an annual plan agreed by the Audit Committee and report to the committee on a quarterly basis. Following an audit, recommendations are made for continuous improvement and progress is monitored by CLB on a two monthly basis. We have been advised and supported by CLB and the Audit Committee during the year.

Last year we implemented accident and incident policies to learn from incidents and to ensure a system of continuous improvement. However, it became apparent that staff were insufficiently aware of these policies and that they could be further developed. Therefore the accident and incident policies were amalgamated and a project group has been working on a new process for recording incidents, which will be widely disseminated.

Internal audits have been carried out in the following areas: governance; risk management; data security management; financial systems; FtP panellists; registrations testing and assessment; midwifery and website controls.

Our review of the effectiveness of the system of internal control includes:

- periodic reports from the Chair of the Audit Committee, to the Council
- a three year strategic internal audit plan, devised to target higher risk areas and which has been agreed and monitored by the committee
- an outsourced internal audit function which operates under the management of the Governance department and reports into the Audit Committee
- regular progress reports against plans and regular internal audit reports for discussion
- management action plans where enhancements to control systems are identified and progress is monitored by CLB and the Audit Committee
- an annual report on the effectiveness of the systems of internal control under review.

The main risks facing the NMC in 2010-2011 were risks concerning:

- failure to deliver process improvements to Fitness to Practise quickly enough to prevent inadequate operation of statutory function; i.e. data security errors; inconsistent case handling, leading to inconsistent decision making and increased backlog of cases
- risks to safeguarding of patients and the public if individuals enter the register through unapproved training programmes
- the impact of EU legislation on recognition of qualifications from EU trained nurses and midwives. This was particularly in relation to the provision of aptitude tests and adaptation programmes.

Significant internal control issues

The main area experiencing significant internal control issues is Fitness to Practise. A new Director of Fitness to Practise was appointed in August 2010 and has been leading a comprehensive review of all FtP processes. This review takes into account all recommendations from the July 2010 CHRE audit of the first stage of our fitness to practise procedures. Progress is monitored through a Fitness to Practise action plan which is discussed weekly by the FtP senior management team and overseen by Council. We are confident that progress will be achieved in 2011-2012.

Professor Tony Hazell
Chair, NMC
24 June 2011

Professor Dickon Weir-Hughes
Chief Executive and Registrar, NMC
24 June 2011

Independent Auditors' Report to the Nursing and Midwifery Council

We have audited the financial statements of Nursing and Midwifery Council for the year ended 31 March 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Council, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Council and auditor

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

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 43 of the Charities Act 1993 and report to you in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2011 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where Section 24 of the Charities (Accounts and Reports) Regulations 2008 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

27 June 2011

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

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2011 under Article 52 of the Nursing and Midwifery Order 2001. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of responsibilities for Council and its Chief Executive and Registrar in respect of the accounts, the Council and Chief Executive and Registrar as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with Article 52 of the Nursing and Midwifery Order 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Nursing and Midwifery Council's affairs as at 31 March 2011 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with Article 52 of the Nursing and Midwifery Order 2001 and Privy Council's directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Privy Council's directions made under Article 52 of the Nursing and Midwifery Order 2001; and
- the information given in the Financial Review, Structure, Governance and Management sections included within the Annual Report 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
30 June 2011

Statement of financial activities for the year ended 31 March 2011

		Un- restricted funds 2011	Restricted funds 2011	Total funds 2011	Total funds 2010
	Note	£'000	£'000	£'000	£'000
Incoming resources					
Incoming resources from charitable activities:					
• Fee income	3	51,397	-	51,397	51,095
Incoming resources from generated funds:					
• Investment income	2	876	-	876	486
• Trading income	4	5	-	5	77
• Grant (Dept of Health)	27	-	189	189	50
Total incoming resources		52,278	189	52,467	51,708
Resources expended					
Charitable activities	5	37,518	205	37,723	29,849
Governance costs	6	3,771	-	3,771	3,274
Costs of generating funds:					
• Costs of generating trading income	8	-	-	-	19
Other resources expended:					
• Communications and public engagement	7	3,222	-	3,222	3,596
Total resources expended		44,511	205	44,716	36,738
Net incoming/(outgoing) resources from operations		7,767	(16)	7,751	14,970
Other recognised gains					
Unrealised gain/(loss) on revaluation of fixed assets	15	-	-	-	1,510
Net movement in funds		7,767	(16)	7,751	16,480
Reserves brought forward		41,957	371	42,328	25,848
Total funds carried forward		49,724	355	50,079	42,328

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 41 to 59 form part of these accounts.

Balance sheet as at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	15	<u>17,177</u>	<u>18,566</u>
Total fixed assets		<u>17,177</u>	<u>18,566</u>
Current assets			
Debtors	17	1,204	596
Short-term deposits	24	66,500	54,000
Cash at bank and in hand	24	<u>3,747</u>	<u>6,244</u>
Total current assets		71,451	60,840
Current liabilities			
Creditors (amounts falling due within one year)	18	<u>(38,431)</u>	<u>(36,978)</u>
Net current assets		<u>33,020</u>	<u>23,862</u>
Total assets less current liabilities			
Creditors (amounts falling due after more than one year)	19	(118)	(100)
Net assets		<u>50,079</u>	<u>42,328</u>
Restricted funds	27	355	371
Unrestricted funds		<u>49,724</u>	<u>41,957</u>
Total funds		<u>50,079</u>	<u>42,328</u>

The notes on pages 41 to 59 form part of these accounts.

Professor Tony Hazell
Chair, NMC
24 June 2011

Professor Dickon Weir-Hughes
Chief Executive and Registrar, NMC
24 June 2011

Cash flow statement for the year ended 31 March 2011

	Note	£'000	2011 £'000	£'000	2010 £'000
Net cash inflow from operating activities	23		10,107		16,128
Returns on investment and servicing of finance					
Interest received	2	876		486	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	15	(980)		(1,647)	
			(104)		(1,161)
Increase in cash in the year			10,003		14,967

The notes on pages 41 to 59 form part of these accounts.

Notes to the accounts

1 Accounting policies

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

a) Accounting convention

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

b) Fixed assets

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

Equipment	- 3 years
Furniture	- 10 years
Refurbishment - 23 Portland Place	- 10 years
Leasehold premises - 23 Portland Place	- 50 years
Leasehold premises - 61 Aldwych	- 10 years (over the life of the lease)
Leasehold premises - Edinburgh	- 10 years (over the life of the lease)
IT projects	- 3 years

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

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

c) Resources arising – income

Investment income

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

Income from charitable activities

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

Trading income

Trading income is recognised in the statement of financial activities when receivable. Trading income arose from advertising in *NMC News*.

d) Allocation of costs

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

Charitable activities

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

Governance costs

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

Other expenditure

Other expenditure is analysed under the following two headings:

Communications and public engagement

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

Cost of generating funds

This cost related to expenditure on trading activities which consisted of securing advertising in *NMC News*.

e) Development costs

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

f) Fund accounting

The Council maintains various types of funds as follows:

i) Restricted funds

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

ii) Unrestricted funds

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

g) Leased assets

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

h) Pension costs

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

2 Investment income

	2011 £'000	2010 £'000
Interest receivable		
• from deposits at banks	876	486
	<u>876</u>	<u>486</u>

3 Fee income

	2011 £'000	2010 £'000
Periodic fees	50,752	50,516
Registrations	509	396
Verifications	129	177
Replacement of Pin cards	7	6
	<u>51,397</u>	<u>51,095</u>

4 Other income

	2011 £'000	2010 £'000
Trading income		
NMC News	5	77
	<u>5</u>	<u>77</u>

5 Charitable activities

	Unrest- ricted £'000	Restrict- ed £'000	2011 £'000	2010 £'000
Standards promotion and policy development	3,351	205	3,556	2,519
Education	1,659	-	1,659	1,540
Maintaining the register	6,400	-	6,400	5,467
Fitness to practise	26,108	-	26,108	20,323
	<u>37,518</u>	<u>205</u>	<u>37,723</u>	<u>29,849</u>

These costs include direct costs (as in note 10), staff costs and related overheads.

6 Governance costs

	2011 £'000	2010 £'000
Members' allowances, travel and subsistence	309	282
Auditors' remuneration - audit fees - haysmacintyre	23	22
Auditors' remuneration - audit fees – NAO	5	5
Allocation of operating costs (inc. salaries) (note 1d)	3,434	2,965
	<u>3,771</u>	<u>3,274</u>

7 Other expenditure – communications and public engagement

	2011 £'000	2010 £'000
Conferences, seminars and publicity	209	156
NMC newsletter <i>NMC News</i>	-	976
Communications	86	65
Printing of NMC publications	939	557
Allocation of operating costs (inc. salaries) (note 1d)	1,988	1,842
	<u>3,222</u>	<u>3,596</u>

8 Other expenditure – cost of generating funds

	2011 £'000	2010 £'000
Trading expenditure	-	19
	<u>-</u>	<u>19</u>

9 Charitable activities costs

	Staff costs £'000	Depre- ciation £'000	Other costs £'000	Total 2011 £'000	Total 2010 £'000
Charitable activities:					
• Standards promotion and policy development	1,902	214	1,440	3,556	2,519
• Education	478	71	1,110	1,659	1,540
• Maintaining the register	3,668	681	2,051	6,400	5,467
• Fitness to practise	7,132	1,088	17,888	26,108	20,323
Governance costs	2,521	132	1,118	3,771	3,274
Other expenditure:					
• Communications and public engagement	1,188	183	1,851	3,222	3,596
• Trading expenditure	-	-	-	-	19
	<u>16,889</u>	<u>2,369</u>	<u>25,458</u>	<u>44,716</u>	<u>36,738</u>

10 Analysis of direct costs

	Direct costs £'000	Support costs £'000	Total 2011 £'000	Total 2010 £'000
Cost of generating funds:				
Costs of generating trading income	-	-	0	19
Charitable activities:				
• Standards promotion and policy development	2,902	654	3,556	2,519
• Education	1,441	218	1,659	1,540
• Maintaining the register	4,313	2,087	6,400	5,467
• Fitness to practise	22,776	3,332	26,108	20,323
Sub-total charitable activities	<u>31,432</u>	<u>6,291</u>	<u>37,723</u>	<u>29,849</u>
Governance	3,366	405	3,771	3,274
Communications and public engagement	2,661	561	3,222	3,596
Total	<u>37,459</u>	<u>7,257</u>	<u>44,716</u>	<u>36,738</u>

11 Analysis of support costs

Support cost	Standards promotion and policy development	Education	Maintaining the register	Fitness to Practise	Governance	Communications and public engagement	Total 2011	Total 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Facilities	56	19	180	287	35	48	625	571
Finance	135	45	432	690	84	116	1,502	1,465
HR	106	35	337	538	65	91	1,172	891
ICT	357	119	1,138	1,817	221	306	3,958	2,325
	654	218	2,087	3,332	405	561	7,257	5,252

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

12 Total resources expended by natural classification

	2011 £'000	2010 £'000	Details (see next page)
Salaries and associated costs	16,889	14,456	1
Other staff expenses	735	743	
Premises	1,920	1,809	
Insurance	77	81	
Sundry, furniture, equipment and maintenance	126	165	
Hire of equipment	7	24	
Fitness to Practise	13,953	10,752	2
Depreciation	2,369	1,871	3
Catering for fitness to practise hearings and meetings at 61 Aldwych	159	141	
Canteen - 23 Portland Place	251	243	
Quality assurance of education cost	881	874	
Local Supervisory Authority review cost	39	49	
Professional fees	2,082	1,078	4
Auditors' remuneration - audit fees	23	22	
Auditors' remuneration - audit fees (NAO)	5	5	
IT development and support	1,415	401	5
Postage	560	567	
Printing and stationery	801	787	
Advertising and recruitment	378	175	6
Conferences, seminars and publicity	209	162	
NMC newsletter NMC News	-	976	7
Printing of NMC publications	939	557	8
Members' allowances, travel and subsistence	309	282	
Committee costs	149	136	
Other support costs	440	382	9
Total resources expended	44,716	36,738	

Additional details for note 12

1 Salaries and associated costs

Investment in staff resource increased in 2010-2011 following the fit for purpose review of our organisational structure, with additional resource being directed in a number of areas. In particular, there was a substantial reorganisation of the Fitness to Practise directorate's structure and working practices. There has also been increased staff investment in the NMC Standards and Policy directorate and the Education directorate, to support the delivery of proactive regulation.

Additional resource was also engaged to support the delivery of a number of ICT projects, including the transition to the outsourced hosting and support of the ICT infrastructure, and ongoing enhancements and updates to our case management system, registrations system, and back office systems.

2 Fitness to practise

Please refer to pages 8-10 for details of fitness to practise activity in the year. The increase in costs was aligned with the increased investigation and hearing activity undertaken in the year.

3 Depreciation

Increased depreciation charges are due to a full year of depreciation of the capital investment in the Fitness to Practise case management system in 2010-2011, following its capitalisation in January 2010. There have also been additional charges following increased investment in the ICT infrastructure which has been required to modernise working practices and ensure IT systems and processes are fit for purpose.

4 IT development and support

The increase is due primarily to the costs of the contract for the outsourced hosting and support of our core ICT infrastructure, from August 2010. This will provide us with a more flexible, cost effective and resilient service. In addition, there were increased costs of software and hardware maintenance, to support the increased capital investment in systems such as the case management system, which had been implemented during the prior year.

5 Professional fees

An increased level of external professional and legal expertise was required in 2010-2011 to support a number of NMC key projects, including raising and escalating concerns, the delivery of EU aptitude tests and adaptation programmes, the evaluation of the effectiveness of midwife teachers in practice, the review of pre-registration nursing, improvements to customer experience and web development.

6 Advertising and recruitment

The level of recruitment activity increased in 2010-2011, to fill the additional roles required in Fitness to Practise and the directorates driving proactive regulation. In addition, there have been a number of recruitment exercises in the year for senior appointments.

7 NMC newsletter *NMC News*

Publication of *NMC News* ceased during 2009-2010, following a review of its effectiveness and value for money. Investment has been redirected into a diverse range of alternative and targeted communications with nurses and midwives using a variety of media.

8 Printing of NMC publications

The increase reflects the alternative publications produced for nurses and midwives following the cessation of *NMC News*. For instance, *NMC Update* is now produced on a monthly basis and distributed to nurses and midwives as part of their registration packs. There were increased publication and distribution costs in May 2010 for *Fit for you*, a mailshot designed to capture the communication preferences of all nurses and midwives, and for *Raising and escalating concerns: Guidance for nurses and midwives*, a copy of which was sent to everyone on the register in November 2010.

9 Other support costs

Other support costs include the costs of providing or facilitating services to nurses and midwives. They include such costs as: general communication and financing charges.

13 Information regarding employees

	2011 £'000	2010 £'000
Salaries and associated costs		
Wages and salaries ³		
• Management	754	578
• Administration	9,386	8,574
Social security costs:		
• Management	79	63
• Administration	794	721
Pension costs - present staff (note 21):		
• Management	164	117
• Administration	2,496	2,194
Pension costs - retired staff of previous organisations (note 21)	25	29
Temporary staff	<u>3,191</u>	<u>2,180</u>
	<u>16,889</u>	<u>14,456</u>

The aggregate remuneration of directors during the year was as follows:

Salary bands (£)	2011 Number of staff	2010 Number of staff
10,001 - 20,000	1	0
50,001 - 60,000	1	0
60,001 - 70,000	1	0
70,001 - 80,000	1	1
80,001 - 90,000	1	2
90,001 - 100,000	1	3
100,001 - 110,000	2	0
140,001 – 150,000	1	0

³ Please refer to note 12, detail 1

Total accrued pension at 60 at 31 March 2011	2011 Number of staff	2010 Number of staff
(£)		
0 - 5,000	5	3
5,001 - 10,000	2	2
10,001 - 15,000	2	1

All the above employees are ordinary members of the NMC pension scheme which is administered by Premier Pensions (scheme registration number 101652586).

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 three percent per annum. On death in service where there is a surviving spouse, a pension equal to 1/160 of pensionable salary is also payable, for each year of service which the member could have completed to normal pension age.

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

In addition to the above, there were ten (2010: eight) members of staff whose remuneration fell in the following bands:

	2011 Number of staff	2010 Number of staff
£60,001 - £70,000	6	6
£70,001 - £80,000	3	0
£80,001 - £90,000	0	2
£90,001 - £100,000	1	0

The average number of employees in the year was 286 (management eight and administration 278) and in the previous year was 267 (management six and administration 261).

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

	2011	2010
	£	£
S Williams	2,001 – 2,500	2,001 - 2,500
S Atkinson	1,001 – 1,500	1,001 - 1,500
R Thompson	3,501 – 4,000	3,501 - 4,000

14 Taxation

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

15 Tangible fixed assets for use by the charity

	Furniture	Equipment	Building refurbishment	Long leasehold premises Note 1	Building 61 Aldwych	IT projects CMS and ITP Note 2	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
1 April 2010	297	1,802	5,610	9,772	1,770	3,429	22,680
Additions during year	19	921	77	-	-	(37)	980
Disposals	-	(2)	-	-	-	-	(2)
31 March 2011	<u>316</u>	<u>2,721</u>	<u>5,687</u>	<u>9,772</u>	<u>1,770</u>	<u>3,392</u>	<u>23,658</u>
Depreciation:							
1 April 2010	109	1,377	1,632	0	220	776	4,114
Charge for year	32	253	567	195	178	1,144	2,369
Disposals	-	(2)	-	-	-	-	(2)
31 March 2011	<u>141</u>	<u>1,628</u>	<u>2,199</u>	<u>195</u>	<u>398</u>	<u>1,920</u>	<u>6,481</u>
Net book value							
31 March 2011	<u>175</u>	<u>1,093</u>	<u>3,488</u>	<u>9,577</u>	<u>1,372</u>	<u>1,472</u>	<u>17,177</u>
Net book value							
31 March 2010	<u>188</u>	<u>425</u>	<u>3,978</u>	<u>9,772</u>	<u>1,550</u>	<u>2,653</u>	<u>18,566</u>

15 Tangible fixed assets for use by the charity – continued

The UKCC (the NMC's predecessor body) acquired the leasehold interest in 23 Portland Place, London W1B 1PZ from the General Nursing Council for England and Wales at nil cost. The lease expires in the year 2933. The lease was valued as at 31 March 2010 on an existing use basis, inclusive of the refurbishment, by external valuers Drivers Jonas, at £13,750,000. It should be noted that due to the restrictive user clause the lease is un-assignable.

The IT projects category includes the Fitness to practise case management system and the ICT infrastructure upgrade, which were completed during 2009-2010.

The following capital projects were started during the year:

- An upgrade of the NMC's back office systems
- The transition of the NMC's ICT infrastructure to an outsourced supplier
- The refit of leased office premises at Clarendon House, 114-116 George Street, Edinburgh

16 Related party transactions

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

During the period 1 April 2010-31 March 2011 the Chair of Council was paid £48,000 (2009-2010: £48,000).

During the year, allowances and travel and subsistence expenses of £309,000 (2009-2010: £282,000) were paid to members of the Council.

All Council members were paid directly via NMC payroll.

Details of amounts paid to individual Council members are set out in the remuneration report on page 21.

The total amount due to Council members at 31 March 2011 was £1,836 (2009 - 2010: £4,620)

An accrual of £24,394 (2009-2010: £17,249) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

17 Debtors

	2011	2010
	£'000	£'000
Other debtors	109	155
Prepayments and accrued income	1,095	441
	<u>1,204</u>	<u>596</u>

18 Creditors

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Other creditors and accruals	8,520	7,670
Other taxes and social security	387	317
Deferred income - periodic fees for 2009-2010	-	28,991
Deferred income - periodic fees for 2010-2011	29,524	-
	<u>38,431</u>	<u>36,978</u>

19 Creditors

	2011	2010
	£'000	£'000
Amounts falling due after more than one year		
Deferred income - periodic fees for 2010-2011	-	100
Deferred income - periodic fees for 2011-2012	118	-
	<u>118</u>	<u>100</u>

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

20 Charitable status

On 27 March 2002 the NMC was registered in the Central Register of Charities (charity no. 1091434). In view of this a rate relief has been allowed by the City of Westminster. There are also tax benefits because of this status (note 14). On 18 June 2007 the NMC was registered with the Office of the Scottish Charity Regulator (no. SC038362).

21 Pension commitments

The NMC participates jointly with the Department of Health, NHS Education for Scotland, and the National Assembly for Wales in a pension scheme administered by Premier Pensions (scheme registration number 101652586). The scheme, to

which approximately 50 percent of the NMC's employees belong, is a funded, defined benefit scheme.

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

The latest completed valuation of the scheme was carried out by Mercer Limited as at 31 March 2007, using the projected unit method of valuation. At the date of the valuation the market value of the fund of the scheme was £60.7 million (excluding annuities purchased to meet pension benefits). The actuarial value of the assets represented 77 percent of the value of the benefits, which had accrued to members after allowing for expected future increases in earnings and pensions. The past service shortfall of assets is being amortised over 10 years. The main assumptions used in the valuation were a real return on investments above salary increases of one percent per annum and above pension increases of two percent per annum.

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

	2011	2010
	£'000	£'000
NMC's (employer's) contributions to all schemes made in year	2,660	2,311
	2,660	2,311
NMC's (employer's) contribution	24.1 %	24.1%
Employees' contribution	6.0 %	6.0%

If the scheme had discontinued on the valuation date (31 March 2007), the assets would have been approximately 63 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.

Following the actuarial valuation of the scheme at 31 March 2007, all participants of the scheme agreed to an increase in contributions to the scheme from 1 August 2008. It is expected that the new higher contributions will mean a gradual improvement in the funding level of the scheme, so that at the end of 10 years from the valuation date the funding level will have reached 100 percent based on current actuarial assumptions.

A valuation of the scheme was carried out by Premier Pensions as at 31 March 2010. The results of the valuation and the impact on future scheme funding are currently the subject of discussion between the pension scheme administrators, the pension scheme trustees and the employers.

Accounting standard, FRS 17: No provision relating to NMC's share of the total scheme deficit of £18.3 million as at the time of the latest actuarial valuation (31 March 2007) is included within the accounts at the end of the year, as it is a multi-employer scheme and the NMC is unable to identify its share of the underlying assets and liabilities.

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

The NMC meets the cost of unfunded pension increases provided to pensioners of predecessor organisations who are not members of the NMC pension scheme. These costs are met on a pay-as-you-go basis and are charged to the SOFA as they arise. In 2010 – 2011 this expenditure amounted to £24,686 (2009 – 2010: £28,903).

22 Capital commitments

At 31 March 2011, there was no capital expenditure that was approved but not contracted for, nor any capital expenditure that had been contracted for but that had not been provided for in the financial statements.

23 Reconciliation of net incoming resources to net cash flow from operating activities

	2011	2010
	£'000	£'000
Net incoming resources from operations	7,751	14,970
Investment income	(876)	(486)
Depreciation charges	2,369	1,871
(Increase) in debtors	(608)	(165)
Increase /(Decrease) in creditors and provisions	1,471	(62)
Net cash inflow from operating activities	10,107	16,128

24 Reconciliation of net cash flow to movement in net funds

	2011	2010
	£'000	£'000
Increase in cash in year	10,003	14,967
Net funds at 1 April	60,244	45,277
Net funds at 31 March	70,247	60,244

25 Analysis of changes in net funds

	1 Apr 10	Cash flows	31 Mar 11
	£'000	£'000	£'000
Cash at bank and in hand	60,244	10,003	70,247
Total	<u>60,244</u>	<u>10,003</u>	<u>70,247</u>

26 Leasing commitments

At 31 March 2011 the NMC had commitments for payments in the following year under non-cancellable operating leases as set out below.

	Land and buildings		Plant and machinery	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Operating leases which expire:				
• Within one year	-	-	-	9
• In the second to fifth years inclusive	-	-	6	6
• In more than five years	2,136	1,119	-	-
Annual commitment at year end	<u>2,136</u>	<u>1,119</u>	<u>6</u>	<u>15</u>

The NMC leases premises at 61 Aldwych, for the period until 10 September 2019, and at Clarendon House, 114 – 116 George Street, Edinburgh for the period until 24 April 2021.

27 Movement in restricted funds

	Balance at 1 April 2010	Income	Resources expended	Balance at 31 March 2011
	£'000	£'000	£'000	£'000
Revalidation – (i)	321	-	(63)	258
Adult safeguarding – (ii)	50	-	(50)	-
Fitness to practise data assessment – (iii)	-	189	(92)	97
Balance at 31 March	371	189	(205)	355

- i) The balance of £321,000 at 1 April 2010 related to a Department of Health contribution towards the NMC's work on revalidation. £63,000 was utilised during 2010-2011. The balance brought forward of £258,000 will be utilised in 2011-2012.
- ii) The balance of £50,000 at 1 April 2010 related to a Department of Health grant towards work on the role of the nurse in adult safeguarding. This work was completed during 2010-2011.
- iii) During 2010 – 2011 the Department of Health provided a grant of £189,000 to assess the NMC's fitness to practise data in order to develop a risk-based framework for revalidation. £92,000 was utilised in 2010-2011 and the balance brought forward of £97,000 will be utilised in early 2011-2012.

28 Net assets by fund

	General unrestricted	Restricted	Total
	£'000	£'000	£'000
Fixed assets	17,177	-	17,177
Current assets	71,096	355	71,451
Current liabilities	(38,431)	-	(38,431)
Long-term liabilities	(118)	-	(118)
Balance at 31 March 2011	49,724	355	50,079

29 Special payments

There were three special payments in the year to 31 March 2011 totalling £127,889 (year to 31 March 2010 special payments totalled less than £250,000). These payments were approved by the Remuneration Committee and ratified as appropriate and reasonable payments by HM Treasury.



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

Their Lordships make the following determination in exercise of powers conferred by article 52(1) of the Nursing and Midwifery Order 2001.⁴

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.

⁴ 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 5, 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: 22nd February 2010

Signed:

On Behalf of the Privy Council